



WHAT IF THE GRAT'S INVESTMENT PERFORMANCE IS EQUAL TO OR LESS THAN THE IRS INTEREST RATE?

If the GRAT's annual compounded investment return equals the IRS interest rate, then the Grantor's annuity interest will be fully paid, but there will be only a small remainder in the GRAT to pass on to the Donor's children. If the GRAT's annual compounded investment return is less than the IRS interest rate, then the trust principal will be exhausted before the end of the GRAT term. There will be no tax savings, but nothing will be lost except the time and expense associated with establishing and maintaining the GRAT.