

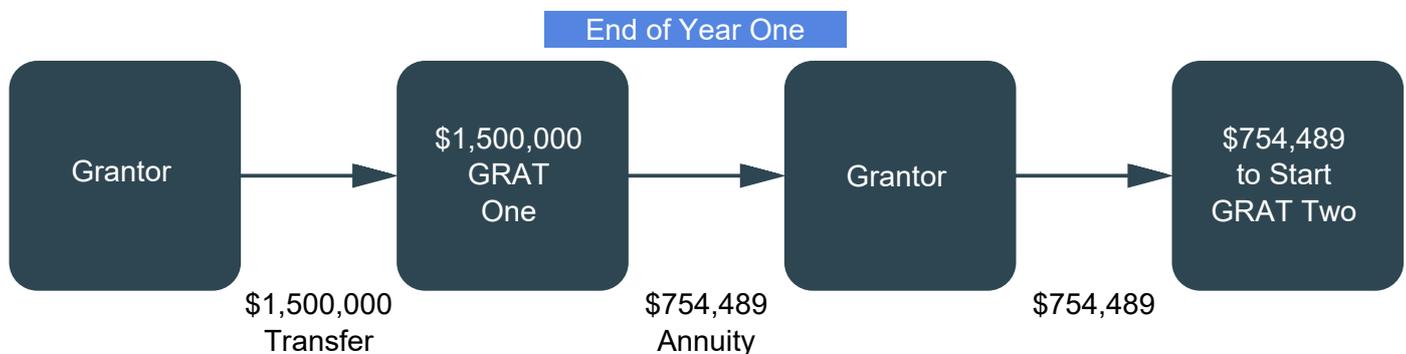
Short Term Maximum Annuity Rolling GRAT

Prepared for: Demo User

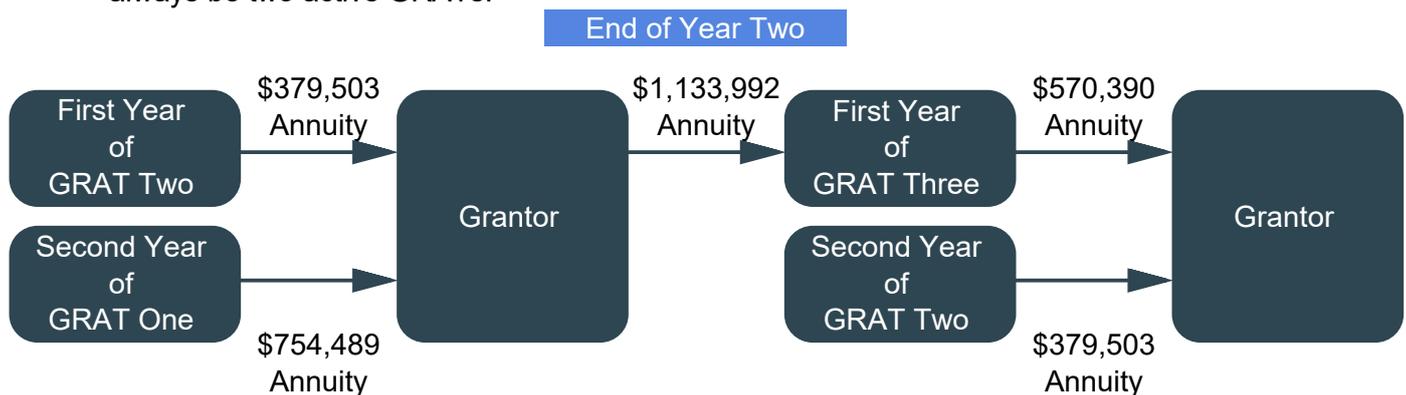
Prepared by: Brentmark

Short Term Maximum Annuity Rolling GRAT

- Rolling GRATs is a term used to describe when a grantor uses the annuity payouts to fund a new GRAT each year, up until 1 year prior to assumed death.
- The goal is to structure the initial 2-year term certain GRAT annuity payout so that the grantor's entire interest plus interest at the IRC §7520 Rate will be included in the payout. This is done by optimizing the calculation to a taxable gift as close to \$0 as possible.
- Then with the annuity payout, fund a new GRAT that also has a 2 year term. Starting with the 3rd GRAT, GRATs will be funded with payments from 2 GRATs in most years (see illustrations).
- As a grantor trust, the grantor is deemed to own the trust principal for income tax purposes. Therefore, all trust income is taxable to the grantor. However, there is no capital gains, when trust principal is used for the annuity payout. (Revenue Ruling 85-13).
- If the trust grows more than the assumed §7520 rate, the trust would give the excess amount to the beneficiary after the 2 year period.
- Note: The grantor must survive trust periods - otherwise the GRAT will be included in the grantor's estate at death with credit for any gift taxes paid or unified credit applicable to the GRAT. (TAM 200210009)
- Note: Changes to the IRC §7520 rate, as well as the rate of returns, over the entire analysis will impact the results.



- After year one, there will be two existing GRATs. In each subsequent year, one GRAT will mature and a new GRAT will begin. Except for the first and last year of the analysis, there will always be two active GRATs.



- As the first GRAT matures, \$111,844 will pass to the remainder beneficiary, under the assumption of income and growth rates used for the analysis. See Rolling GRAT schedule for remainder amounts for the other GRATs.
- During the analysis, the cumulative remainder value of the 23 individual 2-year GRATs would be \$1,818,309.61.
- If the assets from each completed 2-year GRAT subsequently appreciates by the same income and growth rates, the total value of the 23 completed GRATs and subsequent growth would be \$2,334,068.39.

Short Term Maximum Annuity Rolling GRAT

Transfer Date: 10/2020
 §7520 Rate: 0.40%
 Principal: \$1,500,000
 Payment Timing: End
 Trust Income Rate: 2.20%
 Trust Growth Rate: 3.00%
 Grantor's Age: 55
 Death Year: Life Expectancy
 Life Expectancy: 23.8 Years

Rolling GRAT Schedule

Year	Begin GRAT Balance	5.20% GRAT Growth	End GRAT Balance	Payouts to New GRAT	Excess to Benef.	Taxable Gift	Payment Back to Estate
1	\$1,500,000	\$78,000	\$1,578,000	\$754,489	0	\$0.02	0
2	\$1,578,000	\$82,056	\$1,660,056	\$1,133,991	\$111,844	\$0.02	0
3	\$1,548,212	\$80,507	\$1,628,719	\$949,892	\$56,258	\$0.01	0
4	\$1,572,462	\$81,768	\$1,654,230	\$1,048,178	\$84,554	\$0.01	0
5	\$1,569,677	\$81,623	\$1,651,300	\$1,005,015	\$70,827	\$0.01	0
6	\$1,580,473	\$82,185	\$1,662,658	\$1,032,741	\$78,155	\$0.01	0
7	\$1,584,502	\$82,394	\$1,666,896	\$1,024,977	\$74,936	\$0.01	0
8	\$1,591,959	\$82,782	\$1,674,741	\$1,035,017	\$77,003	\$0.02	0
9	\$1,597,737	\$83,082	\$1,680,819	\$1,036,162	\$76,425	\$0.01	0
10	\$1,604,395	\$83,429	\$1,687,824	\$1,041,788	\$77,174	\$0.01	0
11	\$1,610,650	\$83,754	\$1,694,404	\$1,045,194	\$77,260	\$0.02	0
12	\$1,617,144	\$84,091	\$1,701,235	\$1,049,737	\$77,678	\$0.01	0
13	\$1,623,557	\$84,425	\$1,707,982	\$1,053,735	\$77,933	\$0.02	0
14	\$1,630,049	\$84,763	\$1,714,812	\$1,058,032	\$78,271	\$0.01	0
15	\$1,636,540	\$85,100	\$1,721,640	\$1,062,204	\$78,569	\$0.01	0
16	\$1,643,072	\$85,440	\$1,728,512	\$1,066,463	\$78,890	\$0.02	0
17	\$1,649,621	\$85,780	\$1,735,401	\$1,070,704	\$79,200	\$0.02	0
18	\$1,656,201	\$86,122	\$1,742,323	\$1,074,980	\$79,519	\$0.02	0
19	\$1,662,804	\$86,466	\$1,749,270	\$1,079,263	\$79,834	\$0.02	0
20	\$1,669,436	\$86,811	\$1,756,247	\$1,083,569	\$80,154	\$0.01	0
21	\$1,676,093	\$87,157	\$1,763,250	\$1,087,889	\$80,474	\$0.01	0
22	\$1,682,777	\$87,504	\$1,770,281	\$1,092,228	\$80,795	\$0.02	0
23	\$1,689,488	\$87,853	\$680,758	0	\$81,117	\$0.02	\$1,096,583
24	\$599,641	\$31,181	\$81,440	0	\$81,439	0	\$549,382

- The taxable gift is calculated by optimizing the GRAT calculation in such a way that it returns the payout rate that results in the lowest taxable gift over \$0. In most case this calculation will result in a taxable gift under \$1.00.

Short Term Maximum Annuity Rolling GRAT

Accumulation of Remainder to Beneficiary

Year	Begin Balance	Excess Added	3.00% Growth	2.20% Income	End Balance
1	0	0	0	0	0
2	0	\$111,844	0	0	\$111,847
3	\$111,847	\$56,258	\$3,355	\$2,461	\$170,568
4	\$170,568	\$84,554	\$5,117	\$3,753	\$258,878
5	\$258,878	\$70,827	\$7,766	\$5,695	\$335,404
6	\$335,404	\$78,155	\$10,062	\$7,379	\$420,941
7	\$420,941	\$74,936	\$12,628	\$9,261	\$505,141
8	\$505,141	\$77,003	\$15,154	\$11,113	\$593,260
9	\$593,260	\$76,425	\$17,798	\$13,052	\$682,740
10	\$682,740	\$77,174	\$20,482	\$15,020	\$774,937
11	\$774,937	\$77,260	\$23,248	\$17,049	\$869,248
12	\$869,248	\$77,678	\$26,077	\$19,123	\$966,053
13	\$966,053	\$77,933	\$28,982	\$21,253	\$1,065,242
14	\$1,065,242	\$78,271	\$31,957	\$23,435	\$1,166,951
15	\$1,166,951	\$78,569	\$35,009	\$25,673	\$1,271,196
16	\$1,271,196	\$78,890	\$38,136	\$27,966	\$1,378,055
17	\$1,378,055	\$79,200	\$41,342	\$30,317	\$1,487,576
18	\$1,487,576	\$79,519	\$44,627	\$32,727	\$1,599,824
19	\$1,599,824	\$79,834	\$47,995	\$35,196	\$1,714,857
20	\$1,714,857	\$80,154	\$51,446	\$37,727	\$1,832,741
21	\$1,832,741	\$80,474	\$54,982	\$40,320	\$1,953,538
22	\$1,953,538	\$80,795	\$58,606	\$42,978	\$2,077,314
23	\$2,077,314	\$81,117	\$62,319	\$45,701	\$2,204,135
24	\$2,204,135	\$81,439	\$66,124	\$48,491	\$2,334,068
Total		\$1,818,310	\$703,213	\$515,690	\$2,334,068

- In year two, the first GRAT has matured and the remainder is distributed to the remainder beneficiary.
- If the income/growth rates do not exceed the §7520 rate, this calculation will show nothing going to the remainder beneficiary.
- This assumes that the growth, income, and §7520 rates all remain the same during the duration of the analysis.

Short Term Maximum Annuity Rolling GRAT

Payments Back to Estate

Year	Begin Balance	Initial FMV	Payment to Estate	2.20% Income	3.00% Growth	End Balance
1	\$1,500,000	\$1,500,000	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	0	0	0	0	0	0
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	0	0	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	0	0	0	0	0	0
13	0	0	0	0	0	0
14	0	0	0	0	0	0
15	0	0	0	0	0	0
16	0	0	0	0	0	0
17	0	0	0	0	0	0
18	0	0	0	0	0	0
19	0	0	0	0	0	0
20	0	0	0	0	0	0
21	0	0	0	0	0	0
22	0	0	0	0	0	0
23	0	0	\$1,096,583	0	0	\$1,096,583
24	\$1,096,583	0	\$549,382	\$32,897	\$24,125	\$1,702,987
Totals		\$1,500,000	\$1,645,965	\$32,897	\$24,125	\$1,702,987

Short Term Maximum Annuity Rolling GRAT

SUMMARY

Principal in Transfer Year (2020):	\$1,500,000
Assumed Death Year:	2043
Number of 2-Year GRATs Created:	23
Remainder Interest to Beneficiary	
First GRAT:	\$111,844
All GRATs:	\$1,818,310
Projected Value (Same Growth/Income Rates):	\$2,334,068
Added Back to Estate due to Death Before End of Term:	\$1,702,987

Note: Changes to §7520 and rate of returns over the period will change results shown.

This is a hypothetical illustration based on the assumptions you made, and is to be used as a guide only, in order to help you understand what your planning needs may be. This illustration should be considered together with all other information you deem important in making your investment decisions. This is not an illustration or guarantee of the performance of any specific investment. Actual performance from your investments may vary. This illustration is not legal or tax advice. You should consult with your own attorney and/or accountant to review this information and determine its appropriateness with respect to your particular situation. The provider of this illustration provides no guarantee and assumes no responsibility or liability for the accuracy of the information provided (including whether the interest rate you have selected is in fact "reasonable"), or for your reliance or decisions based on this information.