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5 Strategies for Protecting Your Wealth From Taxes

You've worked hard to earn your wealth, so why not protect it from Uncle Sam by using tax-smart strategies for gifting and saving for retirement?

Consider putting these tax-advantaged strategies in place:

1. Give Gifts to Loved Ones
2. Establish Irrevocable Grantor Trusts
3. Complete an Intra-Family Loan
4. Make Charitable Donations
5. Contribute to Retirement Accounts

1. Give Gifts to Loved Ones

One way to reduce your taxable estate is to give gifts, such as contributing to a child or grandchild's 529 plan or giving them a direct cash gift.

In 2024, the gift tax exclusion is $18,000.[1] That means this year you can give annual gifts of up to $18,000 per person ($36,000 for married couples) without those gifts counting toward your lifetime exemption.

In addition, the generation-skipping transfer (GST) and lifetime gift and estate tax exemption is $13.61 million per individual for 2024.[2]

The GST exemption is an effective tool for preserving intergenerational wealth. For example, let's say you want to transfer as much of your $30 million estate as possible to your grandchildren without incurring gift or estate taxes. If you leave your assets directly to your children, estate taxes will be levied when the assets are passed to your grandchildren and then again when your grandchildren transfer assets to their heirs. By transferring up to $13.61 million or your remaining exemption to a properly structured GST trust, those assets will be excluded from estate-tax liability to the benefit of both your children and grandchildren.

2. Establish Irrevocable Grantor Trusts

Assets transferred into irrevocable trusts are no longer considered part of the grantor's estate, which is beneficial for reducing your taxable estate. They're also protected from creditors and can be managed and distributed according to the grantor's wishes.*

3. Complete an Intra-Family Loan

Another way you can reduce your taxable estate is to make an intra-family loan. The advantages are that you can agree on a lower interest rate for the loan. And if the family member you make the loan to invests the money, it's possible he or she could earn higher interest. Also, you keep it in the family—the interest the borrower pays goes back to you as the one making the loan, rather than to a third-party lender. These types of loans can cause family conflict, so consult with your wealth team to see if it makes sense.

4. Make Charitable Donations

If you'd like to give back to a nonprofit to benefit from a tax write-off on the full amount, consider donating appreciated securities. This way you avoid selling the securities yourself, paying tax on any gains, then having less cash to donate to a charity.

In addition, you can make a qualified charitable deduction (QCD) to a charity. It's important to note that QCDs are limited to $100,000 a year[2] per individual, and the distribution must be a direct transfer from a taxable IRA to the eligible charity. A QCD reduces your adjusted gross income. Another benefit is that when you make a QCD, it can satisfy the required minimum distribution that you have to take once you turn age 73.

5. Contribute to Retirement Accounts

One of the easiest ways to lower your taxable income while saving for retirement is to maximize pre-tax contributions to employer-sponsored retirement plans. In 2024, you can contribute a maximum of $23,000 to a 401(k) plan. If you are age 50 or older, you can contribute an additional $7,500. And, for 2024, you can contribute a maximum of $7,000 to a traditional IRA pre-tax plus an additional $1,000 if you are age 50 or older.[3]

Consult With Your Wealth Team

At Mariner, your in-house wealth team can create proactive estate planning strategies designed to help reduce your taxable estate so you can maximize the wealth you can transfer to heirs and favorite charities.

For more information visit: **mariner.com**

SOURCES:

[1,2]"What's New - Estate and Gift Tax"

[3]"401(k) Limit Increases to $23,000 for 2024"

*The downside to irrevocable trusts is that you can't change them. Once the trust is set up and the assets are transferred, you no longer have control over them. The use of trusts involve complex laws, tax rules, and regulations.

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Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in each issuer's official statement, which should be read carefully before investing.

Distributions from tax-deferred accounts are generally subject to ordinary income tax and may be subject to a 10% federal tax penalty if taken prior to age 59½. Investing involves risks, including possible loss of principal.

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