

Low Interest Rates Provide Estate Planning Opportunities

Take advantage of grantor retained annuity trusts, installment sales, and intrafamily loans, estate planning tools that can yield great results in this market.

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EINPresswire.com/ -- With historically low Applicable Federal Rates and

weakened asset valuations, it's time to take advantage of these conditions and transfer wealth. Grantor retained annuity trusts, installment sales, and intrafamily loans are primary [estate planning](#) tools that can yield great results.

The following is a brief description of each:

Grantor Retained Annuity Trusts (GRATs)

Taxpayers can gift high-yield assets to an irrevocable trust, which is set up to pay an annuity for a term of years. At the end of the term, the remaining assets in the trust, including all appreciation, pass to the named beneficiaries. This may be an effective estate planning method to retain all, or most, of the income from a high-yielding and rapidly appreciating asset.

GRATs are expressly authorized by the Internal Revenue Code and, therefore, have no gift tax risk. For the GRAT to be successful, the assets must appreciate at a rate greater than the Applicable Federal Rate. If the property declines in value, the taxpayer is basically left in the same position as before the GRAT.

Installment Sale to a Grantor Trust

The taxpayer sells a high-yield asset to an irrevocable grantor trust in return for a promissory note. A taxable gift equal to about 10% of the installment note is typically made to fund the trust. Like with a GRAT, any appreciation in the trust assets beyond the interest rate on the loan passes to the named beneficiaries.

There is no capital gain on the sale of the assets to the trust because a grantor trust is treated as



if the taxpayer owns the trust assets for income tax purposes. In addition, there will be an income stream consisting of the note payments which will be taxfree to the taxpayer. Unlike with a GRAT, this estate planning technique can be effectively used to transfer wealth to children and grandchildren.

Intrafamily Loans

If intrafamily loans were made in the past at higher interest rates, now may be the time to consider refinancing at a lower interest rate.

If you have questions on any of the above, or would like to explore taking advantage of these opportunities further, please: [Talk to Windes](#).

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