A Guide to Gifting to Your Heirs

You might be exploring whether to gift to your heirs during your lifetime or posthumously. You might be considering this especially if you're concerned with reducing the size of your estate for any number of reasons.

Before you meet with your financial advisor, refer to this resource to guide the conversation.

The Decision to Gift

You might be looking to reduce the size of your estate because you are concerned with estate taxes. Check any of the following that apply to you:

- [ ] You own a business that you want to transfer to the next generation.
- [ ] You have rapidly appreciating assets.
- [ ] You own real estate in a booming real estate market.
- [ ] You don't need the assets to cover your current expenses, and it makes economic sense to gift to the next generation.
- [ ] You are willing to give up control of certain assets.
- [ ] The recipient of the gift is ready to receive the asset.

If you checked one or more of the above, it's time to consider gifting some assets to the next generation during your lifetime.

Keep in mind the annual gift tax exclusion, which stipulates that you can give any individual (any number of individuals) up to $16,000 a year, without paying any federal gift taxes. That figure is per person in a couple, so a married couple could potentially gift up to $32,000.

Questions to Ask Your Financial Professional

- I'm not sure if I should do start transferring some of my wealth to my kids now or wait until after death. What factors should I consider as I make that decision?
- How do I know if I can afford to gift away assets? Will I run out of money?
- Which assets should I gift?
- Should I be more concerned with estate and gift taxes or income taxes?
- Are there ways to give assets away and still retain control of those assets?

Two Steps to Evaluate Heirs

If you want to engage in planned giving to help your children or grandchildren but are concerned how they will spend the money or how it will impact their attitude toward money, you can follow two steps to encourage thoughtfulness and intention.

Step 1: Establish a goal

If you want to evaluate your heirs to see if you will give them more in the future, the first thing to do is identify your goal. Is there something specific you want to promote in the next generation? Check any of the following if you need help identifying a goal.

- [ ] Do you want to see your heirs embark on an entrepreneurial journey?
- [ ] Do you want to see the next generation engage in charitable giving?

(continued)

Step 1: Establish a goal (cont.)

- [ ] Do you want to see the next generation engaging in self-improvement, for example, pursuing a master's degree, enrolling in a certificate program in their field, or improving their skills in another area?

If none of these resonates with you, take a few minutes to write down what you might want to see your heirs do with that money:

Step 2: Communicate the goal to your heirs

After establishing a goal, communicate it to your heirs. If you are planning to give to four grandchildren, gather them together in person or on a joint call for the conversation. If your goal is to see them engage in self-improvement and charitable giving, let them know.

You can say, "I want to give you some money on a regular basis, but I want to see you improve yourself with it. I want to see you going to college, trade school, graduate school, or if you already graduated, do additional training to improve your career. I also want to see you help others. I want to see you make that a part of your way of living so that you don't take the $16,000 and spend it all on yourself."

Then let them know that you'll evaluate what they've done with the money and before the next check comes, you'll have another conversation with them.

Contact Your Professional

Your financial professional can help you identify what gifting strategy works best with your financial situation, goals and values. Reach out today to establish or update your plan.

This piece is not intended to provide specific legal, tax, or other professional advice. For a comprehensive review of your personal situation, always consult a tax or legal advisor.

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