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Strategic 'giving while living': How to optimize your gifts to loved ones and charities.

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While many people plan to have their wealth disbursed to loved ones and charitable causes after their death, strategically giving away gifts while you're still alive can offer a variety of benefits.

In fact, nearly 20% of investors have already given away what they consider a substantial amount of money, according to the *Ameriprise Money & Family* study. Of those who had provided this substantial "giving while living" gift, 30% had given \$100,000 or more.

If you're financially secure, giving an early inheritance gift or making a substantial charitable donation can make a big difference in the lives of the people and organizations you care about. But before you make your gift official, here are six gifting strategies to consider:

1. Timing

When it comes to significant gift giving, timing matters. The financial needs of a loved one may influence when you give them an early inheritance gift. For example, you may want to wait until your grandchild is about to go to college or get married to help ease financial stress.

If you want to give to a charitable organization, ask questions about their needs and future goals. You could maximize your donation during a matching campaign, for example. Or the charity may request that you distribute your donation incrementally throughout the year for predictable cash flow.

2. Asset type

A gift doesn't have to be cash. Gifting assets that can appreciate — like a home or family business — may help your beneficiary build wealth over time.

Consider how a loved one or charitable organization may benefit from non-cash gifts, such as real estate and valuable sentimental items. You may also want to contemplate gifting appreciated stocks — it's important to know there can be tax benefits if the recipient is a charitable organization.

3. Taxes

Charitable gifts and personal gifts have different tax consequences for the giver.

- **For charitable giving**, you may be able to take an income tax deduction. For example, if you itemize your deductions, a charitable gift can help lower your income tax bill. Gifting appreciated property assets to charity may have the double-benefit of a tax deduction and removing untaxed capital gains.

And if you're age 70.5 or older, a qualified charitable distribution (QCD) can also benefit you. A QCD is a nontaxable distribution, up to \$100,000 total, from an IRA directly to an eligible 501(c)(3) organization of your choice. It can count toward your required RMD for the year — and neither you nor the eligible charity will have to pay income taxes. It cannot be deducted, but it removes assets from your IRA that would otherwise be taxable when withdrawn, which reduces your taxable income, even for taxpayers who take the standard deduction and cannot deduct their itemized charitable contributions.

- **For personal gifts to loved ones**, the gift tax may apply, so it's important to be aware of the annual gift tax exclusion when considering giving to loved ones. You can give up to \$18,000 in 2024 to as many individuals as you'd like without having to report it to the IRS.

However, once you give above that threshold to anyone, you may have to fill out an IRS Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, to report the gift. Even then, you generally don't have to pay taxes on it if you have not exceeded your lifetime exclusion amount (\$13.61 million in 2024). Personal gifts may also have income tax implications. For example, appreciated property held at death receives a step-up in basis, reducing capital gain taxes, so keep this in mind when considering whether to make personal gifts of appreciated property during your lifetime or leaving them for inheritance.

What personal gifts are potentially subject to the gift tax?

The general rule is that any gift either reduces your remaining lifetime exclusion amount or is subject to the gift tax. However, there are many exceptions to this rule, including:

1. Gifts that are not more than the annual exclusion amount for the calendar year (\$18,000 per recipient in 2024).
2. Tuition or medical expenses that are paid on behalf of someone else, as long as they are paid directly to the institution for services rendered.
3. Gifts to your spouse.
4. Gifts to a political organization for its use.

4. The way your gift is distributed

Choosing *how* you want to give an inheritance depends on your financial situation, your beneficiary's needs and your relationship with them. You may provide a lump sum or give several smaller gifts over time. You may also want to consider:

- **Giving a gift of equity:** You may choose to sell your real estate property to your loved one below market value. The equity gift is the excess of the property's value over its sales price (i.e., the discount). Please note that this gift generally will be subject to gift tax rules.
- **Adding stipulations:** You may place requirements on how the recipient can use your gift. For example, if you give to a charity, you may stipulate the organization use your donation for a specific project. When giving to a loved one, you may request they use the gift for buying a home, but these requests aren't binding. You can establish and fund a trust for your beneficiaries, and restrict access to trust assets and income, but you'll need an attorney to establish the trust.
- **Changing a deed:** To pass on property, you may add your heir to the deed. Adding them to the property deed means your heirs share legal ownership of your property. This is considered a gift and is generally subject to the gift tax rules.

5. Over-giving

Giving gifts to your heirs and charitable organizations can be fulfilling, but don't neglect your own financial needs in the process. A financial advisor at S&T Financial Services, a financial advisory practice of Ameriprise Financial Services, LLC, can help you calculate the amount you can feasibly give now by assessing your future retirement, long-term care and other living expenses.

6. How the gift impacts your future plans

In the case of personal gifts to loved ones, be open about your plans and make your intentions for the gift clear. Is it in place of an inheritance? Or can your heirs count on additional money after you have passed? Being clear with the recipients now can help avoid any confusion later.

We can help you plan your strategic gift giving.

Giving an inheritance while living allows you to witness the joy, security and positive impact that your generosity can offer. A financial advisor can help you strategically gift your assets to your loved ones and charitable organizations, while also making sure the amount you give doesn't set back your financial goal.

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