



ANNUAL “EXCLUSION” GIFTS MAKE ECONOMIC SENSE ANY TIME OF THE YEAR

A smart way to reduce the size of an estate — as well as reduce potential federal estate taxes — is to make lifetime gifts. And while annual exclusion gifts are based on calendar year totals and are typically regarded as year-end tools, they actually make sound economic sense any time of the year.

A donor may give up to \$12,000* every calendar year per recipient without incurring any federal gift taxes. The annual exclusion amount for a married individual is \$24,000*, provided his or her spouse consents to “gift splitting,” a practice in which one spouse agrees to let the other use his or her annual exclusion.

Big tax savings can occur when you take advantage of the annual exclusion on a consistent basis. For example: A 55-year-old man gives \$12,000 per year to each of his two children until he reaches his normal life expectancy of 83 years. If the after-tax return on the gifts is 4 percent, the combined projected value of the two gifts in 28 years is approximately \$1.2 million. Because the children own the investment, it is not subject to federal estate taxes when the father dies.

If the father did not make those gifts and instead accumulated the cash in his estate, his estate would incur additional federal estate taxes at the time of his death. Assuming a marginal estate tax bracket of 45 percent, the taxes on the accumulation would be about \$572,000 — an amount that could be saved and literally reinvested with wise annual exclusion gifts.

**This annual exclusion amount is subject to inflation and may increase in the future.*

*Provided courtesy of Securian Financial Services, Inc., member NASD/SIPC.
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Tax Considerations

This information is a general discussion of the relevant federal tax laws. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. This information is provided to support the promotion or marketing of ideas that may benefit a taxpayer. Taxpayers should seek the advice of their own tax and legal advisors regarding any tax and legal issues applicable to their specific fact pattern.



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