

WOMEN & MONEY

When gifts are expensive mistakes

BY SUZE ORMAN

Special To Florida Weekly



We all love giving and receiving gifts, but promise me that if anyone tries to make a gift to you of a valuable asset — be it the title to your parents' house or your uncle's boatload of Warren Buffett's Berkshire Hathaway stock — you'll try to get them to make it an inheritance that you'll receive from their trust. This will save you a ton of money in taxes.

It can be a difficult conversation to have, but sitting down and talking to your parents and other relatives about all sorts of financial, estate and aging issues is terribly important.

Here's the deal: When we transfer any asset — whether it's a house or a portfolio of stocks — the person who takes possession of it will need to declare a purchase price in order to sell it. This price is what's known as the cost basis, and it's what you use to determine the tax you owe. You pay tax on the difference between the cost basis and the sale price.

If the asset was given to you as a gift, you're out of luck. That's because the IRS says your cost basis is whatever the person giving you the gift paid for the asset, even if they bought it 30 years ago. For instance, if a grandson receives stock as a gift from his grandfather, he is going to

face a huge tax burden. If Grandpa paid \$30,000 for the stock and it is worth \$2 million when he gives it to his grandson, the IRS rules say that the grandson's cost basis is \$30,000, not \$2 million. When the grandson sells the stock, he owes tax on \$1.97 million — the difference between the current price and the cost basis. Ouch!

The far better move would be for Grandpa to put the asset in a revocable living trust that names the grandson as the beneficiary. That means that when Grandpa passes away, the grandson takes possession of the asset. And the grandson's cost basis is the value of the asset on the day his grandpa died. This is what's known as a "step up" in the cost basis. The grandson doesn't have to worry about how much was originally paid for the stock. Instead he inherits the assets at a cost basis of \$2 million. If he sells the assets for \$2 million, he would owe absolutely nothing in tax.

Here's the bottom line: Your family wants to do what's best for you. And you want to do what's best for them. So if they're intent on giving a gift, make it cash. For appreciable assets such as stocks or real estate, it's better to make the gift an inheritance through a revocable trust. ■

— *Suze Orman is a best-selling author and Emmy award-winning TV host whose new book, "Women and Money," was published in March 2007. For details, please visit www.suzeorman.com.*

REAL ESTATE Outlook Conference

Tuesday, January 22, 2008
7:30 am to 12:00 pm

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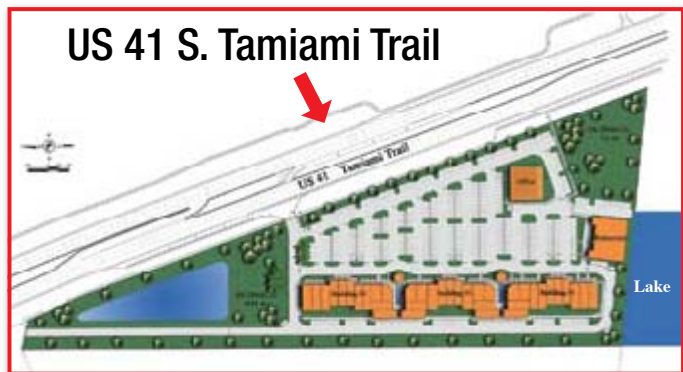
Conference Schedule:

- 7:30 am Registration
- 8:00 am Welcome
- 8:05 am Factors Affecting Our Market
- 8:15 am Speakers
- 8:45 am Economic Development Panel Discussion
- 9:30 am Break
- 10:00 am Economic Update by Hank Fishkind, PhD
- 10:30 am City Growth Panel: How to Build Area Growth by Building Cities
- 11:15 am Industrial Market Segment
- 11:30 am Office Market Segment
- 11:45 am Retail Market Segment

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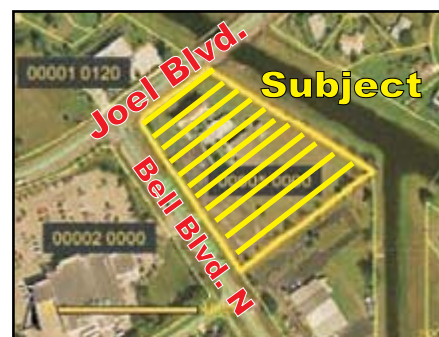
Commercial Property Available



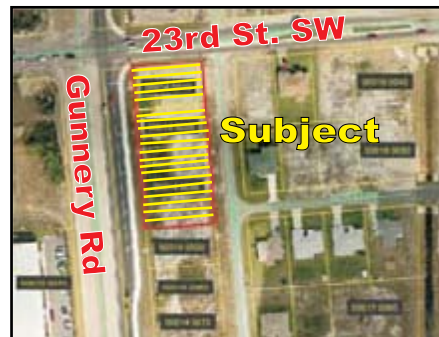
- Lee Blvd. frontage approximately 470 ft.
 - Zoned CS-1 ■ 71,431 Sq.ft.
 - Water & Sewer
 - Includes 2 homes w/ conversion potential
 - 700 Taylor Ln. Lehigh Acres
- Reduced to: \$895,000**



- Center of Lehigh Acres
 - Zoned C-2 ■ 37,810 sq.ft.
 - 2,970 sq.ft. of building space
 - City water & sewer
 - 1250 Business Way, Lehigh Acres
- Offered for: \$725,000**



- Corner of Joel & Bell
 - 4.620 acres
 - Potential For CPD re-zoning
 - 15,251 sq.ft. of building space
 - Traffic light at the corner
- Offered for: \$4,000,000**



- Zoned CN-3
 - 1 Acre +/- (321 feet of road frontage)
 - D.O. In Place
 - Busy intersection
 - Near Hwy. 82 & Daniels Pkwy.
- Offered for: \$524,900**



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