BRINGING A LEGACY TO LIFE WITH GIFTING



Most people associate legacy planning with the impact they hope to make after they're gone. However, there are strategies to bring your legacy to life today, allowing you to witness the people and causes you love enjoy the result of your life's work. Gifting may be the most powerful of these strategies.

Gifting basics

Before developing a gifting strategy, it's important to understand these basics:

Annual gift tax exclusion

Under current federal law, individuals can make present interest[1] gifts up to the annual gift tax exclusion amount without incurring federal gift tax. For 2026, the annual gift tax exclusion is $19,000[2] per individual, per recipient, meaning you can give up to that amount to as many individuals as you'd like without incurring any gift taxes. This is a 'use it or lose it' benefit, so if you don't make any gifts one year, that amount is lost moving forward.

Lifetime federal exemption amount

Each individual also has a lifetime federal exemption amount to use during life, at death, or a combination of both. For 2026, the lifetime exemption is $15 million per person.[3] As long as you don't give a single recipient more than $19,000 in a calendar year, you won't use any portion of your lifetime exemption. However, if you exceed the annual gift tax exclusion limit in any calendar year, you'll reduce your federal exemption amount by the amount in excess. For example, if you gift your grandchild $1 million today, your federal exemption amount will be reduced by $981,000 ($1,000,000 – $19,000). If you died later in 2026, your lifetime federal exemption amount available at death would then be $14,019,000 ($15,000,000 - $981,000).

Doubling up with your spouse

Married couples can elect to both use their annual gift tax exclusion and lifetime federal exemption amount, making these amounts $38,000 and $30 million, respectively, in 2026.

[1] Present interest means that the recipient must be able to enjoy the gift immediately with no strings attached.
[2] The annual gift tax exclusion amount is indexed annually for inflation.
[3] The lifetime federal exemption amount is indexed annually for inflation.

Why choose a gifting strategy?

The primary purpose of using a gifting strategy as part of your legacy plan is to transfer your assets to your friends and family—at no cost to you—so that they may benefit from your wealth. Beyond the immediate satisfaction of helping those you love, gifting can also help reduce the final tax bill left to your heirs when settling your estate.

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- NOT FDIC INSURED
- NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, ANY BANK OR ANY OF ITS AFFILIATES
- SUBJECT TO INVESTMENT RISKS INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

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The benefits of a gifting strategy as part of your legacy plan

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Gifted assets reduce the value of your estate on a dollar-by-dollar basis, so a $500,000 gift results in a $500,000 decrease in your taxable estate at death. Removing assets from your estate during life can be especially valuable because you're removing not only the value of the asset from your estate but also all future appreciation of that asset, helping you leave more to your loved ones and less to the government.

Leveraging life insurance to give even more

If the goal of your legacy plan is to leave the greatest amount of wealth to your loved ones, you should talk to your financial professional about how life insurance can help. Although your beneficiaries won't receive your wealth until after you're gone, incorporating life insurance into your gifting strategy may result in your beneficiaries receiving significantly more wealth than through traditional gifting alone. This is because the money you'd use to make gifts would instead be used to purchase a life insurance policy. Depending on several factors including your age and health, you may be able to use your gifts to purchase a policy with a death benefit greater than the total sum of the gifts.

And life insurance can also provide:

- Tax-deferred cash value growth potential and access, enabling money to be taken from the policy before you die should there ever be a need[4]
- A death benefit that is paid to your loved ones, typically income tax-free
- A way to help remove volatility from your wealth transfer plan, giving you the ability to leave a meaningful amount to your loved ones
- With a proper ownership structure, a death benefit that is received estate tax-free

If maximizing gifts to your loved ones is important, start the conversation with your financial professional and your legal and tax advisors today to explore a holistic legacy plan.

[4] Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.

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