HB Wealth

Multi-Generational Giving in 2026: An Added Focus on Flexibility

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Few moments naturally prompt conversations about generosity, legacy, and shared values quite like the turn of the year, particularly for multi-generational families. Entering 2026, however, those conversations take place against a dramatically reshaped tax landscape. Understanding how the law has evolved, and how flexible planning structures can support both family values and long-term objectives, is essential.

What Caused the Changes

The **2025 Tax Act** (also referred to as OBBBA) was signed into law in mid-2025 and permanently altered federal transfer tax rules and charitable deductibility beginning in 2026. These changes carry broad implications for families seeking to maximize tax-efficient charitable planning and wealth transfer strategies.

What Hasn't Changed

Annual exclusion gift amounts remain unchanged. In 2026, individuals may still give up to $19,000 per recipient without tapping their lifetime exemption. This provides continuity for families who have long incorporated annual exclusion gifting into their broader strategy.

Nearly everything beyond the annual exclusion, particularly charitable giving and lifetime wealth transfer, has changed.

What Has Changed in Charitable Planning

The 2025 Tax Act introduced some of the most significant charitable deduction changes in decades. These reforms reshape how high-net-worth and multi-generational families should approach gift timing, structuring, documentation, and multi-year planning.

Above-the-Line Deduction for Non-Itemizers

Beginning in 2026, taxpayers who do not itemize may deduct:

- **$1,000** (single filers)
- **$2,000** (married filing jointly)

for cash gifts to qualified charities. This change is particularly meaningful for younger or emerging-wealth family members who may not yet itemize but value charitable engagement. Families can encourage next-generation participation knowing those gifts now carry a built-in tax benefit.

Itemizers Face a 0.5% AGI Floor

For families with higher income who itemize, the Act imposes a 0.5% adjusted gross income (AGI) floor on all charitable deductions beginning in 2026. The first 0.5% of AGI given to charity is nondeductible, and only giving beyond that threshold qualifies for deduction.

For a family with $2 million of AGI, this means the first $10,000 of charitable giving does not generate a tax benefit. Households accustomed to consistent annual giving may find that only their larger gifts produce meaningful tax benefits.

A 35% Cap on Deduction Value for Top-Bracket Taxpayers

For households in the highest marginal tax bracket (37%), the value of itemized deductions, including charitable gifts, is now capped at 35%.

Practically speaking, a $10,000 charitable donation produces a maximum tax benefit of $3,500 rather than $3,700. While the charitable intent remains unchanged, the tax leverage is meaningfully reduced.

What Has Changed in Lifetime Wealth Transfer Planning

While annual exclusion gifts remain stable, sweeping changes to lifetime wealth transfer now define the 2026 planning environment.

The 2025 Tax Act permanently increased the exemption to:

- $15 million per individual
- $30 million per married couple

Both amounts are indexed for inflation beginning in 2026.

This eliminates the much-discussed 2026 sunset and provides long-term clarity for high-net-worth families. Compared to the 2025 exemption of $13.99 million, this increase provides an additional $1.01 million per person (or $2.02 million per couple) of tax-free gifting capacity beginning in 2026. For families who previously exhausted their lifetime exemption, this expansion creates a renewed opportunity to transfer assets, particularly appreciating assets, outside the taxable estate.

What Families Should Be Thinking About in Light of These Changes

Charitable Giving Considerations

Bunching strategies are now even more relevant. By concentrating multiple years of expected giving into a single calendar year, families may be better positioned to exceed the AGI floor and maximize itemized deductions in that year. Over time, this approach can meaningfully improve total deductibility.

This bunching is only possible though flexible tools like a Donor Advised Fund (DAF), and thus they are becoming increasingly valuable. Being a qualified charity themselves, DAFs allow families to make a charitable contribution in one year for tax purposes while distributing funds to charities over time. This often aligns well with multi-generational oversight and involvement.

DAFs and family foundations can also serve as effective tools for teaching stewardship. Allowing younger generations to participate in charitable decisions helps cultivate shared values, financial literacy, and governance skills.

Families are also reevaluating the benefits of Qualified Charitable Distributions (QCDs) from IRAs.

A Qualified Charitable Distribution is a direct transfer of funds from an Individual Retirement Account to a qualified 501(c)(3) charity. For individuals age 73 and older, QCDs can satisfy required minimum distributions without increasing taxable income. Because QCDs exclude income rather than rely on itemized deductions, they bypass the AGI floor and deduction cap, while also helping manage Medicare premiums and potential exposure to the Net Investment Income Tax.

As such, in today's environment, QCDs may be more tax-efficient than traditional gifting strategies for certain families.

Lifetime Wealth Transfer Considerations

Although the annual exclusion has not changed, annual gifts remain one of the simplest and most flexible tools for moving wealth to the next generation. At first glance, annual gifting may seem incremental, but for families with many descendants, or those who combine annual gifts with other planning techniques, the impact can be meaningful over time.

Annual gifts generally require no gift tax return, do not use lifetime exemption, and involve minimal administrative complexity. They can support younger generations at important milestones, such as education expenses, housing, or early career needs, or beginning their investment education, without imposing tax obligations on the recipient.

Annual exclusion gifts can also complement larger lifetime strategies, including trusts, family entities, and charitable tools, helping diversify how and when wealth flows across generations.

The additional $1.01 million per person of lifetime exemption beginning in 2026 further expands planning capacity for families who had previously maximized their exemptions. Families can relatively easily use the increased exemption to give to more recently created trusts, as long as they include the flexibility they may seek.

Structural Flexibility Matters More Than Ever

With unprecedented wealth transferring across generations, flexibility is paramount.

Modern trust documents often incorporate tools such as trust protectors or decanting authority, allowing future generations to adjust trust terms in response to changes in tax law, family circumstances, or economic conditions without dismantling the original structure.

Similar flexibility exists within family limited partnerships and LLCs which can offer governance frameworks designed to endure leadership changes, family expansion, or unexpected financial developments.

Finally, Spousal Lifetime Access Trusts (SLATs) continue to be an effective strategy for families seeking to use lifetime exemption while maintaining some form of access to the funds. A SLAT allows one spouse to make a completed gift to an irrevocable trust, while the other spouse retains access for health, education, maintenance, or support. Assets and future appreciation can grow outside the taxable estate, particularly when structured as multi-generational or dynasty trusts. All of this can occur while maintaining flexibility for the beneficiary spouse to utilize the funds.

Final Thoughts

While the 2026 tax landscape creates one of the most flexible environments for intra-family giving in recent history, it is also one of the most complex. Families who take a coordinated, multi-generational approach, supported by thoughtful planning and flexible structures, are best positioned to manage tax exposure while preserving long-term family objectives.

At HB Wealth, we help families bring clarity to complexity by integrating financial planning, investments, tax planning, and estate strategies.

To request a consultation with a wealth advisor who specializes in multi-generational planning, please visit https://hbwealth.com/meet-the-team/wealth-advisors/?_specialization=multi-generational-families.

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