Grantor Retained Annuity Trust (GRAT)

A Grantor Retained Annuity Trust is an irrevocable trust to which a grantor transfers assets and retains the right to receive an annuity for two or more years. At the end of the term of the trust, the remaining assets that are not paid back to the grantor pass to the remainder beneficiaries, either outright or in trust.

Why should you consider a GRAT?

- A GRAT allows for the grantor to pass assets to beneficiaries with no, or minimal, taxable gift.
- Grantor Trust status allows grantor to pay income tax of GRAT, thus reducing grantor's estate while increasing the economic benefit to remainder beneficiaries.
- No risk! If grantor dies during the GRAT term, assets are included in the grantor's gross estate as if the GRAT had not been created.

How does a GRAT work?

Assumptions

- Two-year annuity
- Funded with $2 million in appreciating assets
- 7520 rate* = 2.0%
- Growth rate = 6%
- Taxable gift = $40

* As of January 2020

	BEGINNING BALANCE	ANNUAL GROWTH	ANNUAL PAYMENT	ENDING BALANCE
Year 1	$2,000,000	$120,000	$1,030,078	$1,089,922
Year 2	$1,089,922	$65,395	$1,030,078	$125,239
Distribution to Grantor			$2,060,156	
Distribution to Beneficiaries				$125,239

$125,235 transferred to future generation at a tax gift value of $40!

Have more questions about GRATs?
Contact us: 513.792.6648 or info@TruepointWealth.com

Truepoint
WEALTH COUNSEL