

Gifting appreciated stock to family



Wealth
Management

Securities are one of the few gifts that can grow and mature right along with children. By giving children a gift of stock or bonds today, you could give them a big boost in their future financial security.

Transferring securities to minors can be one way to help see that your children and grandchildren will have the assets they need to go to college, buy their first home, or even start their own investment plans. Also, depending on your financial circumstances, you may improve your own tax situation at the same time.

One option is a Uniform Transfers to Minors Act Account (UTMA).

With this type of account, each child owns the securities, but you are named as custodian, and you manage the account on behalf of the minor. When the child reaches the age specified under state law, generally 18 or 21, the child is entitled to the assets in the account. Keep in mind that securities transfers to minors cannot be revoked.

Contact your RBC Wealth Management financial advisor today to discuss the benefits of transferring securities. We look forward to helping you provide for your children's and grandchildren's future.

Income tax

Gifts of securities to children may provide tax benefits if taxable income can be shifted to family members with lower marginal tax rates.

Kiddie tax restrictions

Congress closed the loophole of parents lowering their taxes by shifting unearned income to their children who are in a lower tax bracket by enacting certain rules known as the kiddie tax.

The kiddie tax rules apply when a child has unearned income (for example, investment income). According to the IRS, children subject to the kiddie tax are generally taxed at the parents' tax rates on any unearned income over \$2,500 (the first \$1,250 is tax free and the next \$1,250 is taxed at the child's rate). The kiddie tax rules apply to (1) those under age 18, (2) those age 18 whose earned income

doesn't exceed one-half of their support, and (3) those ages 19–23 who are full-time students and whose earned income does not exceed one-half of their support.

Gift tax

Annual gift tax exclusion

Individuals may give any number of people up to \$17,000 each in cash or assets (\$34,000 if your spouse joins in making the gift) without triggering gift, estate or generation-skipping taxes.

Lump sum giving

You may choose to give assets or cash to a family member or other heirs in one lump sum. If the gift is within the lifetime gift tax exemption-equivalent amount of \$12.92 million (\$25.84 million for joint transfers) you will pay no gift tax.

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Brandon Chandler CFP®, CPFA®

Financial Advisor

(913) 451-3537

brandon.chandler@rbcb.com

us.rbcwm.com/burkschandlerig

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