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7 Christmas Gift Bargains With Last Minute Tax Breaks

Don't have an estate plan? You should. Want a band aid to grab some of the [expiring \\$5M allowance](#)? If it's any comfort, you're not alone.

The \$5M tax-free gift and estate tax deal has been around since December 2010, but two long years passed with amazingly few acting on it. Why did everyone wait until the last minute? See [Grab The \\$5M Gift And Estate Tax Perk: It's Gone In 2013.](#)



Giving away money—even to your kids—isn't easy. They might squander it and you might need it. Besides, choosing what to give and how to give it can be tough. Here are some ideas:

1. The ultimate quickie gift? Cash or securities outright. With cash or public company securities, no [appraisals](#) are needed. You can do a one page instrument of gift so you've got a document signed and hand it over.
2. You can give property (real estate, shares in a private company, etc.). You can deed real estate or sign over shares but you'll need an appraisal. The IRS has an incentive to value gifts at the top of the market while you'll aim low. You must pick a number to put it on your gift tax return. See ['Aggressive' Tax Returns Can Mean Fraud.](#)

3. You can forgive debts. Normally forgiving a debt triggers income tax. See [Ten Things To Know About COD Income](#). But if you forgive a debt as a gift and report it on a gift tax return it doesn't.
4. Set up an irrevocable trust with cash or securities and buy real estate or other assets later. It's a current gift but you can have a trustee manage investments and dole out income and principal. You'll have many decisions to make, including when your child should receive distributions.
5. Set up a family limited partnership or family [limited liability company](#). You can be the general partner or managing member so you control it but your kids can own most of the equity. The entity could own real estate, shares in your company, etc.
6. Set up a Grantor Retained Annuity Trust or GRAT. It's a trust holding real estate or a family company that gives you an income interest for years with the remainder in trust to your child. It fixes the value now. Income producing property works well because discounts are typically high and the income can be used to make the annuity payments.
7. Set up a Qualified Personal Residence Trust or QPRT. A QPRT is an irrevocable trust to transfer your residence to your kids. You retain the right to live there for a term of years. The home passes to your children thereafter without gift or estate tax. It is a current gift but the value for gift tax purposes is greatly reduced due to your retained term of years.

Whether you try to act before year-end or just start getting organized next year—at least \$1M will be tax-free in 2013 and probably more—get some advice and plan ahead.

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