

Year-End Tax Planning and 2016 Changes

Year-End Planning

As 2015 draws to a close, it is time to focus on year-end strategies to lessen the income or transfer tax bite. Below are some strategies and tax tips for you to consider in these final days of 2015:

1. Intra-Family Transfers of Discounted Assets. As highlighted in our August newsletter, the Internal Revenue Service has targeted taxpayers' ability to take valuation discounts in connection with certain intra-family asset transfers. If you are considering such a strategy, act now. See the link to our August newsletter, below.
2. Frontload Contributions to a 529 Plan. Contributions to a 529 college savings plan (Wisconsin's plan: EdVest) can be "frontloaded"—a donor can contribute five years' of annual exclusion gifts ($\$14,000 \times 5 = \$70,000$) to a donee's college savings account transfer-tax free in the first year. The donor must disclose this gift on a timely filed gift tax return, but the full \$70,000 begins growing, tax-free, immediately.
3. Utilize Annual Exclusions. Making annual exclusion gifts each year is a way to transfer wealth without reducing your lifetime gift and estate tax exemption. The current annual gift tax exclusion is \$14,000. You are able to gift up to that amount to as many people each year as you would like. For example, you could gift up to \$14,000 to each of your children. If you are married, each spouse is able to use his or her own annual exclusion amount, enabling the spouses to make total gifts to each child of \$28,000.
4. Check your Beneficiary Designations! Make it a part of your year-end planning routine to check all beneficiary designations on your IRAs, life insurance policies, investment accounts, etc. Coordination of these beneficiary designation forms with your estate plan is critical to its success. It is the gas in the car...you can have the best car (estate plan) in town, but if it doesn't have gas (funding via proper beneficiary designations) it won't run.

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2016 Changes

1. Gift, Estate and GST Tax Exemption. The gift, estate and GST tax exemption of \$5 million was made permanent in 2012 and is now indexed each year for inflation. That exemption amount is projected to increase to \$5.45 million in 2016, up from \$5.43 million in 2015.
2. Annual Exclusion. The gift tax annual exclusion is also indexed each year for inflation and increases in \$1,000 increments. That exclusion is projected to remain at \$14,000 for 2016.
3. Retirement Savings. The maximum contribution to a 401(k) Plan will increase to \$18,000 in 2016 for taxpayers under age 50, and to \$24,000 for those over age 50. The maximum contribution to an IRA will remain at \$5,500 in 2016 for taxpayers under age 50 and \$6,500 for those over age 50.
4. Digital Assets. Wisconsin legislation is in the works to develop a law that will address the rapidly changing world of digital assets. Many consumers now maintain assets and information on the cloud!

Year in Review

In case you missed any of our previous Trusts and Estates Perspectives, below is a list of those we published in 2015, along with a link to each newsletter.

[Creating and Building a Roth IRA - October 2015](#)

[Act Now! Regulations Limiting Valuation Discounts Anticipated by Fall - August 2015](#)

[Succession Planning for the Family Vacation Home - June 2015](#)

[Estate Planning for Digital Assets - April 2015](#)

[Roth IRAs: What Are They and How Do They Work? - February 2015](#)

As we head into another presidential election year, even more tax reforms will likely be discussed. With constantly changing tax laws, it is as important as ever to make sure that your estate plan and beneficiary designations are up to date. Please contact your Reinhart Attorney or a Reinhart [Trusts and Estates Attorney](#) to discuss any of the topics covered in this newsletter, or any of our other 2015 newsletters, in more detail.



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