

Financial Gift Giving for the Holidays

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The holiday season is right around the corner and this year, there is no need to fret over hard-to-shop for friends and family. Here are 7 fun financial gifts that will put a smile on any recipient's face.

1. Cash

As Lucy Van Pelt of the Peanuts gang exclaimed, "How I love the sound of clinking money! That beautiful sound of cold hard cash!"¹ Always a classic, gifts up to \$19,000 per year (the annual exclusion for 2025) can be made to as many recipients as desired without having to file a gift tax return or pay any transfer tax. Although a cash gift may be perceived as "easy," formalities are important to ensure proper execution. Gifts made via check which are not cashed by December 31, will not qualify as made this year and will count towards next year's gifting amount. For those who find themselves in a last-minute bind, cash or cashier's checks are best.

2. Payment of Medical Expenses and/or Tuition

Medical bills and/or tuition expenses can be a heavy burden on anyone. Looking to help lighten the load this holiday season? While cash gifts are limited to the \$17,000 annual exclusion, the payment of a person's medical expenses or tuition is not, so long as the payments are made directly to the medical provider and/or educational organization.

3. Contribution to a 529 Account

529 plans are qualified education investment accounts that provide tax-free growth and distributions when made for qualified educational purposes. Contributions to 529 plans qualify for the acceleration of five years' worth of annual exclusion gifts into a single year. By frontloading the account with up to \$95,000 (for 2025) per donor, a 529 investment account has a longer duration and higher starting value over which to generate returns in a tax-free environment. As an added benefit, certain states may also allow all or a portion of 529 contributions to be deductible for state income tax purposes.

4. IRA Contributions

Are you interested in helping someone fund their retirement? Annual exclusion gifts can be made directly to traditional or Roth IRAs for the benefit of another. Combining the gift tax benefits of the annual exclusion with the income tax benefits of a traditional or Roth IRA may provide a beneficiary with exponential growth benefits they might otherwise have been unable to obtain. The contribution amount is limited by the traditional and Roth IRA rules including:

- General contribution limits for traditional and Roth IRAs (i.e., the lesser of (a) \$6,500 (\$7,500 if the recipient is 50 years or older), or (b) the recipient's taxable compensation for the year.
- Deductibility of contribution to traditional IRAs are limited if the gift recipient or their spouse is covered by an employer plan and their income exceeds certain levels.

¹ Melendez, B. (Director). (1965). *A Charlie Brown Christmas* [Film]. Lee Mendelson (Producer).

5. Stocks and/or Bonds

This year, you may consider giving the gift that “keeps on giving” with the potential for future growth and income. Whether gifting appreciated stock or funding a portfolio your portfolio manager researches and selects, it’s provides potential interaction and education for the whole family.² This may not only prove to be a valuable learning experience for your loved ones and help bolster their financial future but can also serve as a nice bonding experience as you discuss various investment options. Investment accounts for minors can be established as custodial accounts under the Uniform Transfers to Minors Act (UTMA) or Uniform Gift to Minors Act (UGMA). The account is managed by an adult custodian until the minor beneficiary comes of age. At which point, they assume control of the account. State law varies as to what age the transfer of control applies so be sure to verify.

6. Charitable Giving

A central theme of the holiday season is giving. So why not give the gift of giving? Making a donation to a charity of your recipient’s choice can be a great way to pass down your philanthropic values while receiving an income tax deduction at the same time. Strategic tax planning can incorporate making contributions of appreciated stock or qualified charitable distributions from an IRA.

7. Credit Cards

A strong credit score can be essential to those starting out in life. Helping your child or other beneficiary establish their credit might be just the gift you’re looking for this year. As minors are unable to enter into contracts, they are unable to obtain credit cards necessary to help build a credit history. However, adding a child as an authorized user on your low limit credit card can be a great way to assist them in building credit history before they turn 18. This can also help your child understand how to use credit responsibly. Before adding your child as an authorized user, you should confirm with your card issuer that their activity will be reported to the credit bureaus (most major issuers do). Otherwise, it will have no benefit to helping them establish a credit history. It is also important to note that while the authorized user can spend money, they are not responsible for paying the bill. That obligation remains with the credit card owner.

Don’t let this year’s holiday gift shopping leave you feeling at a loss for what to get. Talk to your Regions Wealth Advisor to help you better understand your gift giving options. Happy Holidays!

² There are various rules surrounding the basis of transferred stock. Please speak with your tax advisor to determine if transferring stock is appropriate for your circumstance.

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