Lifetime gifting

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Considerations when sharing wealth with family and friends

Getting a grasp on gifting basics

Few financial topics present a more varied array of challenges than gifting, the practice of giving away one's money while still alive. For one, it's complex, often bound up with a number of consequential financial issues that demand holistic solutions. From income needs to inheritance to philanthropy to estate planning to small business succession, gifting can impact many aspects of a client's financial life. Second, it's typically tinged (or worse) with the emotions that color our closest relationships. Questions of need, fairness, control, philanthropy and legacy can all factor into the gifting equation.

A basic grasp of common gifting strategies and vehicles together with a thoughtful plan can have a big impact not just on those receiving the gift, but on those doing the giving.

Importantly, although charitable giving may be a more common topic, this guide is focused exclusively on non-charitable gifting to family and loved ones – helping make sense of it all by laying out some key terms, explaining some common gifting structures and vehicles and outlining five important steps when building a gifting plan.

Together with help from your financial advisor or estate planner, you can begin building or refining your gifting strategy.

Contents

1 | Why gift now?

It's often assumed that gifting and inheritance go hand in hand – activities set in motion by the death of the person doing the giving. But that need not be the case. For those seeking to witness the impact of their giving or committed to helping loved ones with immediate financial needs, there are many ways to accelerate that inheritance and "give while you live."

A sound gifting plan begins with the following question: Is the donor in a financial position to give? As with other major financial decisions, the choice to give must be part of a holistic financial plan and must not put the donor at risk.

Having settled that question, the planning can begin, balancing the priorities and objectives of the donor with the needs of potential recipients and the tax implications of various actions.

Questions to consider

- Have you analyzed the pros and cons of giving while living versus giving upon death?
- How are you ensuring that your gifting plan doesn't undermine your own financial security?
- What are the priorities guiding your gifting and the values that you hope your gifting will instill and perpetuate?

Looking beyond the obvious reasons for gifting while alive

There are many reasons why those who have built wealth are eager to give it away. For one, it's the "feel-good" estate planning strategy that enables donors to see their generosity in action. But there are other benefits – some less obvious than others – that warrant consideration when developing your gifting strategy.

Spreading the wealth: Whether it's a down payment on a house, money for a dream vacation or added financial cushioning for a rainy day, gifting can help transform the finances of those close to you today rather than down the road.

Mitigating taxes: Gifting can be an effective way to move money out of a taxable estate and different vehicles allow donors to fine tune things like retained control and income tax implications.

Creating guardrails: Through the choices you make – and the ones you don't – you're stipulating who controls your assets and signaling your preferences and priorities.

Supporting education and health: Contributing directly to a loved one's higher education costs or medical expenses can enable directed gifts to be made in a tax efficient way.

Promoting financial literacy and stewardship: You can use smaller gifts now to assess the fiscal tendencies and money management habits of your loved ones.

Securing your legacy: Thoughtful distribution of your wealth can enable loved ones to build on your personal legacy and the values you hope to instill with that wealth.

2 | What are some important tax implications for giving?

When it comes to gifting, multiple tax types come into play. As laws have changed, so has their impact but it's important to consider the following when developing your gifting strategy:

Gift and estate taxes

A gift, according to the IRS, is a transfer of any type of property (cash, real estate, stock or business ownership, etc.) from one individual to another in which the donor does not receive equal value in return. You can make such gifts whenever and in whatever amount you choose. The question is, what are the tax consequences of doing so and how can you work to mitigate them?

The gift tax and estate tax are often mentioned in the same breath but they are not the same thing. Whereas the estate tax is applied to transfers at death, the gift tax applies to transfers during life. Gift taxes can be high, ranging from 18% up to 40% — and function as a kind of "backstop" tax that prevents people from giving away their money during life to avoid the estate tax at death.

Yet for a number of reasons, even sizable gifts may not come with a gift tax bill. That's why understanding the tax rules governing both gifts and estates is key to mitigating taxes.

The lifetime gift exemption is the amount of assets that can be transferred during one's lifetime without incurring gift or estate taxes. This exemption covers both transfers during life (gifts) and transfers at death. For 2025, the lifetime gift exemption is $13.99 million ($27.98 million for a married couple).

Importantly, the 2025 One Big Beautiful Bill Act ("OBBBA") significantly increased the lifetime gift exemption to $15 million ($30 million for a married couple) starting in 2026 and eliminated the so-called sunset provision that would have caused the exemption to revert to its pre-2018 level of approximately $7 million/person. The exemption amounts will continue to be indexed for inflation, meaning that it will increase annually in accord with inflation. As a result, fewer people may be affected by gift taxes.

Gifts made during one's lifetime and upon death are combined and applied against that lifetime exemption amount, but there are some important exemptions:

The annual gift tax exclusion allows an individual to give away up to a certain amount per person, per year without the donor or

A matter of life and death

When considering whether to gift during life or upon death, it's important to understand that gifts given while donors are alive are combined with gifts given through their estate upon their passing — in IRS parlance "unified" — and collectively applied against the lifetime gift tax exemption. So, for example, if the lifetime gift tax exemption is $15 million and an individual gifts $5 million while alive, then $10 million of their estate would remain exempt from estate tax.

the recipient incurring any taxes upon the transfer of the gift. That amount is $19,000 ($38,000 for a couple) in 2025 and 2026. There is no limit to the number of people who can receive those gifts. Best of all, if individual gifts fall on or below the annual gifting threshold, they do not count against your lifetime gift exemption.

Other exceptions include certain types of gifts that are not subject to the gift tax and don't eat into an individual's annual exclusion or lifetime exemption. For example, the direct payment of another's medical or tuition expenses (in any amount), gifts to qualified charitable organizations and gifts to spouses who are U.S. citizens are generally exempt from gift tax.

Income taxes

Your personal income tax return may look very different following the gift. First and foremost, the income associated with the gifted asset won't belong to you but to the recipient of the gift. So will the resulting income tax liability and any related deductions and credits. Exceptions exist, as certain types of trusts and gifting vehicles provide options in terms of how income is reported and who pays taxes on it. So before making the gift, working with your advisor and estate planning specialist to determine the income tax implications to yourself and the recipient is crucial.

Carryover vs. stepped-up basis: One consideration of gifting assets while living concerns capital gains taxes. That's because some gifts carry with them the donor's original cost basis. For example, gifting someone a stock you bought at a low price that has significantly appreciated would result in an income tax liability to the recipient if they sold it and reaped the capital gain. Gifting an asset with built-in gain can effectively transfer the future income tax liability to the recipient.

By contrast, asset transfers upon death generally qualify for a "stepped-up" basis for the transferred asset. So instead of being valued at the purchase amount, the asset is reset to its fair market value as of the date of the donor's death. Most importantly, if the recipient then sells the asset, the taxable gain will be far less than if the asset had been gifted during the donor's lifetime.

Accordingly, if you are gifting an asset with a substantial built-in gain, it's important to weigh the benefits of making the gift now against the loss of the potential step-up in basis upon death.

Questions to consider

- Given your overall holdings and net worth, do you expect the gift/estate tax to be a factor?
- When gifting income generating assets, who will be responsible for the taxes on the income?
- Which of your assets, if gifted to and sold by recipients, would carry the lowest capital gains tax burden?

3 | What and how can you give?

When thinking about what and how to give, a number of considerations come into play. Evaluating assets according to these five dimensions can help you determine the potential benefits to both the donor and recipients, and whether and when an asset can or should be gifted.

Liquidity: How easy is it to transfer the asset to be gifted? And how easy is it for the recipient to sell the asset once it's been received? For example, cash is obviously the most liquid of all assets but is not always the tax-efficient asset to give and/or it may not meet the donor's desire for some level of ongoing control.

Tax efficiency: Tax consequences differ from asset class to asset class and can also vary significantly within asset classes. For example, a donor gifting highly appreciated stocks while alive passes along the embedded capital gain to the recipient. And if the recipient sells the stock and reaps the gain, they'll face taxes on it. By contrast, passing along appreciated stock upon death allows the recipient to "re-set" the stock to its current market value which spares the beneficiary tax on appreciation that took place before they inherited the stock. Knowing the potential tax consequences before making a gift is important.

Ease of transfer: Sometimes, handing over assets is as simple as writing a check or reassigning stock certificates. More complex cases such as the transfer of interests in limited partnerships or intellectual property may require consents, votes and additional documentation, or encounter procedural hurdles that may necessitate input from specialists.

Ease of valuation: Cash is valued at face value and publicly traded stock prices every day. That's not the case for things like shares in a privately held company or jewelry and collectibles. Valuing such assets can be complex and expensive but doing so is important when it comes to taxes as well as fairness to beneficiaries. Donors and recipients should be aware of the challenges and have a plan for shouldering the costs of valuing the assets.

Discounting: Discounting is an estate planning tool in which the taxable value of a gift can be reduced based on factors such as lack of marketability or lack of control. For example, a 10% non-controlling interest in a $10 million closely held private company might, for gift tax purposes, be worth less than $1 million if an independent appraisal determines that a lack of marketability or control makes it so. Gifting discounted assets can be a very effective use of the lifetime exemption.

Asset types

Cash

Publicly traded securities such as stocks, bonds and mutual funds

Real estate

Life insurance

Art, jewelry and collectibles

Closely held business interests

Interests in family limited partnership

Intangible personal property like patents and intellectual property

Complexity: It would be great if gifting objectives could always be executed simply and smoothly. Unfortunately, that's not always the case. But the reason behind that complexity may actually serve your goals. Because growth in the variety of gifting vehicles has occurred in direct response to needs. Want an option that provides income to recipients before reverting to a charitable giving vehicle? It exists. Want one that allows you to gift assets while retaining responsibility for paying the ongoing taxes on those assets? That option is available.

Considerations for how to give

In addition to the question of what to give is the question of how to give it. Gifting methods are numerous and vary widely in complexity.

The package or "vehicle" through which assets are gifted dictates important factors like liquidity, control and, perhaps most significantly, tax treatment. Awareness of the available vehicles allows you to select those matched to your needs and priorities. Below are some common ways in which assets are passed from donor to recipient.

Custodial accounts: Vehicles like Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA) accounts provide a straightforward structure for gifting/transferring assets to minors. In most cases, such assets remain off-limits when a child or loved one is a minor but pass to them upon reaching an age of majority.

529 education savings plans: These accounts are ideal for those seeking to make gifts to support a beneficiary's education. Contribution limits are generous and the tax benefits are substantial. In addition, with the 2025 passage of the OBBBA, 529 plans gained even more flexibility and moved further beyond their original role of helping families save for a traditional college education. Tax-advantaged treatment applies to savings used for qualified education expenses. State tax treatment varies.

Tuition and medical payments: Direct payments of tuition or medical expenses generally do not count against the lifetime gift tax exemption making them a tax efficient way to "gift" assets.

Trusts: Technically defined, a trust is a relationship in which one person holds title to property (cash, investment securities, real estate, etc.) and has the obligation to hold or use the property for the benefit of another. Practically speaking, a trust is a vehicle used to channel assets to others based on certain guidelines and conditions. Trusts are formed under state law and typically require the involvement of specialists.

Questions to consider

- What are different assets that I have given, or am considering giving, as gifts?
- Do I consult with my tax and estate planning specialists before giving gifts?
- What medical or educational expenses of my loved ones can I pay directly?

4 | A quick primer on trusts

A trust is basically a legal document providing a set of instructions for how your assets and property should be given away. But the simplicity ends there. Because trusts can be structured to achieve a multitude of giving and tax goals, there are many types of trusts to consider. Rather than knowing them all, get familiar with some basic trust structures to help put you on more solid footing when having conversations with a legal, tax or financial professional. Designed to illuminate, our trust descriptions are not comprehensive, so please discuss with a professional before considering setting up a trust.

Revocable trust or living trust: The two terms are used interchangeably to describe a trust that allows you to separate ownership from control of your assets during your lifetime – the trust becomes the owner and you can retain control by naming yourself trustee and beneficiary – in an effort to avoid probate and make transfers easier at death. Living trusts can be changed or revoked at any time, but become irrevocable at death.

Irrevocable trust: Trusts that fall under this category generally cannot be canceled or meaningfully modified. While much less flexible than living trusts, irrevocable trusts can offer a degree of asset protection from creditors and shield assets from estate taxes. Irrevocable trusts can be grantor (all taxes are paid by the donor) or non-grantor (all taxes are paid by the trust). Here you as a donor are generally not the beneficiary or trustee. This type of trust is particularly useful for gifting.

Spousal Lifetime Access Trust (SLAT): An irrevocable trust created by one spouse for the benefit of the other. Useful for married couples wishing to minimize their combined estate for tax purposes while still having indirect access to the assets via their spouse.

Starting the conversation

To create a gifting strategy that enables you to be generous with those you care about while maximizing long-term tax benefits to you and the recipients, reach out to your advisor. They can work with your tax and estate planning specialists to help you give while you live!

Represents specific concepts or terms you may want to discuss with your financial advisor or tax professional.

Grantor retained annuity trust (GRAT): An irrevocable trust used to transfer assets that are expected to significantly appreciate. The trust pays the grantor fixed annual payments for a specific term and excess appreciation (above a specified federal rate) could pass to beneficiaries free of gift and estate tax.

Irrevocable life insurance trust (ILIT): This type of trust is created to own and control a term or permanent life insurance policy, with instructions for how the proceeds will be paid at the insured's death. If properly structured, this generally helps keep the proceeds of death benefits outside the estate and may reduce or eliminate estate tax.

Charitable remainder trust (CRT): An irrevocable trust in which the grantor places assets earmarked for charitable donations and beneficiaries are able to draw annual income on those assets during their lifetimes. At the end of the trust term, what remains passes to one or more qualified charitable organizations named in the trust.

Questions to consider

- What are my objectives in setting up a trust?
- Who am I relying on to educate me on trust structures that align with my objectives?

Who's who in trusts?

Part of the confusion of trust speak is understanding the different roles people play in the process (in some cases, you may play more than one).

Grantor: The individual who creates a trust and transfers their assets into it.

Donor: Any individual who contributes assets to a trust. The grantor is often the sole donor but donors can contribute to a trust established by someone else.

Trustee: The person or entity legally responsible for managing the trust's assets for the benefit of the beneficiaries.

Beneficiary: The individual or entity who is designated to receive the assets and income or benefits from a trust.

In living trusts, the grantor may also serve as trustee and be a beneficiary.

5 | What do I need to keep track of and report when it comes to gifting?

The IRS naturally requires you to report certain types of the gifts you make. This may be the case even if no gift tax is due because you're counting the gift(s) against your lifetime gifting exemption.

The value of a gift for reporting purposes is generally its fair market value on the date of the gift. Cash and marketable securities are straightforward in this respect. But for assets like real estate or business interests, determining value (and proving it to the IRS) generally requires a professional written appraisal. And for complex assets, appraisals can get pricey.

Although gift tax returns are filed only once, certain gifts may have continuing administrative obligations and expenses. For example, split-interest gifts, like those in the form of grantor retained annuity trusts (GRATs) or charitable remainder trusts (CRTs), may require annual valuations of trust assets and calculations of distribution amounts. These should be conducted by a professional.

Finally, because of the variety of expertise required, preparing a gift tax return can be expensive. It's important to prepare for a larger personal accounting bill the year the gift is reported, and potentially in future years as well.

Given the potential complexity, working with an experienced accountant is important. It's also advisable to have an estate planning attorney review the contents of the return before it is filed.

Questions to consider

- What role is my accountant playing in my gifting strategy?
- What is my process for keeping track of the gifts I give? How am I receiving updated information on how much of my lifetime gift tax exclusion remains?

A gift given

Gifts are generally irrevocable. Once a transfer is made, it cannot be taken back. Donors no longer have rights to the asset or to the associated income or appreciation. The implications can be far-reaching – from the loss of access or rental income from a family vacation home to relinquishing control of how a family business is run. Making sure you fully understand the permanency of your gifting decisions is crucial to long-term financial security and family harmony.

Case study[1]: Giving with purpose and efficiency

Retired and financially secure, the Martins want to begin transferring wealth to their family in a way that's meaningful, strategic and tax efficient.

Gifting goals

- Help their daughter Rachel buy her first home
- Support their grandson Ethan's college education
- Contribute to the financial health of their niece Sarah
- Reduce their taxable estate over time

Strategy: Utilize annual gift tax exclusion

Each year, individuals can gift up to $19,000 ($38,000 for married couples) per recipient without triggering gift tax or using their lifetime exemption[2]. There is no limit to the number of recipients to whom one may gift.

2026 gifting snapshot

Recipient	Gift amount	Purpose	Tax impact
Rachel (daughter)	$38,000	Down payment on a home	No gift tax; maximizing annual exclusion
Ethan (grandson)	$50,000	College tuition	No gift tax; direct tuition payments don't count against annual or lifetime exclusion
Sarah (niece)	$25,000	Long-term savings	No gift tax; below annual exclusion

Summary

Total gifted in 2025: $113,000

Portion of the couple's lifetime exemption $27.98 million used: $0

Results

- Family members received timely financial support
- The Martins reduced their taxable estate
- No gift tax incurred

Footnotes:

[1] Hypothetical example.

[2] The lifetime gift exemption is the amount one can gift – whether while the donor is living or after they have died – without the transfer being subject to gift or estate taxes. For 2025, the amount is $13.99 million ($27.98 million per married couple). For 2026, it will increase to $15 million ($30 million per married couple) and thereafter be indexed to inflation which means it will adjust annually in accord with inflation. See page 4 for information on how gifts made while living are combined with gifts made after death.

10 important considerations when developing your gifting strategy

1. Am I consulting experienced and knowledgeable gift and estate planning specialists?
2. Do I understand the potential tax implications of gifting while I'm still alive vs. passing assets to heirs upon my death?
3. Do I fully understand the lifetime gift exemption?
4. Should I consider annual gifting as a strategy for moving money out of my estate while preserving my lifetime gift exemption?
5. Have I worked with my advisor and an estate planning attorney to determine whether there are trusts or other vehicles that support my gifting objectives?
6. Have I considered other forms of gifting such as paying a grandchild's school tuition or the medical bills of a family member?
7. Have I worked through the income tax implications of gifts to both myself and the recipient?
8. What are the tax implications for gifting assets (vs. transferring them upon death) that have significantly appreciated in value?
9. Do I have a process in place for tracking my gifts and an accountant well-versed in calculating and reporting them?
10. Am I prepared to fully surrender legal control of the assets I'm gifting?

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