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Dear Brothers and Families,

The following information can play a significant part in your estate and tax planning.

Exclusions

The annual exclusion for gifts is $11,000 (2004-2005), $12,000 (2006-2008), $13,000 (2009-2012) and $14,000 (2013-2017). **In 2018, the annual exclusion is $15,000**.

The basic exclusion amount (or applicable exclusion amount in years prior to 2011) for gifts is $1,000,000 (2010), $5,000,000 (2011), $5,120,000 (2012), $5,250,000 (2013), $5,340,000 (2014), $5,430,000 (2015), $5,450,000 (2016), $5,490,000 (2017), and **$11,180,000 (2018)**.

The Tax Cut and Jobs Act, Pub. L. No. 115-97

Under this law, **the basic exclusion amount for an estate tax return for a 2018 date of death increases to $10,000,000, before taking into account the necessary inflation adjustment**. The 2018 amount that includes the inflation adjustment ha snot yet been released. This information will be updated on IRS.gov as soon as it becomes available.

https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax

This information is important to note when you are looking at options to lowering your tax liabilities. Making annual gifts up to the exclusion ($15,000 in 2018) is a good way to reduce your taxable estate without any negative side effects.

Consider the following scenario. You and your wife want to gift monies (or property – fair market value) to your children and grandchildren in order to take advantage of the Annual Exclusion for Gifts. If your son is a member of the Knights of Columbus, he can make an application for a Single Premium Whole Life (SPWL) policy for himself, his wife and his children under the age of 18. While he is the applicant, you and/or your wife can be the owners and payors of the single premium. This single premium will generate a remarkable insurance face amount. Here are three actual examples I ran for young children of grandparents.

Grandchild #1 is a male 3 years of age. A SPWL policy would generate $161,982 in immediate face value. The policy does not expire until the child reaches 120 years of age. The death benefit increases annually if dividends earned remain in the policy. Not only does the policy create a remarkable death benefit, it builds up cash value which may be used as collateral for student loans, mortgages, etc.

Grandchild #2 is a male of 6 years of age. Following the same scenario as for Grandchild #1, the face value would be $145,917. And, grandchild #3 is a male of 8 years of age. With a $15,000 SPWL the face value would be $135,343. These are outstanding avenues of leveraging your money utilizing the Annual Gift Tax Exclusion.

Peeked your interest? Give me a call to discuss this further. NOTE: always consult your financial planner or tax accountant in matters pertaining to taxes.

Fraternally yours,

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