

Simple Techniques to Actively Reduce the Size of Your Estate

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Leaving a large estate for loved ones is a goal of many as they begin to amass wealth. Soon thereafter, there is often a realization that a large and disorganized estate can actually lead to problems and high costs for their heirs.

For this reason, families may want to simplify and reduce the size of their estate while they are alive to minimize the future tax consequences for their beneficiaries. Some considerations include:

Start Giving Away Wealth Now: Rather than wait to leave an inheritance at death, families can begin making gifts to their loved ones now. Individuals can make annual exclusion gifts of up to \$14,000 a year to whomever they choose without utilizing

their lifetime tax exemption. In addition, individuals can pay qualified education and medical expenses on behalf of beneficiaries without these payments being considered gifts from a tax perspective. A planned giving strategy for charitable contributions is another way in which an individual can reduce their estate.

Put Assets in Trusts: There are several strategies that can be implemented to minimize the burden of estate tax. Establishing an irrevocable trust is one way to limit the size of a taxable estate. Assets placed in an irrevocable trust are current gifts which would erode the lifetime exemption or trigger the payment of gift tax if the exemption is exhausted. The benefit is that post-transfer appreciation of the trust is outside of the estate and therefore escapes taxation in the grantor's estate. Although such a trust, by definition, is "irrevocable," it can be drafted in such a way to allow for unforeseen circumstances.

In some cases, a "generation skipping trust" may be an efficient method of gifting to grandchildren. While taxes may not completely be eliminated, a "generation skipping trust" can set assets aside while avoiding the risk of them being taxed twice — first when passed onto children and again when the children transfer assets to future generations. This is achieved through strategic planning and the efficient use of the gift tax and generation skipping tax exemptions.

There are many other strategies and solutions available to families, the merits of which can be carefully considered with a trusted advisor. With proper care and coordination, it is possible to reduce unnecessary taxes and to make sure legacies do not become burdens. For more information, contact your Anchin relationship partner or a member of Anchin Private Client at info@anchin.com.