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Gifts to Save Estate and Income Taxes

During the last ten years, Congress has made it easier to pass money from one generation to the next. One of the simplest means of saving estate taxes is to give money away while you are still alive. Any individual can make gifts of up to \$13,000 to as many donees as he or she chooses each year. A husband and wife can join together and give up to \$26,000 to each donee. Therefore, a couple having two married children and four grandchildren could give away as much as \$156,000 per year (more if in-laws are included) without incurring a gift tax and avoid Federal and state estate taxes on the money transferred. Gifts in excess of this annual “allowance,” however, must be reported to the IRS and will reduce the estate tax (currently \$3.5 million). Since Ohio does not have a gift tax, but does have an estate tax, lifetime gifts also save Ohio tax on the assets transferred from one generation to the next.

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One of the principal objections that parents and grandparents have to making substantial annual gifts is that they lose control over the funds. Through a trust, it is possible to make annual gifts yet maintain control over the use of the money. This can also protect the money from creditors and difficult spouses.

For a FREE copy of Mark Reckman's Estate and Medicaid Handbook visit www.WoodLamping.com or call (513) 852-6000