

Estate Planning Is More Than Planning for Death

**By Matthew Crider, JD
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Part of estate planning involves deciding how much you want to give away while you're alive. Many, many people get a lot of joy from seeing their loved ones benefit from and even grow gifts. In some sense, that's infinitely more gratifying than working to put an estate plan in place and letting the gifts occur after your death. You worked for your assets, and if you know they're going to be passed on, why not enjoy the process of gifting now? It's at least worth thinking about, for the tax benefits alone if nothing else.

The Two Easiest Ways to Gift

There two very easy ways to give gifts without incurring any gift tax, which coincidentally reduces the size of your estate and your estate tax liability, if applicable. Giving gifts, in short, is a very effective double-edged sword for fighting the tax monster. The two easiest ways to give are as follows:

1. You may pay an unlimited amount of tuition and medical expenses for as many people as you want, so long as such money is paid directly to the educational or healthcare institutions, and
2. You may give up to \$13,000 annually to as many individuals as you like. If you ever give more than \$13,000 worth of cash or assets to a single individual, you must file a gift-tax return, and the amount exceeding \$13,000 will go against your lifetime gift tax credit.

If your gifts exceed the annual limit, you will be charged the applicable gift-tax rate. The good news is that the rate has been gradually decreasing, but Congress is set to address the lifetime gift-tax exclusion again in 2012, so what will happen is anybody's guess.

A Reason to Give Now

Here is one very good reason (besides enjoying the process of giving) to give now: If you exceed your gift tax exclusion within three years of dying, then your estate tax exemption is reduced by the same amount. For example, if you give one person \$113,000 in one gift two years before you die, then your estate tax exemption will be reduced by \$100,000. That's a very good reason to act right now, unless you happen to know exactly when you're going to die!

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Charitable Gifts

Giving to charity is another option that can help reduce estate taxes and, at the same time, allow you to make a difference in the world. You have four options in this realm.

1. Give directly to a charity that you believe in.
2. Contribute to a charitable gift fund. These are like IRA's in that you make a contribution (which is tax-deductible), grow the money tax free, and then direct it to the charity of your choosing.
3. Donate to a foundation that pools donations and then allocates grant money to local charities or causes that you designate.
4. Set up a charitable trust. These either allocate income to a charity or cause of your choosing and the principal to your heirs or vice versa.

Speaking of Gifts

All this talk of gifts has us thinking. We can help you determine whether or not gifting is a good option for you and whether it makes sense from a tax perspective. To that end, we are offering you a gift: For a very limited time (i.e. until our calendar is full), we will meet with you and provide you with a free Family Wealth Planning Session™. We normally charge \$750 for these sessions, so the free slots will go quickly. To take advantage of this offer, please call our office and mention this article by name.

About Matthew Crider, J.D.

Matthew Crider formed [Crider Law PC](http://www.criderlaw.net) in 1999 so he could help individuals and business owners by providing creative solutions and be their trusted advisor and legal counselor. He serves his clients by listening closely to their goals, dreams and concerns and working with them to develop superior and comprehensive estate and asset protection plans. His estate planning practice focuses on preserving and growing wealth by providing comprehensive, highly personalized estate planning counsel to couples, families, individuals and businesses.

