

ELIMINATE ALL CURRENT AND FUTURE ESTATE TAXES

The tax code allows individuals to give away a certain amount of assets over their lifetime, to individuals or to trusts, without owing gift taxes on the transfer. This is known as the “Lifetime Federal Gift Tax Exclusion Amount”. **Often, the simplest way to transition wealth to the next generation and to reduce the taxable estate of a client is by gifting assets.** The lifetime exemption amount for 2025 is \$13,990,000 per individual. **A married couple can use their combined marital lifetime exemption to gift a total of just under \$28,000,000 of assets.** The Lifetime Exemption amount is scheduled to decrease by roughly 50% beginning January 1, 2026, unless congress passes new legislation.

GIFTS TO TRUST WORK WELL FOR CLIENTS WHO:

- *Have a taxable estate above the current or projected Lifetime Exemption Amount*
- *Want to keep assets in trust for future generations (children and grandchildren).*
- *Do not need the assets for current or future living expenses.*

HOW GIFTS TO TRUST WORK:

1. *Client has or creates defective grantor trust, which is identical to the client for income tax purposes, meaning any transactions between the client and the trust are inherently tax-exempt.*
2. *Client appraises the asset(s) and gifts the asset to trust, with spouse, children, and grandchildren as beneficiaries.*
3. *Client continues to pay income taxes on the assets gifted to trust.*

-SEE CASE STUDY ON NEXT PAGE-



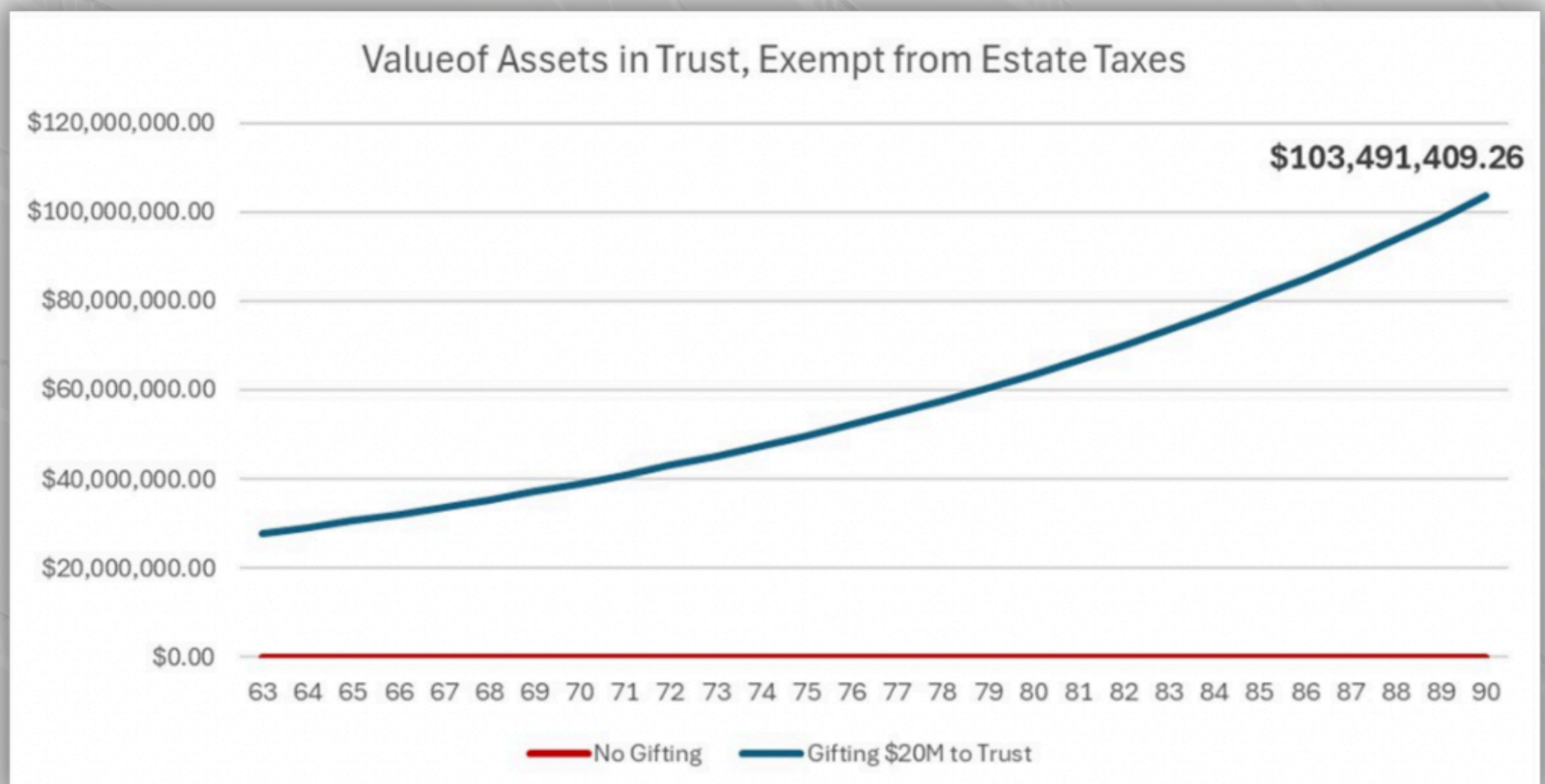
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CASE STUDY: PRIVATELY HELD HARDWARE COMPANY IN AZ

Joseph and Kelly are a married couple, aged 63 and 64, and they own a hardware company in Arizona, estimated to be worth \$40,000,000. The couple is family-focused and tax-averse: they want to pass as much wealth as possible to their three adult children and future grandchildren. Joe and Kelly spoke with their estate planning attorney, who explained that their closely held company would be valued at \$30,000,000, due to lack of liquidity and marketability. The couple determined that they wanted to give 66% of the company to a trust for their children, using \$20,000,000 of their lifetime exemption. With their remaining 33% interest in the company, and other assets outside the business, Joe and Kelly feel comfortable that they will have more income than needed in retirement. Importantly, if the company grows at 5% annually, the shares that the couple moved to trust will be worth over \$100,000,000 at their life expectancy, saving the family \$40,00,000 in federal estate taxes.



WHAT DETERMINES THE BENEFITS?

The benefits of Gifts to Trust are a function of many factors, including:

- *Size of the taxable estate (the larger the estate, the larger the taxes due)*
- *Future growth rate of the asset that is gifted to trust (the higher the rate, the more growth can be shifted to trust)*
- *Lifetime Exemption Amount available for Gifting (this amount is periodically changed by Congress)*



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