Balancing living and giving

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Thoughtfully balancing living and giving requires more than good intentions—it requires a clear framework. This report provides a structured approach to help families align their spending, gifting, and legacy goals with their long-term financial security.

Key points

- Balancing spending and giving in retirement requires thoughtful trade-offs between lifestyle, long-term financial security, and the desire to support others.
- Lifetime giving can create meaningful impact, but should be evaluated alongside risks such as longevity, market volatility, and reduced financial flexibility.
- A structured approach, such as the Liquidity. Longevity. Legacy. framework, may help families define how much wealth is needed for personal goals and what may be available to give.

Time frames may vary. Strategies are subject to individual client goals, objectives and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.

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Introduction

For many families, one of the most important and challenging financial decisions is how to balance using their wealth during their lifetime with the desire to support others.

Spend too conservatively, and families may leave behind more than intended while potentially sacrificing experiences or flexibility. Spend too freely or give too early, and they may risk compromising their own long-term financial security.

Many wealth transfers still occur late in life or after death, raising an important question: could wealth be used more meaningfully both for the individuals who earned it and for those they hope to support?

This report explores how families can thoughtfully balance living and giving by considering the timing of gifts, the types of assets used, and the trade-offs involved.

Balancing living and giving

In retirement, financial decisions often involve balancing three priorities: enjoying wealth today, maintaining long-term financial security, and supporting others. These goals are all important, but they may not always align.

For example, spending more can enhance a family's lifestyle but reduce flexibility later, while giving earlier may increase impact but limit future resources. As a result, these decisions often require difficult trade-offs.

A helpful way to frame these decisions is by considering three key objectives:

- Lifestyle: Supporting spending, experiences, and quality of life
- Security: Preserving resources for long-term needs and uncertainty
- Legacy: Providing for family or philanthropic goals

Balancing living and giving is ultimately about making thoughtful trade-offs across these priorities over time. The following sections explore how families can navigate these decisions by considering timing, asset selection, and planning frameworks.

Lifetime giving in the context of retirement planning

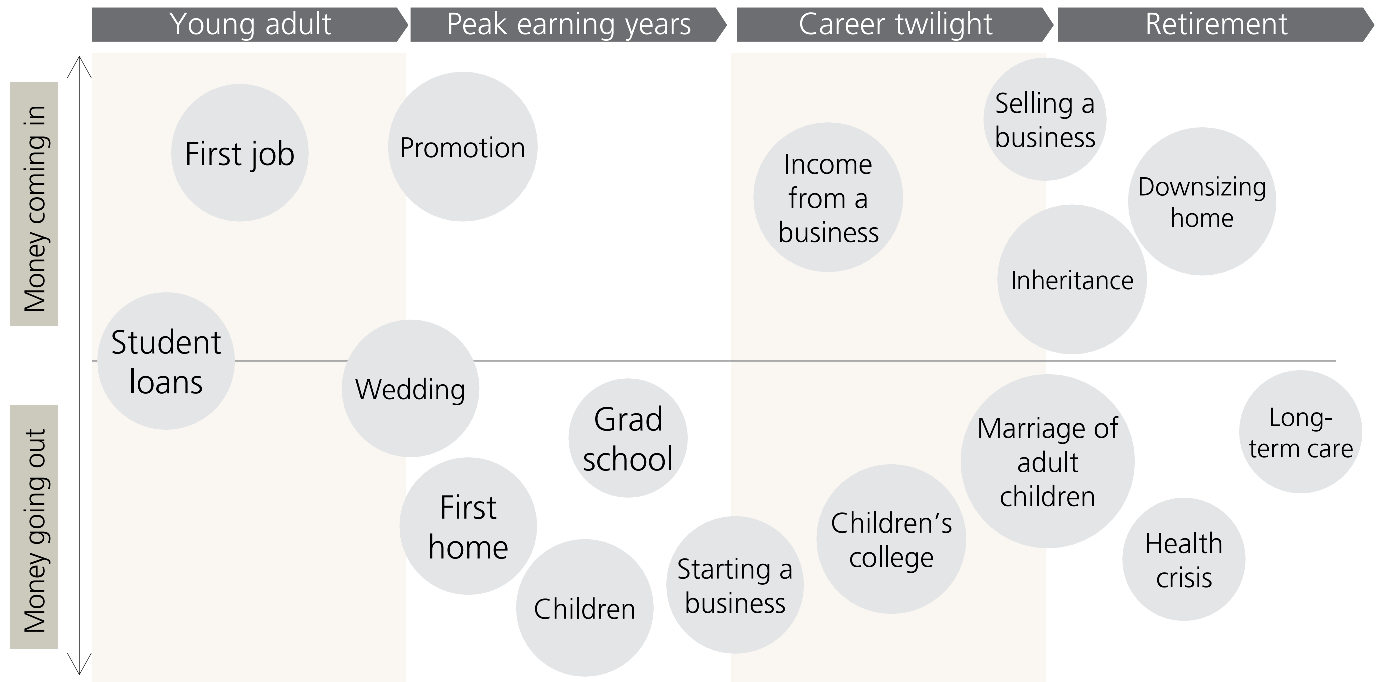
Lifetime giving can offer meaningful opportunities to support family members and charitable causes. However, these decisions should be considered within the broader context of the retirement plan as they involve trade-offs between near-term impact and long-term financial security.

Every dollar given during life is a dollar no longer available to fund future spending, respond to unexpected expenses, or provide flexibility as circumstances change. As a result, the decision to give during one's lifetime is not only about maximizing impact, but also about maintaining confidence in long-term financial security.

When thoughtfully planned, lifetime gifts can allow families to support loved ones at moments when financial assistance may have the greatest impact, such as education, home purchases, or career transitions. For example, helping fund a home purchase earlier in life may have a more meaningful and lasting impact than a larger inheritance received decades later. Lifetime giving may also strengthen family connections and allow benefactors to see the results of their generosity firsthand.

Financial priorities evolve over a lifetime

Hypothetical example of how major life events may shape when wealth is accumulated, spent, and transferred



Source: UBS. For illustration purposes.

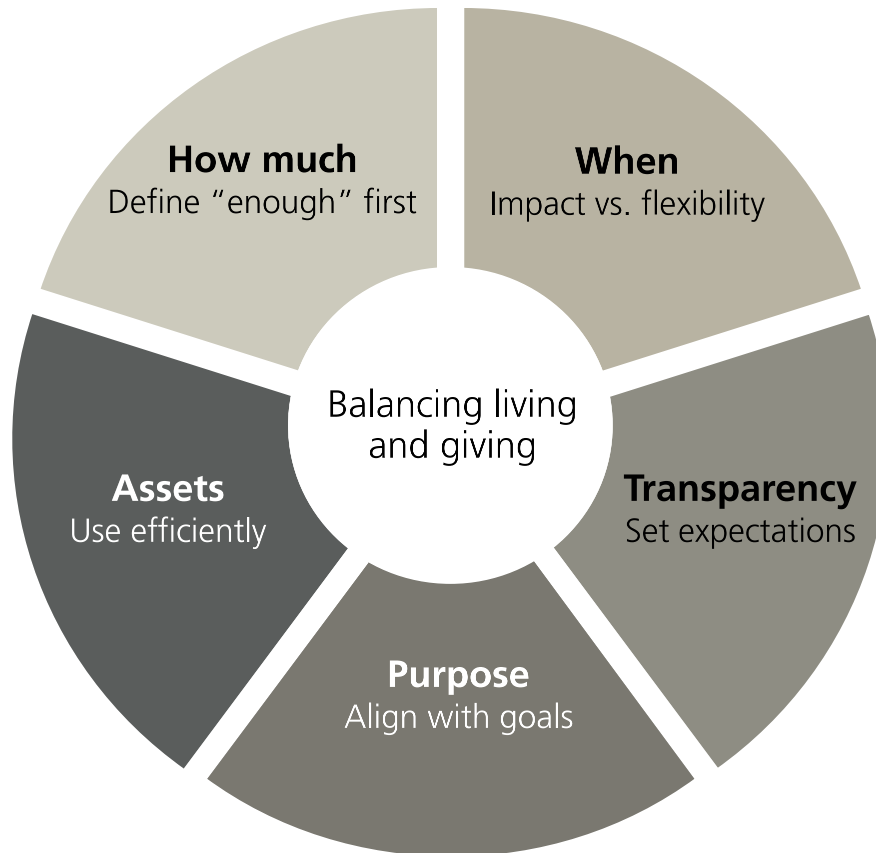
For this reason, many families may want to start by ensuring that their own lifestyle and long-term needs are fully supported before allocating wealth to lifetime giving.

Key decisions when balancing living and giving

Decisions about spending and giving are often interconnected. A structured approach can help families evaluate trade-offs and align decisions with their lifestyle goals and long-term financial security.

A framework for spending and giving

Five decisions to align lifestyle, security, and legacy goals



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Each of these decisions reflects a balance between competing priorities:

How much to give: Determining how much to give often begins with understanding how much is needed to support your lifestyle and long-term financial goals. Families may find it helpful to first define what "enough" looks like for their own needs before allocating excess wealth toward gifting.

When to give: The timing of gifts can meaningfully influence their impact. Earlier gifts may provide support at moments when it matters most, but can reduce flexibility and increase exposure to risks such as longevity, market volatility, and unexpected expenses.

How transparent to be: Communicating intentions with family members may help set expectations and reduce the risk of misunderstandings. At the same time, preferences around transparency vary and should reflect individual comfort levels and family dynamics.

How to make gifts meaningful: Tailoring gifts to support specific goals, such as education, homeownership, or entrepreneurship may help maximize their impact, while preserving a balance between financial support and personal responsibility.

Which assets to give: Different assets can have different implications for both the giver and the recipient. Tax considerations, liquidity needs, and intended purpose may all influence which assets are best suited for gifting.

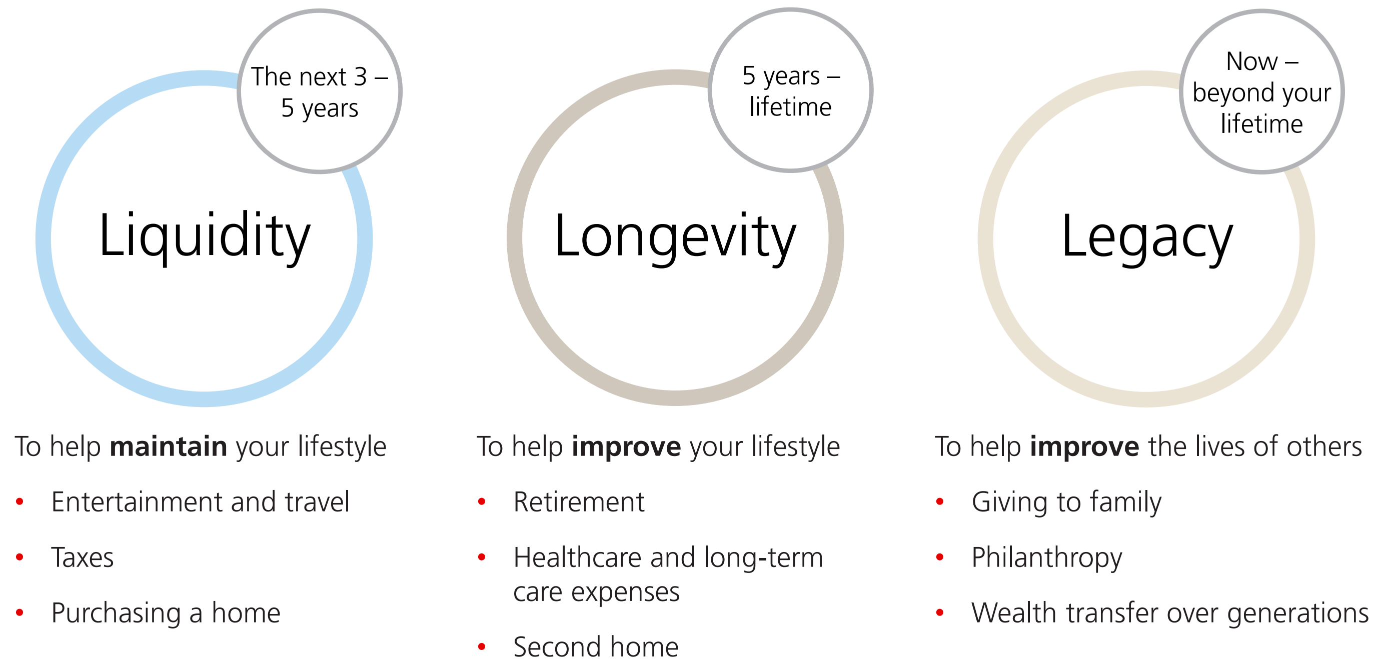
These decisions are explored further in the asset selection section below.

Segmenting wealth to support spending and giving

One of the most important steps in balancing living and giving is determining how much wealth is needed to support your own lifestyle and how much may be available to support others.

The Liquidity. Longevity. Legacy. framework provides a structured way to separate these priorities, helping families align their wealth with different time horizons and objectives.

The Liquidity. Longevity. Legacy. framework



Source: UBS. For illustration purposes.

Liquidity: Supporting spending today
The Liquidity strategy includes assets intended for near-term spending needs and unexpected expenses. By identifying these resources clearly, families can spend with greater confidence knowing that short-term needs are covered.

Longevity: Funding long-term security
The Longevity strategy is designed to fund spending over the remainder of one's lifetime, even in the face of uncertainty. This includes planning for risks such as market volatility, inflation, and longevity, helping ensure long-term financial security.

Legacy: Allocating wealth beyond lifetime needs
The Legacy strategy represents assets that are not needed to fund lifestyle or long-term goals. These assets may be used to support family members or charitable causes, either during life or through a bequest.

By clearly distinguishing between these priorities, families can make more confident decisions about spending and giving. In particular, the Legacy strategy helps define how much wealth may be available to give without compromising lifestyle or long-term financial security.

Strategies are subject to individual client goals, objectives and suitability.

Asset selection: Choosing which assets to use

Once families have determined how much wealth may be allocated toward spending and giving, the next step is deciding which assets to use. The characteristics of different assets—including their tax treatment, liquidity, and intended purpose—can have a meaningful impact on both retirement outcomes and the effectiveness of a legacy plan.

Tax considerations

Tax considerations often play an important role in deciding which assets to use for spending and giving. For example:

- Tax-deferred accounts, such as Traditional IRAs, may create income tax burdens for non-spouse beneficiaries
- Appreciated assets held in taxable accounts may receive a step-up in cost basis at death, reducing capital gains taxes for beneficiaries
- Charitable organizations are often among the most tax-efficient recipients of highly appreciated or tax-deferred assets

Aligning asset types with their intended use may help improve after-tax outcomes.

Liquidity considerations

Liquidity is another important consideration when selecting which assets to use. Assets that are easily converted to cash may be better suited for retirement spending needs, while less liquid assets (such as real estate or collectibles) may be more appropriate for inheritance or philanthropy, depending on family priorities.

Aligning assets with purpose

Families may find it helpful to approach asset selection decisions in the context of a broader framework such as the Liquidity. Longevity. Legacy. framework:

- **Lifetime spending:** Prioritize liquid and tax-efficient assets to support near-term and ongoing needs
- **Long-term security:** Consider using diversified portfolios designed to fund lifetime goals
- **Giving and inheritance:** Allocate assets that are most appropriate for beneficiaries based on tax considerations and intended purpose.

By aligning assets with purpose, families may be able to support both their own financial needs and their legacy goals more effectively.

Matching assets to recipients

Deciding which assets to leave to heirs versus charitable causes is an important part of the planning process. Different recipients may benefit from different types of assets:

- Beneficiaries in higher tax brackets may benefit from tax-free assets, such as Roth IRAs or life insurance, as well as appreciated assets that receive a step-up in cost basis
- Beneficiaries in lower income tax brackets may be able to withdraw tax-deferred accounts more efficiently
- Charitable organizations, which generally do not pay income tax, are often well-suited to receive highly appreciated or tax-deferred assets

By matching asset types to the needs of each beneficiary, families may maximize the after-tax value of their legacy and achieve both family and philanthropic objectives.

While tax efficiency is important, these decisions should ultimately support broader goals around lifestyle, financial security, and legacy priorities.

Strategies are subject to individual client goals, objectives and suitability.

Timing decisions: Giving during life versus at death

The timing of wealth transfers is an important component of balancing living and giving. Deciding whether to give during one's lifetime or through a bequest involves trade-offs between impact, flexibility, and long-term financial security.

Giving during life may allow families to support others at moments when it matters most and to see the results of their decisions. However, it also reduces access to those assets and may limit flexibility if circumstances change.

In contrast, transferring wealth at death allows individuals to retain control and adjust plans over time, but may delay the impact of that wealth for beneficiaries.

In addition to these trade-offs, tax considerations may also influence timing decisions. For instance, lifetime gifts may reduce the size of an individual's taxable estate and allow future investment growth to occur outside of the estate. However, large gifts may require gift tax reporting and use a portion of the lifetime gift and estate tax exemption.

As of 2026, the federal gift and estate tax exemption is $15 million per person ($30 million for married couples), in addition to the $19,000 annual exclusion per recipient. Acting earlier may allow families to take advantage of higher exemption levels, particularly if those limits change in the future.

Bequests, by contrast, allow families to retain flexibility but may result in higher taxes if exemption levels are reduced over time.

These decisions should also be considered in the context of retirement risks, such as longevity, market volatility, and health care costs. Giving earlier in life may increase exposure to these risks by reducing available resources later.

As a result, families may want to prioritize their own financial security first, and then evaluate how and when to give based on their comfort with these trade-offs. Working with advisors to model different scenarios can help ensure that a strategy reflects both current law and long-term objectives.

Conclusion

Balancing living and giving is not about choosing one over the other—it is about making thoughtful decisions over time. By clearly understanding what is needed to support lifestyle and long-term financial security, families can make more confident choices about how much to spend, how much to give, and when.

A structured approach, such as the Liquidity. Longevity. Legacy. framework may help clarify these trade-offs and align financial decisions with personal priorities. Rather than focusing solely on tax efficiency or maximizing outcomes, the goal is to use wealth in a way that reflects both current needs and future intentions.

As circumstances, markets, and priorities evolve, these decisions should be revisited regularly. Working with advisors to evaluate different scenarios can help ensure that a strategy remains aligned with both financial goals and personal values over time.

The following questions may help guide these decisions and support more informed discussions:

- Am I confident that my lifestyle and long-term needs are fully funded?
- How much flexibility do I want to maintain as I age or if circumstances change?
- What role should giving play during my lifetime versus as part of my legacy?
- Would earlier gifts meaningfully improve outcomes for my beneficiaries?
- How comfortable am I with the trade-offs between giving now and preserving wealth for the future?
- How might changes in markets, longevity, or tax policy affect my decisions?

Strategies are subject to individual client goals, objectives and suitability.

Appendix

Practical considerations

As families weigh how to allocate their resources, it may be helpful to review the characteristics of different asset types and account structures. Each type of asset has unique implications for retirement spending, inheritance, and philanthropy.

Taxable accounts

Taxable accounts, funded with after-tax dollars, offer flexibility for withdrawals and can be used to support retirement spending. Investment earnings are taxed annually, but strategies such as tax-loss harvesting and asset location may help reduce the tax drag. Appreciated assets in taxable accounts may receive a step-up in cost basis at death, which can eliminate capital gains tax for heirs.

Donating appreciated securities may also provide a charitable deduction based on market value and avoid capital gains tax.

Traditional IRAs & 401(k)s
Pre-tax contributions to these accounts grow tax-deferred, and distributions are taxed as ordinary income. Families may benefit from making distributions or Roth conversions in lower-income years, such as early retirement. For non-spouse beneficiaries, the "10-year rule" generally requires full withdrawal within 10 years, which may create a significant tax burden. Qualified Charitable Distributions (QCDs) from IRAs (for those over age 70½) may satisfy RMDs and provide tax benefits.

Roth IRAs & 401(k)s

Distributions from Roth accounts are generally tax-free, making them valuable for managing taxable income in retirement. Heirs receive tax-free distributions, and Roth IRAs are not subject to RMDs during the original owner's lifetime. However, Roth assets are less tax-efficient for charitable giving, as charities do not pay income tax.

Health Savings Accounts (HSAs)
HSAs offer triple tax advantages when used for qualified medical expenses. Spouses can inherit HSAs tax-free, but non-spouse heirs must pay income tax on the balance. Charities may be named as beneficiaries, but the account ceases to be an HSA at death.

Annuities
Annuities can play a unique role in retirement and legacy planning. By converting a lump sum into a stream of income, annuities may help manage longevity risk and provide predictable cash flow. However, their legacy characteristics differ from other assets. Death benefits from non-qualified annuities are generally taxable as ordinary income to heirs, which can reduce their after-tax value.

For families interested in philanthropy, certain annuity structures—such as charitable gift annuities or charitable remainder trusts—may allow them to support charitable causes while retaining an income stream for themselves or their beneficiaries. When considering annuities, it is important to evaluate the contract terms, beneficiary options, and the tax implications for heirs and charities.

Real estate & collectibles
Real estate and collectibles often represent significant portions of family wealth, but their illiquid nature can complicate both inheritance and philanthropy. Real estate may provide rental income or borrowing opportunities (such as a home equity line of credit or reverse mortgage) during retirement. Upon inheritance, these assets may receive a step-up in basis, reducing capital gains tax for beneficiaries if sold. However, heirs may face challenges related to property management, maintenance, or the need to sell assets to divide the estate. For philanthropic purposes, donating real estate or collectibles can provide a charitable deduction and avoid capital gains tax, but it is essential to confirm that the receiving charity is willing and able to accept such assets. Families should also consider using specialized trusts, such as Qualified Personal Residence Trusts (QPRTs), to mitigate estate tax liability and clarify future ownership.

Life insurance

Life insurance is a flexible tool for legacy planning. Permanent life insurance policies may accumulate cash value that can be accessed during life, providing supplemental liquidity for retirement or emergencies. The death benefit is generally income-tax free for beneficiaries, making life insurance an attractive vehicle for providing for heirs or covering estate tax liabilities. However, if the policy is owned by the insured at death, the proceeds may be included in the taxable estate.

Using an irrevocable life insurance trust (ILIT) can help keep the death benefit outside the estate and provide additional control over distributions. While life insurance is less tax-efficient for charitable giving, policies can be donated or charities named as beneficiaries to fulfill philanthropic goals.

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