



Give to others, not the IRS

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The season of giving offers an opportunity to reflect on priorities, revisit financial goals, and consider how wealth can be used to support family, charitable causes, and long-term legacy objectives.

Key points

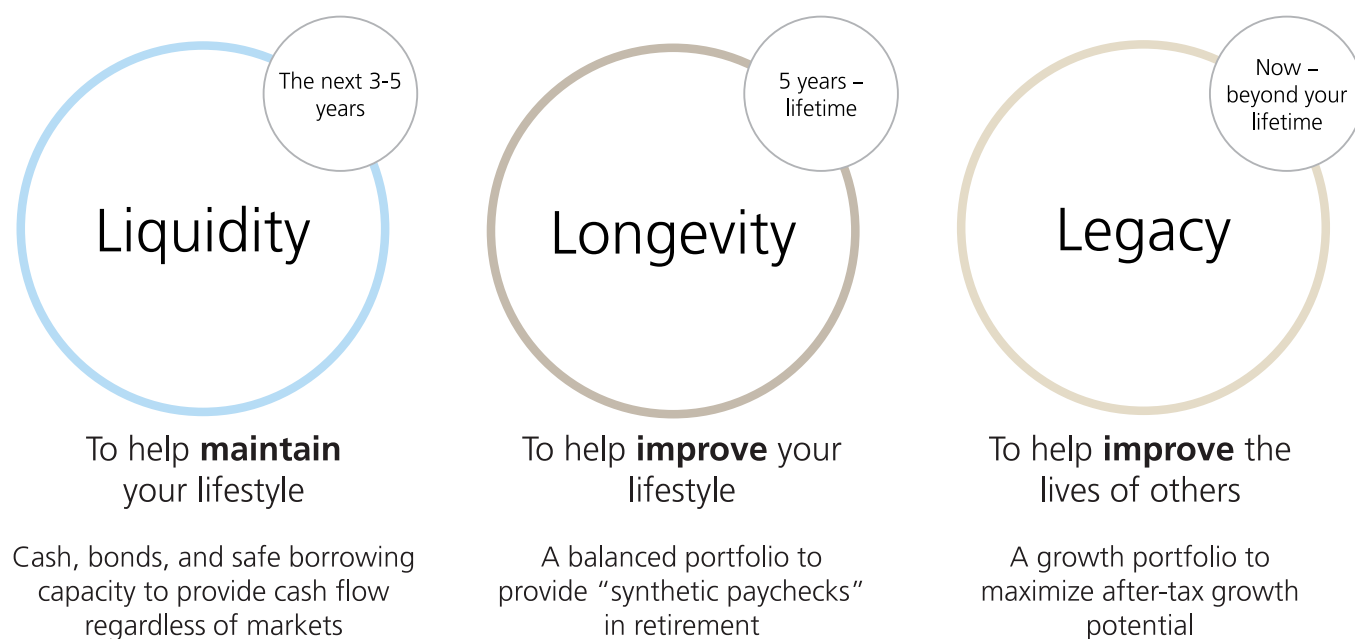
- The end of the year offers an opportunity to review charitable giving, education funding, and wealth-transfer strategies in the context of broader financial goals.
- When it comes to giving, the asset used for a gift can be just as important as the gift itself. Appreciated securities, 529 plans, donor-advised funds, qualified charitable distributions, and lifetime gifting strategies may help families increase the after-tax impact of their generosity.
- Meaningful gifts are not always measured in dollars, and taxes are only one consideration. Thoughtful planning can help families balance their objectives of giving with purpose, managing taxes and making a lasting positive impact on the people and causes that they care about.
- Working with financial, tax, and legal advisors may help families align year-end giving opportunities with their long-term Legacy goals.

Introduction

Gift-giving is about making thoughtful decisions regarding whom to help, when to help them, and which assets may be most effective to give. Taxes are a factor, not the priority.

Before making significant gifts, families may find it helpful to evaluate these decisions in the context of their broader financial plan.

The UBS Wealth Way framework—which helps families organize their financial life based on the purpose and timing of their wealth—may be a useful way to gain perspective on gift-giving decisions. With a Liquidity strategy and Longevity strategy that are funded sufficiently to confidently meet lifetime spending priorities, families can identify wealth that can be safely earmarked for the Legacy strategy, which can be invested and oriented to improving the lives of others.



UBS Wealth Way is an approach incorporating Liquidity, Longevity, Legacy, strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different time frames. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Time frames may vary. Strategies are subject to individual client goals, objectives and suitability.

The strategies discussed in this report center on six important decisions:

- Have I secured my own financial future?
- Which assets should I give?
- How can I invest in future generations?
- How can I maximize the impact of my charitable giving?
- Which accounts should I use when making charitable gifts?
- Should I wait to give, or give while I live?

The answers will vary by family, but thoughtful planning may help direct more wealth to loved ones and charitable causes, and help reduce the amount lost to taxes.

1. Prioritize personal financial security

Before making gifts to family members or charitable organizations, it's crucial to confirm that your own savings, retirement, and long-term financial goals remain on track. This review may include assessing emergency reserves, retirement account contributions, employer matching opportunities, and retirement income projections.

Using a "Savings waterfall" approach can help families to prioritize where they direct their hard-earned savings. The CIO Global IM report, "[Where should I put my savings?: The 2026 savings waterfall worksheet](#)" (published 11 December 2025), may be a good place to start.

Questions to discuss with your advisor

- Are my retirement and spending goals fully funded?
- Have recent market movements changed which assets I should earmark for gifting objectives?
- Which assets may ultimately be available for Legacy objectives? Should they be invested differently than the rest of my portfolio?

2. Put stocks in stockings

When many families think about gifting, they think about cash. But cash is not always the most effective asset to give.

Gifting appreciated securities to children, grandchildren, parents, siblings, or other family members may provide several potential advantages:

- It may allow families to transfer more value than if they first sold the investment and paid capital gains taxes.
- It may reduce concentrated stock positions.
- It may move future appreciation outside of the taxable estate.
- It may allow the donor to utilize the annual exclusion (**\$19,000 per donor per recipient** in 2026) without using their lifetime gift and estate tax exemption. Married couples may use their combined exclusions to give **\$38,000 per recipient**.¹
- In some cases, recipients may realize capital gains at a lower tax rate than the donor.

For younger beneficiaries, gifting investments may also provide an opportunity to teach the value of long-term investing and compounding. When children experience investment growth firsthand, they may gain a deeper understanding of opportunity cost, risk, and long-term financial discipline.

Families should also carefully consider the tax consequences of gifts. Inherited assets generally receive a step-up in basis at death, while securities gifted during the donor's lifetime will typically retain the donor's original cost basis (and thus, their unrealized capital gains liability).

As a result, gifting appreciated securities is often most attractive:

- When the recipient is expected to benefit from the gift during the donor's lifetime,
- When future appreciation may be removed from the donor's estate, or
- When the recipient is subject to a lower capital gains tax rate (or will not pay capital gains tax at all).

By contrast, families may wish to retain certain highly appreciated assets if they are likely to be passed at death and qualify for a step-up in basis. In some cases, this may include "upstream planning" strategies, where assets are transferred to older family members and later inherited back by younger generations in order to potentially obtain a basis step-up. In some situations, these strategies may also provide transfer-tax planning benefits. Such strategies involve significant tax, estate, and practical considerations and should be carefully coordinated with legal and tax advisors.

In some cases, children or grandchildren may be able to realize capital gains at lower tax rates than the donor, potentially even at a 0% federal long-term capital gains tax rate if their taxable income falls below applicable thresholds. However, when giving appreciated securities to younger generations, families should be aware of the "Kiddie Tax" rules, which may cause a portion of a child's unearned income to be taxed at higher rates and may limit opportunities to shift investment income to younger children. As a result, gifting appreciated securities may sometimes be more attractive for adult children, grandchildren who are no longer subject to the Kiddie Tax, or beneficiaries in lower income tax brackets.

For families who wish to transfer appreciated assets without transferring the associated income tax liability, grantor trusts may warrant consideration. In these arrangements, the grantor generally remains responsible for the trust's income taxes, including capital gains taxes realized by the trust. This may effectively allow additional wealth transfer to beneficiaries without making additional taxable gifts.

Questions to discuss with your advisor

- Are there appreciated assets that may be more efficient to gift than cash?
- Does a concentrated stock position create a gifting opportunity?
- Could trusts improve the long-term effectiveness of family gifting strategies?

3. Invest in future generations

Education funding remains one of the most common goals for intergenerational giving. However, some families may also wish to use gifts to help younger generations begin investing, saving for retirement, or developing financial literacy skills.

For education-focused families, **529 college savings plans** offer several tax advantages: Contributions may grow income tax-free, qualified withdrawals are generally federally income tax-free, and families may accelerate gifts through five-year gift averaging. In 2026, an individual may contribute up to **\$95,000** to a beneficiary's 529 account in a single year without using any lifetime exemption, while a married couple may contribute up to **\$190,000**, provided the appropriate gift tax election is made.¹

Recent legislative changes have also expanded flexibility. Beginning in 2026, up to **\$20,000 per year** may be withdrawn tax-free for certain K-12 expenses, and up to **\$35,000** of unused 529 assets may be rolled into a Roth IRA for the beneficiary, subject to statutory requirements, annual contribution limits, and state-law treatment.

While 529 plans offer tax advantages specific to education costs, they are not the only option for supporting the next generation. For other saving and investing goals, other tools—for example, Trust Accounts, family-funded Roth IRAs, and custodial accounts—may also warrant consideration. Combining several vehicles may help to balance tax efficiency, flexibility, control, and long-term objectives. To learn more, please read the CIO Global IM report, "[How to give kids an investing head start,](#)" published 26 May 2026.



Questions to discuss with your advisor

- Should education gifting be coordinated with estate-planning goals?
- Would accelerated 529 gifting make sense for my family?
- Are there opportunities to combine financial gifts with financial education?
- Which account structure best aligns with the purpose of my gift?

4. Bunch charitable contributions

Families who regularly support charitable organizations may benefit from considering whether the timing of their donations can increase their tax impact.

A "bunching" strategy involves consolidating multiple years of charitable gifts into a single tax year. Doing so may increase the likelihood that itemized deductions exceed the standard deduction in the contribution year.

For tax year 2026, the standard deduction is **\$16,100 for single filers, \$24,150 for heads of household, and \$32,200 for married couples filing jointly.**¹

Taxpayers who expect their itemized deductions to exceed these thresholds may wish to consider whether concentrating charitable gifts into a single year could increase the value of their deduction.

For affluent families, appreciated securities may offer another powerful charitable planning opportunity. Rather than donating cash, families may choose to contribute highly appreciated securities directly to qualified charitable organizations. This strategy may provide a deduction based on the fair market value of the donated assets while avoiding the capital gains tax that would otherwise be due upon sale.

Example: Donating appreciated stock. Consider a California-based investor who wishes to contribute **\$100,000** to charity and owns stock worth **\$100,000** with a **\$20,000 cost basis**. If the stock were sold first, the investor would realize **\$80,000** of capital gains. Assuming a combined marginal federal and California capital gains tax rate of **38.2%**, the resulting tax liability could exceed **\$30,000**. By donating the shares directly to a charity or donor advised fund, the investor may avoid realizing that gain while still receiving a charitable deduction based on the full value of the donated shares (subject to applicable limitations). As a result, more value may reach charity and less may be lost to taxes.

Families seeking a large charitable deduction today, but greater flexibility regarding future charitable recipients, may wish to consider a donor advised fund (DAF). Contributing to a DAF may allow families to:

- Receive an immediate charitable deduction.

- Contribute cash or appreciated assets.
- Avoid recognizing embedded capital gains on donated securities.
- Potentially allow assets to grow tax-free.
- Recommend charitable grants over time.

Perhaps most importantly, a DAF allows families to separate the timing of the tax deduction from the timing of charitable decisions, allowing them to harness the tax advantages of a large charitable deduction without the obligation to make a large upfront grant or immediately determine which charities will receive the funds. Contributing to a DAF may be particularly attractive in tax years with an unusually high level of income.

Some families also use donor-advised funds to involve children and grandchildren in future grant recommendations, creating opportunities to discuss philanthropic priorities across generations. Families requiring greater control over charitable governance, staffing, investments, or operations may also wish to evaluate whether a private foundation is appropriate. However, donor-advised funds are often less costly and less administratively burdensome.

Questions to discuss with your advisor

- Would bunching charitable contributions increase my tax benefit?
- Should charitable gifts be made with cash or appreciated assets?
- Would a donor-advised fund improve flexibility?

5. Use QCDs to donate efficiently

Qualified Charitable Distributions (QCDs) are one of the most tax-efficient ways to support charitable causes.

Individuals age 70½ or older may transfer up to **\$111,000 per IRA owner in 2026** directly from an IRA to an eligible charity. Married couples in which both spouses own IRAs may collectively donate up to **\$222,000** through QCDs.¹

QCDs may:

- Count toward required minimum distributions (RMDs)
- Be excluded from federal taxable income
- Reduce income used in various tax calculations
- Potentially reduce Medicare premium surcharges
- Provide tax benefits even for individuals who do not itemize deductions

Example: Using a Qualified Charitable Distribution. Consider a California-based retiree who plans to donate **\$25,000** to charity and is subject to required minimum distributions. If the retiree first receives a taxable IRA distribution and then writes a check to charity, the distribution could be subject to a combined federal and California marginal tax rate as high as **50.3%**, and could also trigger Medicare income-related adjustment amounts (IRMAA). By making the gift directly through a Qualified Charitable Distribution, the retiree may avoid recognizing that income altogether. In this example, using a QCD could potentially reduce taxes by more than **\$12,500** while still delivering the same **\$25,000** gift to charity.

To qualify, distributions generally must be made directly from the IRA custodian to the charity. Donor-advised funds and private foundations generally do not qualify as QCD recipients.

For charitably inclined retirees, determining whether gifts should come from retirement accounts, taxable accounts, or appreciated securities may create meaningful differences in long-term after-tax outcomes.

For additional discussion, see the CIO Global IM report, "[Distribution strategies for IRA owners and beneficiaries](#)," published 3 March 2026.



Questions to discuss with your advisor

- Should charitable gifts come from retirement assets or taxable investments?
- How do QCDs fit into my retirement income strategy?
- Are there opportunities to improve the tax efficiency of my charitable giving?

6. Give while you live

Many wealth transfer conversations focus on what happens after death. But some families are increasingly asking a different question:

Would certain gifts have greater impact if they were made earlier?

Helping a grandchild pay for college, supporting a child's first home purchase, assisting with a business venture, or providing financial support during important life transitions may produce benefits that are difficult to replicate through a later inheritance.

Lifetime gifting may also allow future investment appreciation to accumulate outside of the grantor's estate.

In 2026, the federal gift and estate tax exemption is **\$15 million per individual** and **\$30 million per married couple**, in addition to the **\$19,000 annual exclusion** available for gifts to each recipient.¹

Although recent legislation permanently increased exemption levels, future Congresses retain the ability to modify the law. As a result, some families may still wish to consider whether lifetime gifting opportunities align with their broader estate planning goals.

Families should also consider **which assets** to give. In some cases, transferring appreciated assets during life may reduce future estate taxes, while in other situations retaining highly appreciated assets until death may preserve the opportunity for a step-up in basis.

There are several reasons to consider lifetime giving:

1. Future appreciation may occur outside of the taxable estate.
2. Beneficiaries may be able to use gifts at moments when they can provide the greatest value.
3. Some beneficiaries may be subject to lower income tax rates.
4. Families may derive satisfaction from seeing the impact of their generosity firsthand.

Of course, every dollar gifted during life is a dollar that is no longer available for future spending, health care costs, or unexpected circumstances. These decisions often involve trade-offs between current impact, future flexibility, and long-term financial security.

Families interested in a deeper discussion of these trade-offs may wish to review our report on balancing living and giving, which explores the role of timing, retirement planning, and the Liquidity, Longevity, Legacy, framework in greater detail.

Questions to discuss with your advisor

- Would earlier gifts create greater impact for my beneficiaries?
- How much flexibility should I preserve for future needs?
- Which assets are best suited for lifetime gifting?

Conclusion

As families prepare for year-end, opportunities often span charitable planning, education funding, retirement planning, and wealth-transfer strategies simultaneously.

Most year-end gifting decisions ultimately fall into one of three categories:

- **Supporting yourself**, by ensuring your own retirement and long-term financial goals remain secure.
- **Supporting family**, through gifts, education funding, and multigenerational wealth-transfer strategies.
- **Supporting charitable causes**, using strategies such as bunching, donor-advised funds, and qualified charitable distributions.

Within each category, the timing of a gift and the asset used to make it may significantly affect both the tax consequences and the ultimate impact of the gift.

Many of the most effective strategies involve not only deciding how much to give, but also determining:

- **Who** should receive the gift,
- **When** the gift should be made, and
- **Which assets** may be most appropriate to transfer.

By evaluating these decisions within the context of their Liquidity, Longevity, and Legacy goals, families may be able to align year-end giving opportunities with both current priorities and long-term objectives.

Whether the goal is helping family members, supporting charitable causes, reducing future estate taxes, or teaching the next generation about financial responsibility, thoughtful planning may help ensure that more wealth reaches the people and organizations that matter most.

As year-end approaches, families may wish to review their gifting plans, charitable goals, and estate-planning strategies with their financial, tax, and legal advisors. A coordinated review can help identify opportunities to increase the impact of gifts, improve tax efficiency, and ensure that giving decisions remain aligned with long-term family priorities.

Time frames may vary. Strategies are subject to individual client goals, objectives and suitability.

End notes

¹ UBS CIO Global Investment Management, "[2026 Tax Fact Sheet](#)," published 14 January 2026.

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