



WHAT IS A GRAT?

A Grantor Retained Annuity Trust, or “GRAT”, is an “estate freeze approach” that allows a Donor to give away the appreciation of an asset gift tax free. The Donor transfers high income-producing assets or assets with substantial growth potential (or cash to be invested in such assets) to a trust from which the Donor will receive a fixed amount annually (an “annuity”) for a designated period of years (“GRAT Term”). At the end of the GRAT Term, if the Donor is living, the beneficiaries named in the trust instrument (individuals or a continuing trust) will receive the assets remaining in the GRAT after payment of the final annuity free of gift and estate tax. Depending on the GRAT’s cash flow and/or the appreciation of the GRAT’s assets (the “total investment return”), substantial estate and gift tax savings may be achieved.