

Antelope Valley Estate Planning Law Firm Says Now Is The Time To Consider A Grantor-Retained Annuity Trust

By Kevin VonTungeln

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Antelope Valley estate planning law firm Thompson Von Tungeln says that now is the time to consider creating a Grantor-Retained Annuity Trust (GRAT) as part of your estate plan. These little known estate planning tools are the subject of an Obama Administration budget proposal that will restrict their use in the future.

"Grantor-Retained Annuity Trusts are an excellent tool for passing along the appreciation of assets to heirs, free of gift tax," said Kevin Von Tungeln, partner at Thompson Von Tungeln and a Certified Estate Planning Specialist. "With asset values depressed because of the economic climate, and historically low interest rates, this may be a once-in-a-lifetime opportunity to establish a GRAT."

If the grantor of a GRAT dies during while the GRAT is in effect, the assets of the trust become part of the grantor's estate and are subject to the 45% estate tax. That is why many wealthy individuals are creating short-term trusts of 2-3 years in length, which reduces the risk of the grantor dying during the term of the GRAT. The Obama Administration proposal establishes a minimum 10-year life of a GRAT, which will make GRAT's much less popular with older individuals.

"The timing is critical right now. I'm encouraging my clients to consider a GRAT before Congress changes the law," said Von Tungeln. "We don't know whether the Obama proposal will become law, but it is wise to plan for the contingency that the proposal may be enacted. There is a lot of uncertainty right now, but the economic climate makes reviewing the option to be the prudent course of action."