## CUMMINGS \& LOCKWOOD LLc



## WHAT IS AN EXAMPLE OF A GRAT?

Jane Jones transfers $\$ 1,000,000$ worth of stock to a 2 -year GRAT. Jane believes that the stock is undervalued and expects it to increase by $25 \%$ per year for the next two years. Assuming an IRS 7520 interest rate of $4.4 \%$, Jane must receive an annuity of $\$ 533,248$ for the two years of the GRAT to reduce the taxable gift to a nominal amount. If the stock appreciates in value at the $25 \%$ annual rate that Jane expects, $\$ 362,693$ of stock will pass tax-free to her children at the end of the two year term.

