Small Gifts With Big Impacts: Using Annual Exclusion Gifts In Estate Planning

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Many clients want to share their wealth with their children and grandchildren now, while they are around to see the benefits. With the federal estate and gift tax exemption at a historically high $15 million per person for 2026, some people assume yearly gifts to family no longer matter. But annual gifts still matter. They can move significant wealth out of your estate over time and help your family now.

Annual exclusion gifts

The annual gift tax exclusion allows you to give up to $19,000 to each recipient in 2026 without paying gift tax. This amount increases for inflation from time to time. Those gifts, plus their future growth, can exit your estate without counting against your lifetime exemption from estate and gift tax ($15 million in 2026). Unused exclusions are lost; they do not carry over to the next year. Also, recent federal changes to 529 plans and the new Trump accounts offer additional ways to make gifts this year.

In 2026, a married couple can give $38,000 ($19,000 each) to each child, grandchild, or anyone else. For example, a couple with three children and six grandchildren could move $342,000 out of their estate in December 2026 and another $342,000 in January 2027, without any gift tax. If the gifts come from one spouse's individual assets, you must file a gift tax return to "split" the gifts with your spouse. No tax is owed, but the return is required.

Gifts during your lifetime can help your child buy a first home, start a business, pay off student loans, or cover your grandchild's education. You also have the benefit of seeing the difference your generosity makes. In addition, tuition paid directly to a school and medical expenses paid directly to a provider do not count against the annual exclusion regardless of amount.

Annual exclusion trusts: control without losing the exclusion

If you would rather not give a child or grandchild money outright, a properly drafted trust lets you still use this year's annual exclusions while a trustee manages the funds. Using trusts to hold annual gifts provides the donor with the comfort of added protection and control.

529 plans: more flexible in 2026

A 529 plan is another way to gift assets to a loved one, but with more input as to how the funds are used. You can front-load up to five years of annual exclusions at one time to a 529 plan. In

2026, therefore, with an election on a gift tax return, you can contribute up to $95,000 per beneficiary or $190,000 per couple. Because the election uses the donor's annual exclusion for a particular beneficiary for five years, any other gifts to that beneficiary would count against your lifetime exemption. You keep control of the account, including changing the beneficiary, and timing distributions. Generally, gifts to 529 plans are outside the donor's estate. With a front-loaded gift, however, if the donor dies before the end of the five years, the portion of the gift assigned to the years after the donor's death would be included in their estate. Confirm plan-specific rules with the financial institution holding the account.

Money withdrawn from a 529 plan is tax-free when used for qualified education expenses. These include K-12 tuition and certain related costs, as well as higher education costs such as tuition, fees, books, and room and board. Starting in 2026, the federal cap on K-12 withdrawals from 529 plans doubled from $10,000 to $20,000 per beneficiary per year and covered expenses now include curriculum materials, tutoring, test fees, dual enrollment, and educational therapies for students with disabilities. There is no federal cap on the amount used for college and higher education expenses. Withdrawals should be made in the same tax year the expenses are paid.

A new option: Trump accounts

Starting in July 2026, families can open a tax-advantaged "Trump account" for children under age 18. Under current rules, family members can contribute up to $5,000 per year per child, and for children born from 2025 through 2028 the federal government may make a one-time $1,000 "seed" deposit. The money is invested in low-cost U.S. stock index funds, grows tax-deferred, and generally cannot be withdrawn until the year the child turns 18, after which the account follows rules similar to an IRA. Contributions you make to these accounts are gifts to the child and count toward the annual exclusion for that child, so coordinate them with other gifts. These accounts are new and IRS guidance is still developing.

Decide before December 31

Annual gifting is a simple, flexible, and low-cost way to reduce potential estate taxes, preserve your lifetime exemption, and support the people you care about while you can see them enjoy that gift. To count for 2026, gifts must be completed by December 31; checks should be deposited and transfers finalized by year-end. Because the right approach depends on your finances, your family, and your goals, we recommend coordinating any gifting program with your attorney and your accountant before you begin. Saiber's estate planning attorneys help families complete gifts on time, fund properly drafted trusts, and report gifts when required. Contact us before year-end to build a gifting strategy that fits your family's goals.