

Chapter 22. Family Lifetime Exemption Gifting

Each spouse is entitled to a \$5,430,000 Lifetime Estate Tax Exemption. You can use all or part of your \$5,430,000 Lifetime Estate Tax exemptions either during your lifetime or at death. You can use it during your lifetime by making gifts to your family members up to \$5,430,000. The advantage of using the exemption during your lifetime is that the exempt amount - plus post-gift value appreciation - is all removed from your taxable estate (although, as with all lifetime gifts, the income tax basis step up will not apply).

The use of just \$1,000,000 of your \$5,430,000 during your life can be illustrated as follows:

	Don't Use Until Death	Use Today
Stock Value Today	\$1,000,000	\$1,000,000
Stock Value in 10 Yrs (at Death)	1,800,000	1,800,000
Value of Exemption	1,000,000	1,800,000
Estate Taxes Saved (at 40%)	\$ 400,000	\$ 720,000

In this example, by not using the exemption until death, it was worth only \$1,000,000 and saved \$400,000. However, by using the exemption today, the \$1,000,000 avoids Estate Tax on whatever the value of today's gift is worth at your death. In this example, the \$1,000,000 stock grew to \$1,800,000 by death. So, the exemption saved \$720,000 in Estate Tax. The use of the full \$5,430,000 during your lifetime would result in \$3,890,000 of added estate tax savings in the above example.

LIFETIME GIFTING PROGRAM

