



WHAT ARE THE ADVANTAGES OF GRANTOR TRUSTS?

Many gifting vehicles are intentionally designed as grantor trusts so that the grantor can continue to bear the income tax burden associated with assets that have been removed from the grantor's estate through a completed gift. In short, the gift by the grantor is complete for gift tax purposes but not for income tax purposes. This allows the trust property to grow inside of the grantor trust without the drag of an income tax burden. Thus, grantor trust status is a powerful tool that a family can use to allow previously gifted trust assets to grow undiminished by taxes. Under current law, the payment of taxes by the grantor is not considered a gift.