The Benefits Of Giving During Your Lifetime

By Amanda Reaume

When their church was destroyed by a tornado in 2011, Becky and Dave Seidl knew they would help. That's because giving a generous donation toward rebuilding efforts fit in perfectly with a plan they'd had since their early twenties—to leave a legacy while they were still alive.

For Becky, 53, a city prosecutor in Joplin, Missouri, and Dave, 52, a gastroenterologist, that meant giving away a large percentage of their wealth to charity and to their children while they were still around to see the impact of their generosity.

"It's so fulfilling," Dave said. "By giving when you're alive, you have control over what happens with the money, and you can get the joy and the benefits from giving now."

Like the Seidls, many people want to leave something behind and have a positive impact on the world, but they often use their wills to do so after they've passed away.

According to Keith Moeller, a wealth management advisor with Northwestern Mutual who has worked with the Seidls since 1998, people who have sufficient or surplus retirement savings could benefit from starting to transfer wealth during their lifetime. Doing so allows them to experience the satisfaction of giving, to access charitable tax deductions and to prevent their families from facing inheritance taxes.

The Joys of Giving to Family

Moeller has worked with several clients who prioritized transferring wealth to others during their lifetime. For them, he said, the best part about giving to their families was getting to watch their children and grandchildren enjoy the money and helping them when they were young and starting out.

Because the Seidls value education, they started saving for their children's college educations when they were born. All three children—now aged 20, 24 and 32—attended schools of their choice and will graduate from college with money left in their college savings accounts.

"We helped give them good educations," said Dave, "so that they could get good careers and we could watch them enjoy their lives and prosper while we're still alive."

The Seidls also chose to spend money on experiences they can share with their children rather than on building wealth to leave them upon their death. To do so, they've invested in family vacations by buying timeshares and a lake house where their children can visit them. This helps their family prioritize time together.

"It's the experiences that build a lifetime of memories," said Moeller, "that you can look back on when your parents are gone."

The Joys of Giving to Charity

It's always been important for the Seidls to give back to their community, and over the years they have received great pleasure from their charitable donations. They make annual contributions to local arts organizations and their alma maters, the University of Iowa and the University of Northern Iowa. In addition, they have given larger donations to capital projects, such as helping their church rebuild after the tornado and contributing to a new addition at their local hospital.

"It makes us feel good to see that the money we're giving is being used by the church and the hospital," said Becky. "That brings us joy to be able to witness the impact of our gift instead of just leaving a legacy in our will where we'll never see the fruits of that."

Giving now instead of waiting until after their deaths also allows them to be role models for their children.

"We're hoping that we pass these values onto our children," said Dave, "and that they'll continue to live their lives this way."

Tax Benefits of Giving

By giving to family and charities while you're still alive, you can offset income taxes with tax credits and help your heirs potentially avoid inheritance taxes.

While the first $5.43 million in an estate is exempt from federal tax, many states exempt much smaller amounts from inheritance taxes. In New Jersey, for example, the exemption is the lowest at just $675,000, while Hawaii and Delaware have the highest exemptions, which match the federal amount. Top estate tax rates in these states range from 12 percent to 19 percent.

For some of Moeller's clients, it actually makes more sense to give their money away during their lifetimes. To determine this, Moeller creates a retirement income plan that estimates the future growth of his clients' net worth. He often finds that their spending won't keep up with that growth, which could result in large estate taxes. To reduce or eliminate such taxes, Moeller suggests that his clients limit the size of their estate by giving away money annually to their children and charities.

The IRS allows you to exclude from tax consideration annual gifts of $14,000 per recipient or $28,000 per recipient for a married couple. In addition, the credit that exempts $5.43 million from transfer tax can be used during the giver's lifetime to offset gift tax. That means a married couple could transfer $10.86 million in addition to the $14,000 annual exclusions with no gift tax.

Create Your Own Living Legacy

If you're thinking about giving money away during your lifetime, Moeller suggests working with a financial advisor to help you create a plan to do so. It's also wise to consult with a tax advisor.

"There's a balance between creating a living legacy," he said, "and making sure that you can provide for your needs."

The Seidls recommend that those interested in helping their families and cherished causes while they're alive start saving early.

"If you start young," Dave said, "once you get to your fifties, you have money that you can use to help and give back."

He and his wife say they're not done leaving their legacy and will continue giving.

"I want our children to remember us as people who loved and cared for them and the community," Dave said.

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