

Transfer more to the ones you love.

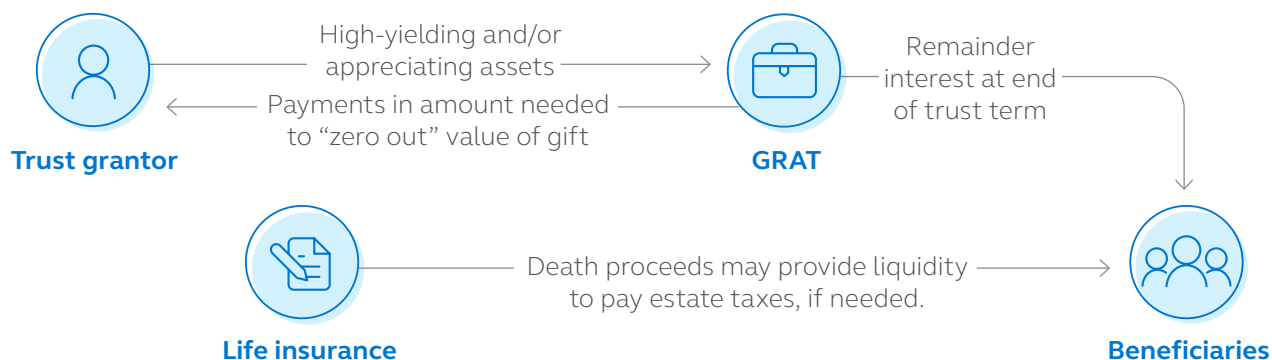
A benefit that provides incentive for them and loyalty to you

Is your business prepared for a smooth transition? For many business owners, the largest asset in their estate is their business. And like other business owners, you'll eventually exit your business—a move that requires careful planning to protect you and your family in either a planned or unplanned exit.

A Grantor Annuity Trust (GRAT) is a helpful wealth transfer strategy that can enable the gift tax-free transfer of assets to your loved ones while you're still living, without consuming your lifetime gift tax exemption.

Here's how it works.

- High-yielding assets, such as a business, are transferred into an irrevocable trust. And you, the grantor, retain the right to an annuity payment from the trust for a fixed time frame.
- The gift tax value of the assets transferred is determined at the time the trust is funded using a "subtraction method."
 - › Under this method, the gift tax value is determined by subtracting the value of the total annuity payments from the fair market value of the assets transferred to the trust.
 - › If the annuity payments are set high enough, it's possible to "zero out" the remainder interest (what remains in the trust) for gift tax purposes.
 - › This means the entire amount that remains in the trust is transferred gift tax free to the beneficiaries, and none of your lifetime gift tax exemption is consumed.
- If you pass away prior to the end of the retained interest time frame, the current value of the GRAT assets will be included in your estate. Life insurance can reduce the impact of this risk.



When to consider a GRAT

A GRAT may be a helpful tool in the following situations:

- Transferring property to family members with minimal gift and estate tax liability
- Gifting or transferring significant income-producing or highly discountable assets, such as family limited partnership interests or stock of family-owned businesses
- Expecting to receive income from transferred or gifted assets for a specific period of time
- Needing access to cash to pay off the loan resulting from a premium-financed or split dollar purchase of trust-owned life insurance

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