



## WHAT ARE THE TERMS AND CONDITIONS TO BE CONSIDERED IN A GRAT TRUST AGREEMENT?

- The Donor can be a Trustee or the only Trustee.
- A specified annual annuity payment will be made to the Donor for a term of years. If the Donor dies during the term of years, the annuity payments would continue to be paid to the Donor's estate.
- The determination of the amount of the annuity payment needed to reduce the taxable gift to a nominal amount involves a fairly complex tax calculation which takes into account the following factors:
  - the current value of the property;
  - the term of the GRAT; and
  - the 7520 rate for the month of transfer.
- After the term of the GRAT expires, the trust principal will be distributed to the beneficiaries specified in the trust agreement. The beneficiaries can receive the principal outright or the principal can be held in further trusts.
- Once assets have been gifted to the GRAT, no additional contributions may be made to the GRAT.