·PROTECTING WHAT MATTERS·

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Legacy Series©: Advanced Gifting Strategies

Grantor Retained Annuity Trust (GRAT): An irrevocable trust into which a grantor contributes assets (often stocks, bonds, business interests, when interest rates are low) and retains an annuity stream of income for a specified term. At the end of the term, any assets left in the trust are transferred to the beneficiaries free of estate and gift tax. Used to reduce an individual's taxable estate and transfer appreciation of value to beneficiaries avoiding estate/gift tax.

Qualified Personal Residence Trust: This is an irrevocable trust that allows the grantor to remove a personal home from their estate to reduce gift tax. QPRT's allow the owner of the residence to remain living on the property for a period of time with "retained interest" in the house; once that period is over, the interest remaining is transferred to the beneficiaries as "remainder interest."

Irrevocable Life Insurance Trust (ILIT): An ILIT is an irrevocable trust established to be the owner/beneficiary of a life insurance policy on the life of a grantor, which is typically the person who creates the trust. Crucially, the grantor cannot amend or revoke the ILIT after establishing it. While the grantor is alive, the trust is the beneficiary of and holds the title to the policy. When the grantor dies, the trustee of the ILIT distributes the policy proceeds according to the terms of the trust. Often used to pay estate taxes, while being excluded from the grantor's estate.

Generation-Skipping Trust: A generation-skipping trust provides for the transfer of money and property to grandchildren, or even to later generations, without taxation, by using the lifetime exemption to offset any tax that could be due.

Charitable Remainder Trust: A charitable remainder trust is an irrevocable trust which provides a stream of income to the grantor for a period of years or a lifetime and then gives the remainder to the named charity with significant tax savings once the period of years or death has occurred. Often used by someone with a charitable desire that owns a property or stock that has significantly increased in value, to avoid capital gains taxes.

Intentional Grantor Trust (IGT): A IGT is an estate-planning tool that is used to freeze certain assets of an individual for estate tax purposes, but not for income tax purposes. The IGT is created as a grantor trust with a strategy that allows the grantor to continue paying income taxes on certain trust assets, as income tax laws will not recognize that those assets have been transferred away from the individual.

Spousal Lifetime Access Trust (SLAT): This type of trust is created by one spouse who gifts property to an irrevocable trust for the benefit of the other spouse. Although the trust is irrevocable, the donor spouse may indirectly benefit from the property gifted to the trust while the non-donor spouse is living and remains married to the donor. Often used for creditor protection by physicians.