

## Charitable Gifts and Estate Taxation

Gifts to a charity or to a charitable remainder trust can reduce one's taxable estate by not only the value of the gift but also its potential appreciation. If the donor retains the right to the income, as in a charitable remainder trust, the estate tax savings will not be as large.

However, the donor (or donors) may choose to make gifts of the income each year to children, grandchildren or to a trust on their behalf. If certain requirements are met, these gifts will qualify for the annual gift tax exclusion of \$15,000<sup>1</sup> from each donor to as many qualified beneficiaries as there are under the terms of the trust.

The chart below illustrates the potential savings, based on a hypothetical situation.

**Assumptions:**

Current estate size: \$15,000,000

Estate growth rate: 6.00%

Value of charitable gift: \$1,000,000

Year of death: 2018

Applicable credit: \$4,417,800

Years From Now	Taxable Estate		Federal Estate Tax <sup>2</sup>		Estate Tax Savings With Gift
	Without the Gift	With the Gift	Without the Gift	With the Gift	
Now	\$15,000,000	\$14,000,000	\$1,528,000	\$1,128,000	\$400,000
5	\$20,073,384	\$18,735,158	\$3,557,353	\$3,022,063	\$535,290
10	\$26,862,715	\$25,071,868	\$6,273,086	\$5,556,747	\$716,339
15	\$35,948,373	\$33,551,815	\$9,907,349	\$8,948,726	\$958,623
20	\$48,107,032	\$44,899,897	\$14,770,813	\$13,487,959	\$1,282,854
25	\$64,378,061	\$60,086,190	\$21,279,224	\$19,562,476	\$1,716,748
30	\$86,152,368	\$80,408,876	\$29,988,947	\$27,691,551	\$2,297,396
35	\$115,291,302	\$107,605,215	\$41,644,521	\$38,570,086	\$3,074,435

**Note:** If both the income from the trust and the income tax savings from the charitable deduction are given to an irrevocable trust (or to adult children) to purchase life insurance on the life of the donor, one is able to transfer a substantial amount of money to one's heirs which is not subject to either income tax or estate tax.

<sup>1</sup> 2018 Value. This amount is subject to adjustment for inflation in future years.

<sup>2</sup> Calculated as if death occurred in 2018.

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