

Annual Exclusion Gifts

Reducing the Federal Estate Tax¹

By following a consistent program of annual lifetime gifts to children, grandchildren, etc., an estate owner can dramatically reduce his or her taxable estate. The following chart illustrates the results of such a gifting program. It assumes that the gifts are made at the beginning of each year and will grow at 5.00% annually outside the donor's estate. In 2018, a person can give up to \$15,000 per year to any number of people without incurring a gift tax.

Annual Gift	Number of Years Over Which Gifts Are Made				
	5 Years	10 Years	15 Years	20 Years	25 Years
\$15,000	\$87,029	\$198,102	\$339,862	\$520,789	\$751,702
30,000	174,057	396,204	679,725	1,041,578	1,503,404
45,000	261,086	594,305	1,019,587	1,562,366	2,255,105
60,000	348,115	792,407	1,359,450	2,083,155	3,006,807
75,000	435,143	990,509	1,699,312	2,603,944	3,758,509
90,000	522,172	1,188,611	2,039,174	3,124,733	4,510,211
105,000	609,201	1,386,713	2,379,037	3,645,521	5,261,913
120,000	696,230	1,584,814	2,718,899	4,166,310	6,013,614
135,000	783,258	1,782,916	3,058,761	4,687,099	6,765,316
150,000	870,287	1,981,018	3,398,624	5,207,888	7,517,018

$$\frac{\text{Potential amount removed from estate (see chart above)}}{\text{Estimated top estate tax bracket (see below)}} \times \% = \text{Approximate savings which could pass to your heirs}$$

Top Federal Estate Tax Brackets

Years	Top Bracket	Applicable Exclusion Amount ²
2015	40%	5,430,000
2016	40%	5,450,000
2017	40%	5,490,000
2018	40%	11,180,000

Note: If some of the annual gift amounts are used to purchase life insurance outside of the estate, the potential wealth-building effect becomes very dramatic.

¹The discussion here concerns federal tax law. State or local law may differ.

²The “applicable exclusion amount” is the dollar amount of assets protected from federal estate tax.

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