

# **GRANTOR TRUSTS AND FLPs IN ESTATE PLANNING – GREAT WEALTH MIGRATION PARTNERS**

## **COMPARING GIFT TO GRIT AND SALE TO IDGT**

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# COMPARING GIFT TO GRIT AND SALE TO IDGT

	<b><u>GIFT TO GRIT</u></b>	<b><u>SALE TO IDGT</u></b>
<u>Assumed Discount Rate for Payments to Grantor</u>	Section 7520 Rate (120% of Section 1274 midterm rate)	Section 1274 Rate (based on note's term)
<u>Reducing Gift to Zero</u>	Can approach zero, depends on terms of GRIT	Yes, if price equals FMV (except for funding initial coverage)
<u>Grantor's Estate Inclusion</u>	Included if Grantor dies during GRIT term	No inclusion if well structured
<u>Use of GST Exemption</u>	Cannot assign GST exemption until GRIT termination	Not required (except for funding initial coverage)
<u>End Loading Ability (postponement of payments to Grantor)</u>	End loading restricted, annual payment cannot exceed 120% of prior year's payment	Payment of principal on note can be deferred
<u>Distribution Options</u>	Can distribute only to Grantor during GRIT term	After note payments, can spray among beneficiaries
<u>Certainty of Tax Results</u>	Certain – relies on statute and regulations	Risk – relies on rulings public/private