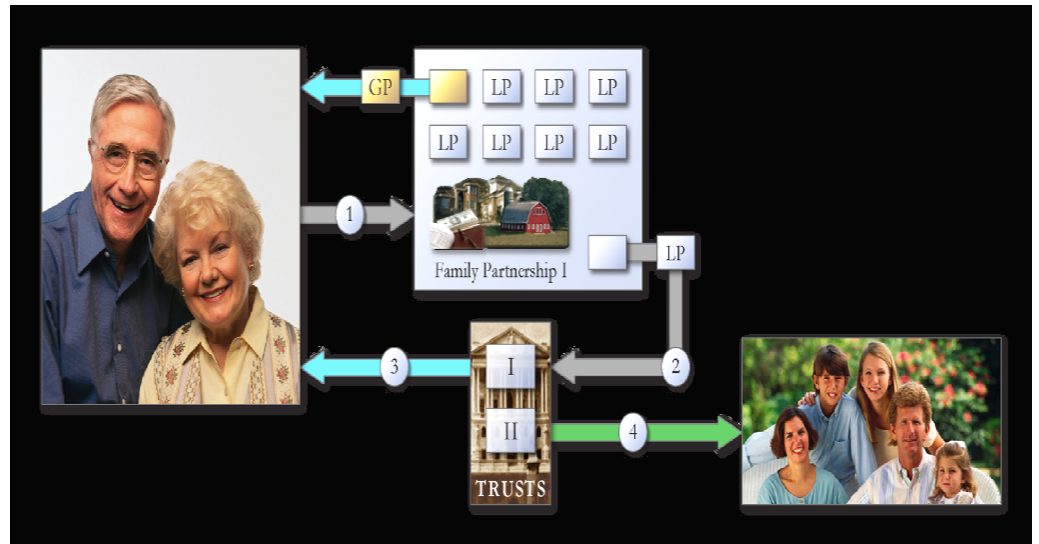


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Grantor Retained Annuity Trust (GRAT)



GRATs

A Grantor Retained Annuity Trust is an estate planning technique that minimizes the tax liability that exists when intergenerational transfers of estate assets occur. A GRAT creates an irrevocable trust in which the assets are placed and generates an income stream each year. At the end of the term, the beneficiary receives the assets tax free.

The Process

1. A Family Limited Partnership (FLP) is formed with a 2% General Partnership (GP) interest and 98% Limited Partnership (LP) interest. Assets are then transferred to the FLP.
2. Two Grantor Retained Annuity Trusts (GRATs) are also established, one each for Clark and Barbara and LP interests are gifted to the trusts. These gifts then receive a substantial discount from their original value.
3. Clark and Barbara each receive a fixed annual payment from the income generated by the assets transferred to the FLP/GRATs.
4. At the end of the GRAT terms, the property plus any appreciation and accumulated earnings not distributed, pass estate-tax free to the family.

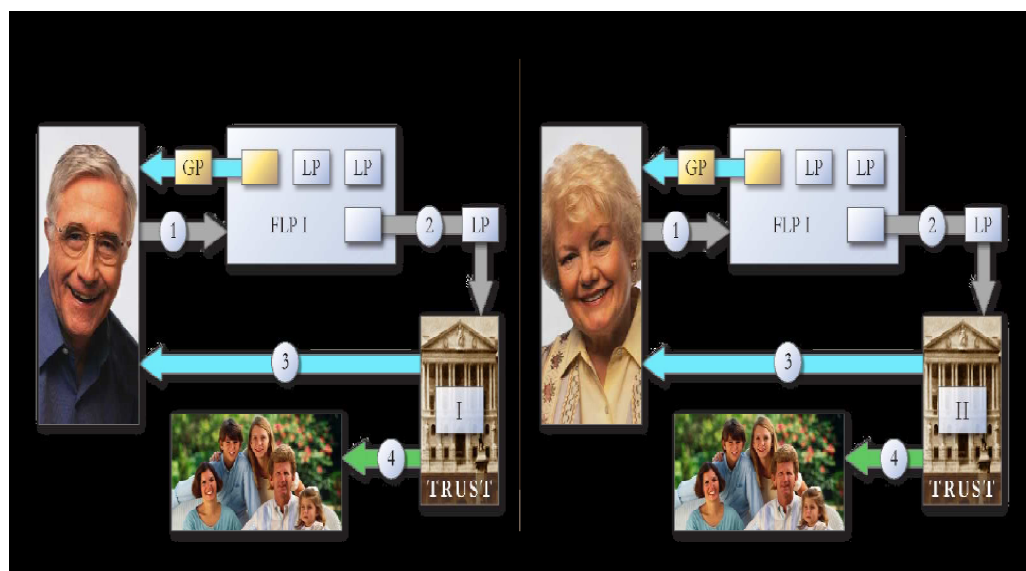
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Benefits of Using this Technique

- Valuation discounts are made possible by the FLP.
- Leveraged gifts are made to the heirs through the GRATs, thus further reducing the taxable gift on the assets transferred.
- Estate taxes are greatly reduced.
- Grantors receive a fixed income stream for the term of the trust.
- Excess earnings and growth in the value of the assets add to the benefit to the family

Side Effects/Draw Backs of Using this Technique

- If a death occurs before the end of the GRAT term, assets in the GRAT revert to the taxable estate of the deceased.
- At the end of the GRAT terms, the Partnership Interests retain your tax basis.



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COMPARISON in 25 YEARS

	Keep in the Estate	GRATS	Difference
Estate/Gift Taxable Total	\$96,824,632	\$64,647	\$96,759,985
Estate/Gift Taxes	\$53,253,547	\$35,556*	\$53,217,992
Total to Family	\$43,571,084	\$84,320,807	\$40,749,723

*Taxable gifts are covered by the lifetime exemption.

GRAT Comparison

