



ESTATE PLANNING FUNDAMENTALS

Trying to minimize the impact of estate tax on your loved ones?

Three strategies for minimizing estate taxes

An important component of providing for your loved ones often includes minimizing what goes to taxes. While taxes may not be the primary driver of your estate plan, considering your tax planning options can benefit both you and your beneficiaries. Depending on your financial circumstances, the estate tax and generation-skipping transfer tax have the potential to significantly reduce your estate. Fortunately, there are a few strategies you can pursue to avoid paying more taxes than necessary.

1) Maximize the exemption amount

The Tax Cuts and Jobs Act of 2017 increased the amount that individuals may give away during life and at death without triggering transfer tax. The new law offers several advantages, including:

- An increased exemption amount until 2026
- The continuation of portability, which means a surviving spouse can use a deceased spouse's unused exemption
- Increased flexibility for estate planning

2) Make annual tax-free gifts

Annual exclusion gifts are a simple but potentially powerful estate planning tool in that they allow you the flexibility to gift property when you can afford to do so. Key considerations for annual exclusion gifting include:

- Allowing an annual exclusion amount of \$19,000 per donee in 2025 (\$38,000 for married couples)
- Offering some control over assets—for example, UTMA's, 2503(c) Trusts and Crummey Trusts
- Providing for future educational expenses by funding a Section 529 education savings plan

3) Pay medical and educational expenses

Without using your annual exclusion or lifetime exemption, you can pay for educational, dental and medical expenses (including health insurance premiums) for family members or friends as long as you pay the provider directly. This offers additional benefits for distributing assets during your lifetime, including:

- The ability to spend as much as you wish on medical and educational expenses for others without incurring the gift tax or generation-skipping tax
- The flexibility to pay for any level of education
- The ability to use the annual exclusion for other purposes

Estate planning has many moving parts, and tax planning can be one of the more complicated aspects of the process. Working with an estate planning attorney and Certified Public Accountant (CPA) is often helpful to develop strategies to minimize your estate's potential tax obligation. **For more information, visit our [Estate Planning Fundamentals resource page](#).**

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