

Transcript | The CPA Advantage #7 | Family Wealth Transfer

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Andy Bertke & Ryan Lauer

Ryan Lauer:

Next thing we want to talk about is family wealth transfer. You've done well in your career. You're going to have dollars left over at the end of life, whether it's things you want to transfer now or transfer again at the end of life. Let's dive into a few of these, Andy. Let's start with the low-hanging fruit, the annual gift tax exclusion. What is that and what does that actually mean?

Andy Bertke:

Sure. That's when you can gift \$19,000 to any of your children, or for that matter, you can gift it to anyone in the phone book. There's no limitation to who you can gift it to.

Ryan Lauer:

That's exactly right. If you are married, you both can contribute 38,000 in this case for the year to any individual that you want to. Why it's important, why a lot of folks use that as a, I guess, threshold when they're doing regular gifting to folks is that you don't have to report it on your tax return. Above that, why do you have to report on your tax return and what are some of the complications there?

Andy Bertke:

Well, the tax return you're talking about is a Form 709, and yes, you're required to file that if you have filed a taxable or if you have given an amount over \$19,000 or \$38,000 between two spouses.

Ryan Lauer:

It doesn't mean if you say, hey, you wanted to gift to your child and their fiancée or husband or spouse \$100,000 for a house down payment, it doesn't mean even though it says gift tax, you're not actually paying tax on it, correct?

Andy Bertke:

Correct. A lot of people don't understand who is paying a tax if there happens to be a tax. It's not the recipient that's going to pay the tax, it's the gifter.

Ryan Lauer:

Correct. Ultimately, if you gift over that gift tax exclusion we talked about, it starts going towards your lifetime exclusion. Really at the end of life, you add up all of those gifts that were over the annual amount you were allowed to give without having to report it and compare that to the overall lifetime exclusion to determine if you have an estate tax.

Andy Bertke:

That's correct. But if your estate is worth millions or tens of millions of dollars, you're never going to be able to give it away at \$19,000 increments.

Ryan Lauer:

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Andy Bertke:

You need more sophisticated planning when you're trying to give away larger chunks of your estate.

Ryan Lauer:

I think when you get into that, that's where we see trusts used all the time to make it very clear on how you want to do it and lay all those gifts out.

Andy Bertke:

Correct.