



# GAIN BY GIVING

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**The Art of Gift Tax Planning**

 **TRANSAMERICA**  
INSURANCE & INVESTMENT GROUP

# Gain by Giving: The Art of Gift Tax Planning

## Did You Know...

That the assets you plan to leave to your loved ones may be subject to estate tax and significantly reduce the legacy you leave to children, grandchildren and future generations?

## Estate Taxes Can Significantly Reduce Your Legacy

Under current estate tax law, if the value of your estate exceeds a certain dollar amount, an estate tax return must be filed—and any estate tax due must generally be paid within nine months of your passing.

In 2011, the threshold value of an estate that is subject to estate tax is \$5 million for a single person and \$10 million for a married couple. Every asset that you own will be included in determining the value of your estate and the amount of your estate tax bill. So, the larger the estate, the larger the estate tax liability.

## A Smart Solution: Implement an Annual Gifting Program

By implementing an annual gifting program, you can transfer assets to your loved ones during your lifetime without incurring transfer taxes—shrinking your estate value and your estate tax bill.

### *How Does It Work?*

An annual gifting program is designed to take advantage of the annual gift tax exclusion, which is the maximum annual gift that can be made to an individual gift tax-free. A single donor may make a

maximum annual gift of \$13,000 to any one person, and married donors may gift up to \$26,000 to each person, without being subject to gift tax.

To implement this strategy, you simply make annual gifts to your loved ones, within the limits of the annual gift tax exclusion. These gifts effectively reduce the value of your estate, removing not just the value of the gifted assets, but also any appreciation on those assets after making the gift. The result is a smaller estate value which can translate into a smaller estate tax bill.

In addition to reducing your potential estate tax liability, an annual gifting program offers these advantages:

- By making these gifts now, you have the opportunity to see your loved ones enjoy them.
- When assets are gifted, they are out of your creditors' reach and will ultimately avoid probate (the court-supervised process of administering an estate).

## Gifts To a Legacy Trust

Gifts to a Legacy Trust will protect gifted assets from your loved ones' creditors and help ensure prudent and professional financial management of those assets.

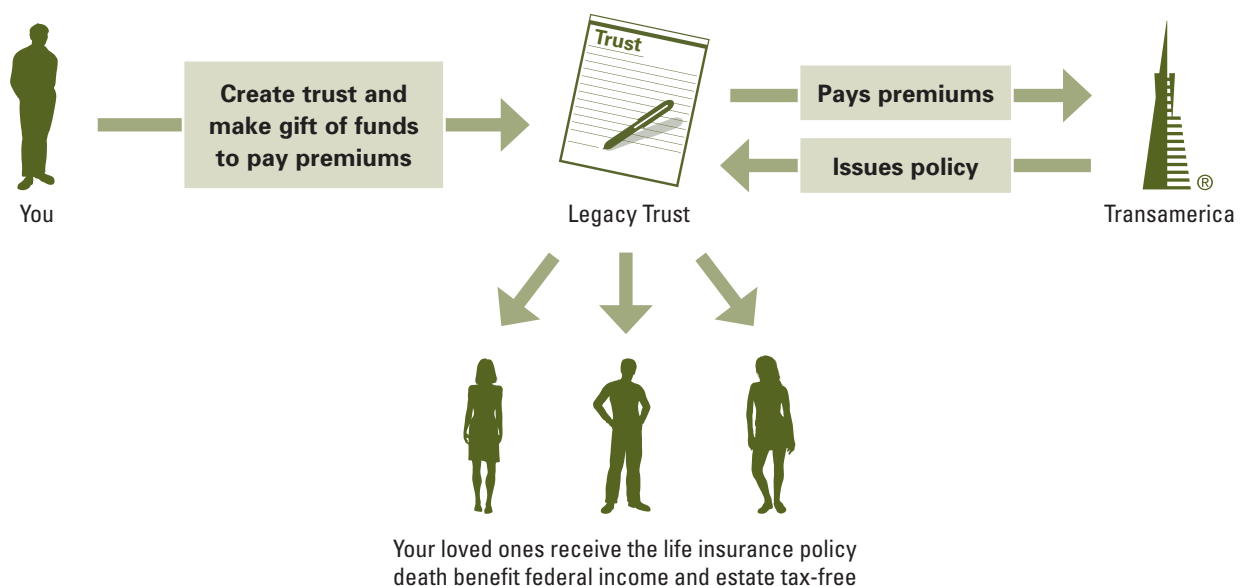
Additionally, a Legacy Trust can protect gifted assets from unintentional transfers. For example, a direct gift of cash—while considered separate property when received by a married person—can become a marital asset by simply being deposited into a couple's joint account. Such a deposit gives the spouse control over the asset and perhaps ultimate ownership in the event of a divorce.

## Why Life Insurance Can be a Perfect Fit

By making gifts to a Legacy Trust to pay premiums on a trust-owned life insurance policy (insuring your life), you can further magnify the value of your annual gifts.

### Here's why

- The life insurance policy death benefit will ultimately pass federal income and estate tax-free to your beneficiaries.
- Policy cash values grow on a tax-deferred basis, which minimizes any potential income tax liability associated with trust assets.
- The trustee may be able to take tax-free distributions from the policy's cash value (up to the cost-basis amount), allowing loved ones to experience your generosity during your lifetime.



### Take the next step

To get started, it's important to work with your insurance professional or financial advisor and have an experienced estate-planning attorney draft the trust documents.

If you establish the trust in a state that allows trusts to exist indefinitely, your trust has the potential to provide a long-lasting legacy benefitting many successive family generations to come.

### Our business was built on helping families

For over 100 years, Transamerica has been providing insurance products designed to help families just like yours.

While the world has certainly changed, our objective has always remained the same—to help families and individuals enjoy a more secure financial future.

For more information on how annual gifting programs and Transamerica life insurance used within a Legacy Trust may help you secure your family's future, please contact your financial or insurance professional.

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