



It's a Great Time for GRATs

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Attorneys in Dykema's Tax and Estates Practice seek to keep our clients and contacts abreast of developments and topics of interest. Our intent is to provide you with timely, relevant and useful information to help you with your goals.

The interest rate used by the IRS to calculate gifts is now only a little over 3%--a recent historical low. A grantor retained annuity trust ("GRAT"), uses this low rate as the assumption for the growth of stocks or other securities you gift. As a result, asset appreciation beyond this low rate is a tax-free gift to your beneficiary. The GRAT, generally a short-term trust, takes advantage of the rate differential. A GRAT pays an annuity back to you and the remainder (all of the asset appreciation) goes to your donee tax-free.

Now is a great time to take advantage of an opportunity for tax-free gifts to family members or others. The following examples show the "tax-free gifts" that can be made this month using a 5 year GRAT with a nominal 7.5% growth rate.

Transfer to GRAT	"Tax-Free Gift" to Beneficiary
\$500,000	\$76,414
\$1,000,000	\$152,829
\$1,500,000	\$229,244

Please feel free to contact any of us for more information on this or any other topic.

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