

December 2011  
Ask a Trust Officer

### **Estate and gift tax thresholds**

Dear Trust Officer:

What are the gift and estate tax thresholds for 2012? —Generous Grandparent

Dear Generous:

Thanks to an inflation adjustment, in 2012 the federal estate and gift tax won't kick in until \$5.12 million. That means lifetime gifts must exceed that amount before a gift tax becomes payable. For those who die in 2012, the sum of lifetime taxable gifts and estate assets must exceed that same figure before an estate tax is payable.

However, keep in mind that not all gifts are taxable. One of the most important exceptions is the annual gift tax exclusion, which remains at \$13,000 for 2012. Up to \$13,000 may be given to as many donees as one wishes, every year, without the necessity of filing a gift tax return. Married couples may split their gifts, so that together they may give away \$26,000, free of gift taxes.

Determined use of annual exclusion gifts is one of the great strategies for reducing eventual estate taxes for those with moderate wealth. Here's how the math works. Grandpa and Grandma have two children and four grandchildren. Together they may transfer \$26,000 to each of these six people, a total of \$156,000 for 2011. Then in January 2012 (or anytime that year) they may transfer another \$156,000. They've just reduced their future taxable estate by a whopping \$312,000. Plus, any asset appreciation occurring after the gifts are completed will similarly avoid estate taxes.

If this sounds good to you, see your tax advisors before taking any action.

*Do you have a question concerning wealth management or trusts?* Send your inquiry to:  
([trustofficer@bankname.com](mailto:trustofficer@bankname.com)).

(December 2011)  
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