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Five Easy Ways to Give Away Your Money

As one gets older, a curious dilemma arises – how to give away one’s money to someone other than to the government in the form of taxes. There may also be reasons to move assets out of a future estate if you anticipate disputes.

1. When it comes to reducing your present taxes, one major option is charitable donations. When giving to charities, make certain they are legitimate and spending funds wisely. GuideStar.org provides access to IRS forms and other financial reports of 1.8 million nonprofits. CharityNavigator.org and Give.org provide rankings of charities based on their finances, transparency, and accountability. Myphilanthropedia.org has experts recommend and evaluate charities in 31 different areas, while greatnonprofits.org functions as a kind of Yelp of the nonprofit world, offering reviews of the work charities are doing by volunteers, donors, and other beneficiaries.
2. Some states offer generous tax deductions for contributing to their 529 plans for educational funding. An individual can contribute to a 529 plan for anyone subject to the state’s maximum contribution limits. Under special rules unique to 529 plans, you can gift a lump sum of up to \$75,000 (\$150,000 for joint gifts) and avoid federal gift tax, provided you make an election to spread the gift evenly over five years. If you are looking for ways to reduce future estate taxes, charities are an option, but you also might consider:
3. As of 2018, an individual may give up to \$15,000 annually to as many individuals as he or she wishes without incurring a gift tax.
4. Instead of cash, stock or an ownership share in a business or property can be given based on its original purchase price with a limitation of \$15,000 per individual. The individual will owe taxes on the value of the gift in excess of its purchase price when sold, but that could still leave them considerably ahead.
5. There is an unlimited gift tax exclusion for amounts paid on behalf of an individual directly to medical care providers for medical care or educational institutions for tuition.

Other options include split-interest trusts such as charitable remainder trusts; donor-advised funds, and other vehicles for giving that require a more formal process. Regardless of how you chose to give away your money, make certain you retain sufficient funds to meet your needs and do not jeopardize your financial welfare. Consider working with your financial advisor to determine prudent giving levels that achieve your goals and leave you in good financial shape.

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