

# ALERTS:

## ***Estate Planning Alerts***

### **GRATs -**

You may have heard of GRATs. GRATs (also known as Grantor Retained Annuity Trusts) are an IRS approved method of transferring wealth and can potentially transfer significant amounts of wealth to children and other beneficiaries with little or no gift tax consequences. The current low interest rate environment combined with depressed stock market valuations makes the wealth transfer strategy of GRATs especially powerful. Even in a worst case scenario, assuming minimal appreciation, all of the assets transferred into the GRAT will be returned to you over the term of the GRAT.

### ***Changes in Estate Tax Exemptions***

Prior to 2002, the estate tax exemption was the same for federal estate tax purposes as it was for Minnesota estate tax purposes. Beginning on January 1, 2002, the exemptions began to differ or “decouple” until 2009, when the difference between the federal and Minnesota exemptions reached their largest difference ever. The federal exemption this year is \$3.5 million, while the Minnesota exemption is only \$1 million. The result of this decoupling is that estate planning documents prepared prior to 2002 may now result in significant estate taxes being due to the State of Minnesota on the death of the first spouse. If you have not reviewed your estate planning documents with your attorney since 2002, we strongly recommend that you do so now to ensure you have considered the implications of these new estate tax laws.

***If you would like assistance in assuring best practices in any of these areas,  
please contact your attorney at Moss & Barnett.***