Your Guide to Gift Taxes and Exemptions

The art of giving well, today and for generations.

Gift-giving is more than a heartfelt gesture, it's one of the most underused tools in estate planning. Whether your generosity is fueled by love, tax strategy, or both, understanding how the gift tax works helps you transfer more wealth to the people you care about and less to the IRS.

What is a gift?

In tax terms, a gift is anything of value, money, property, or assets, transferred to another person without expecting equivalent payment in return. The IRS treats these transfers as taxable to ensure gifts during life aren't used to sidestep estate taxes at death.

How does gifting reduce your tax burden?

Every dollar you give away during your lifetime is a dollar removed from your taxable estate. Strategic gifting can dramatically reduce, or even eliminate, what your beneficiaries owe in estate taxes when you pass.

The annual gift tax exclusion

The annual exclusion lets you give a set amount per recipient, per year, without filing a gift tax return or touching your lifetime exemption. In 2026, that amount is $19,000 per recipient.

- Per recipient, not per donor. Give $19,000 to as many different people as you like, every year.
- Married couples can split gifts. Together, a couple can give $38,000 per recipient per year.
- It resets every January 1. Unused exclusion doesn't roll over.

A married couple with three children and four grandchildren can move $266,000 out of their estate every year, entirely potential tax-free, no paperwork, just by using the annual exclusion.
The lifetime estate and gift tax exemption

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The lifetime estate and gift tax exemption
If you give more than $19,000 to one person in a year, the excess doesn't necessarily trigger tax, it draws down your lifetime exemption, the total you can transfer over your lifetime (or at death) before federal estate or gift tax applies. For 2026, the lifetime exemption is $15 million per individual, or $30 million per married couple.

The elevated exemption originally enacted in 2017 was scheduled to sunset at the end of 2025. Legislation signed in July 2025 made it permanent and reset the baseline at $15 million, indexed for inflation. The planning conversation has shifted from "use it before you lose it" to "use it strategically over time."

Gifts between spouses
The unlimited marital deduction lets spouses give each other any amount, during life or at death, without gift or estate tax. The catch: it defers tax, it doesn't eliminate it. Whatever remains in the surviving spouse's estate is still potentially exposed, which is why coordinated planning matters more than spousal gifting alone.

Common gift-giving mistakes

- Giving cash when you could give growth. $19,000 in cash is worth $19,000. $19,000 in an appreciating asset can be worth many times that, with the growth happening outside your estate.
- Defaulting to a 529. Great for college, restrictive for everything else. If your beneficiary skips college or starts a business, the money is locked.
- Skipping a year. The annual exclusion is use-it-or-lose-it.
- Not documenting gifts. Even potential tax-free gifts should be recorded.
- Going it alone above the threshold. Once you tap lifetime exemption, the rules get technical fast.

Why the Stream Protection Plan is a powerful gifting vehicle
Funding a Stream Protection Plan with gifted dollars does three things at once:

1. Reduces your taxable estate by the amount gifted each year.
2. Builds potential tax-advantaged cash value the recipient can access during their lifetime.
3. Provides a death benefit that passes to the next generation income potential tax-free.

It's the gift that keeps working long after it's given.

Your gifting checklist

- Use the annual exclusion every year — set a calendar reminder.
- Coordinate with your spouse to maximize joint exclusions.
- Document every gift.
- Give assets that grow, not just cash.
- Talk to a wealth-transfer professional before tapping lifetime exemption.

Connect with Us! Email us at service@thestreamplan.com

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