

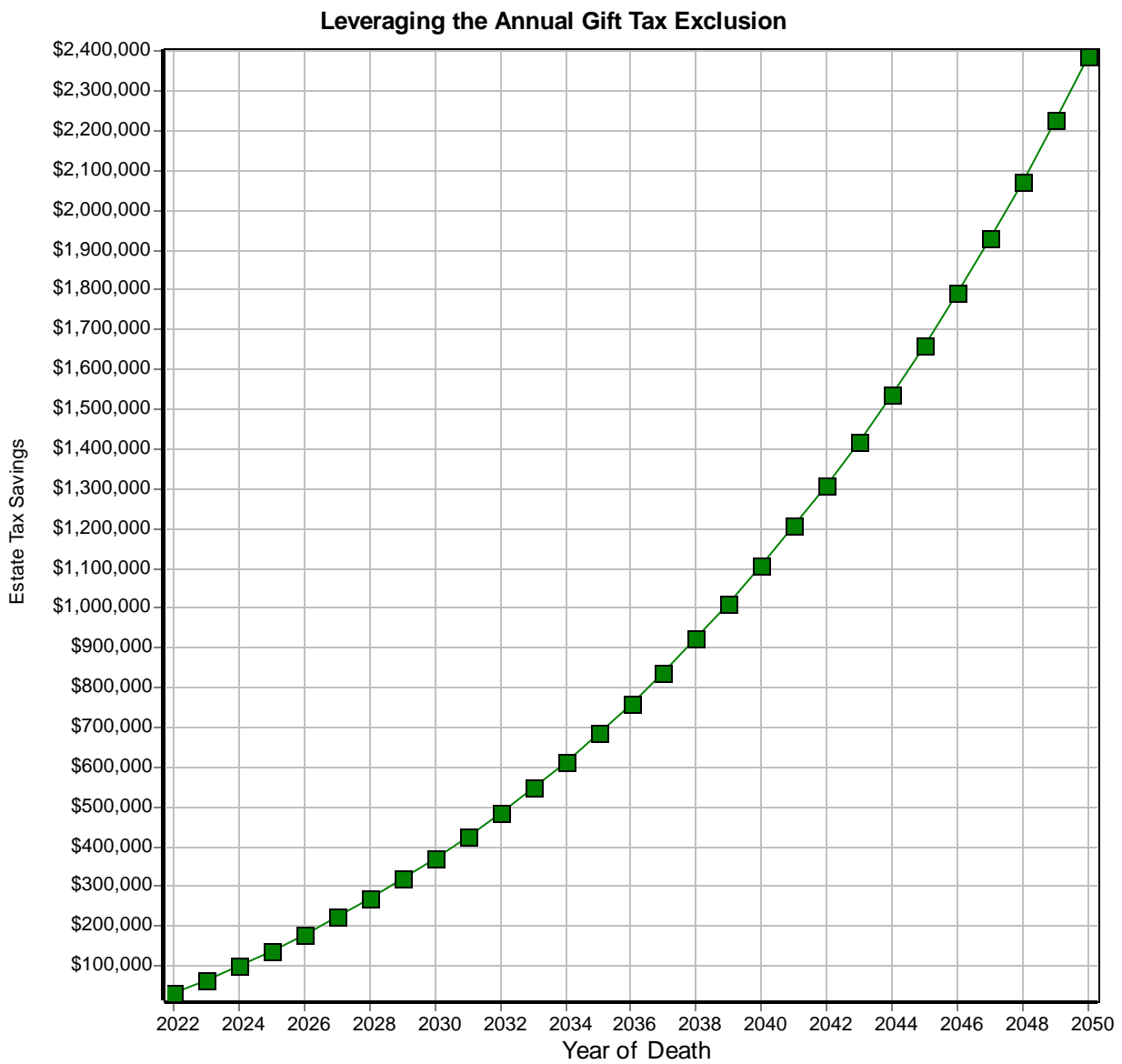
Estate Tax Advantage of Gift Tax Exclusion

10/19/2022

Year: 2022
 Donor's Age: 55
 Number of Donees: 5
 Donees' Annual After-Tax Return on Gifts: 4.00%
 Single Annual Exclusion (2022): \$16,000
 Annual Exclusion Inflation Adjustment: 3.00%
 Donor's Hypothetical Estate Tax Bracket: 40.00%
 Take Advantage of Gift Splitting: No

Donor's Life Expectancy:	28.6 Years
Total Amount of Gifts:	\$3,545,000
Potential Estate Tax Savings:	\$1,418,000
Projected Value of Gifts at Life Expectancy:	\$5,969,425
Potential Estate Tax Savings if Annual Gifts Invested by Donees at Compound Interest:	\$2,387,770

Year	Annual Exclusion	Number of Donees	Value of Gift	Estate Tax Savings	Cumulative Gifts with Growth	Cumulative Estate Tax Savings
2022	\$16,000	5	\$80,000	\$32,000	\$80,000	\$32,000
2023	\$16,000	5	\$80,000	\$32,000	\$163,200	\$65,280
2024	\$16,000	5	\$80,000	\$32,000	\$249,728	\$99,891
2025	\$17,000	5	\$85,000	\$34,000	\$344,717	\$137,887
2026	\$18,000	5	\$90,000	\$36,000	\$448,506	\$179,402
2027	\$18,000	5	\$90,000	\$36,000	\$556,446	\$222,578
2028	\$19,000	5	\$95,000	\$38,000	\$673,704	\$269,482
2029	\$19,000	5	\$95,000	\$38,000	\$795,652	\$318,261
2030	\$20,000	5	\$100,000	\$40,000	\$927,478	\$370,991
2031	\$20,000	5	\$100,000	\$40,000	\$1,064,577	\$425,831
2032	\$21,000	5	\$105,000	\$42,000	\$1,212,160	\$484,864
2033	\$22,000	5	\$110,000	\$44,000	\$1,370,647	\$548,259
2034	\$22,000	5	\$110,000	\$44,000	\$1,535,473	\$614,189
2035	\$23,000	5	\$115,000	\$46,000	\$1,711,892	\$684,757
2036	\$24,000	5	\$120,000	\$48,000	\$1,900,367	\$760,147
2037	\$24,000	5	\$120,000	\$48,000	\$2,096,382	\$838,553
2038	\$25,000	5	\$125,000	\$50,000	\$2,305,237	\$922,095
2039	\$26,000	5	\$130,000	\$52,000	\$2,527,447	\$1,010,979
2040	\$27,000	5	\$135,000	\$54,000	\$2,763,544	\$1,105,418
2041	\$28,000	5	\$140,000	\$56,000	\$3,014,086	\$1,205,635
2042	\$28,000	5	\$140,000	\$56,000	\$3,274,650	\$1,309,860
2043	\$29,000	5	\$145,000	\$58,000	\$3,550,636	\$1,420,254
2044	\$30,000	5	\$150,000	\$60,000	\$3,842,661	\$1,537,064
2045	\$31,000	5	\$155,000	\$62,000	\$4,151,368	\$1,660,547
2046	\$32,000	5	\$160,000	\$64,000	\$4,477,422	\$1,790,969
2047	\$33,000	5	\$165,000	\$66,000	\$4,821,519	\$1,928,608
2048	\$34,000	5	\$170,000	\$68,000	\$5,184,380	\$2,073,752
2049	\$35,000	5	\$175,000	\$70,000	\$5,566,755	\$2,226,702
2050	\$36,000	5	\$180,000	\$72,000	\$5,969,425	\$2,387,770



Estate Tax Advantage of Gift Tax Exclusion

Calculates the estate tax savings possible through the use of the annual gift tax exclusion.

In 2022, donors can donate \$16,000 worth of gifts to any number of persons or parties each year, tax free. This allows taxpayers to make many small gifts without recording or reporting them. The maximum amount that may be excluded is calculated by multiplying the number of persons given gifts by the annual exclusion amount. The annual exclusion amount may change each year.

If the donor is married, his spouse may sign the donor's gift tax return as an indication that each spouse donated half the gift, even if the gift was actually donated by one spouse. Therefore, the per-donee exclusion increases to twice the annual exclusion amount, or \$32,000 each year.

An annual exclusion is permitted only for "present interest" gifts. A gift is considered present interest when the person receiving the donation has immediate, unfettered, and ascertainable possession, use, or enjoyment of the gift when it is made. A future interest gift is one in which the possession or use or enjoyment of the gift is deferred - even for a moment. Future interests include reversions and remainders.

Single transfers are sometimes two gifts that have to be separated for tax purposes. One gift may be a present interest that qualifies for the annual exclusion, while the other gift may be a future interest that does not qualify for the annual exclusion. For example, a donor puts \$16,000 into a trust with a 12% interest rate. His son receives income annually from the trust for 10 years and his daughter is paid the remainder at the end of the 10 years. The son's income payments begin and "vest" (i.e., can't be taken away) immediately; therefore, the gift of the income stream is a present interest gift and qualifies for an annual exclusion. The daughter will not receive the remainder for 10 years; therefore, the gift of the remainder is a future interest and does not qualify for an annual exclusion.

This illustration shows the incredible estate tax saving power of small gifts made to a number of donees over a long period of time in a systematic manner.