



IMPACT OF INTEREST RATES ON WEALTH TRANSFER STRATEGIES

Technique – General Description

Rationale

HELPED BY LOWER INTEREST RATES

Private Annuity – asset sold to buyer in return for lifetime annuity

The lower the interest rate, the lower the annuity payments made by buyer (e.g., child), resulting in less cash going back to Seller's (e.g., parent's) estate. More goes to buyer if asset growth and income exceeds interest rate.

Grantor Retained Annuity Trust – asset gifted to trust in return for fixed annuity; remainder to beneficiaries

The lower the interest rate, the smaller the gift tax value of the remainder interest.

Charitable Lead Annuity Trust – asset gifted to trust; fixed annuity to charity; remainder to non-charitable beneficiaries

The lower the interest rate, the higher the value of the charitable lead interest, and that decreases the gift tax value of the remainder interest to non-charitable beneficiaries. Appreciation greater than 7520 rate benefits remainder beneficiaries, free of gift or estate tax.

Note Sale to Intentionally Defective Grantor Trust – asset sold to grantor trust in return for installment note

The lower the interest rate, the lower the payments on the installment note made by grantor trust, resulting in less cash going back to seller's estate and more going to IDGT. More wealth transferred if trust asset growth and income is greater than interest rate.

Intra-Family Loans – loan by one family member to another

The lower the interest rate, the lower the payments on the loan. More wealth transferred if investment results for loaned money are greater than interest rate.

Self Cancelling Installment Note – asset sold in return for installment note that ends upon seller's death

The lower the interest rate, the lower the payments on the installment note resulting in less cash going back to seller's estate. More wealth transferred if asset growth and income is greater than interest rate.



HELPED BY HIGHER INTEREST RATES

Qualified Personal Residence Trust – residence gifted to trust in return for use of property for certain period; remainder to beneficiaries

The higher the interest rate, the higher the value of the retained interest resulting in a lower value for the remainder interest and thus, lower gift taxes.

Charitable Remainder Annuity Trust – asset gifted to trust in return for fixed annuity; remainder to charity

The higher the interest rate, the lower the value of the non-charitable annuity interest. If annuity interest goes to third party, there are lower gift tax concerns.

NEUTRAL TO INTEREST RATES

Grantor Retained Unitrust – asset gifted to trust in return for annuity based upon percentage; remainder to beneficiaries

Charitable Remainder Unitrust – asset gifted to trust in return for annuity based upon percentage; remainder to charity

Charitable Lead Unitrust – asset gifted to trust; annuity to charity based upon percentage; remainder to non-charitable beneficiaries

Please consult with your Guardian Financial Representative if you have any questions concerning this document.

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