



Client Alert

Low Interest Rate Environment Provides Unique Opportunities for Estate Planning

May 18, 2020

Interest Rates at Historic Low

The potential success of many estate planning strategies (including grantor retained annuity trusts or “GRATs,” charitable lead annuity trusts or “CLATs,” and intra-family loans) in transferring wealth is dependent, in part, on interest rates published monthly by the IRS. For some strategies, a low rate increases the likelihood of success. For the month of June, 2020, these IRS rates have reached historic lows:

- The interest rate that applies to loans with a term of three years or less is 0.18%.
- The interest rate that applies to loans with a term of three to nine years is 0.43%.
- The interest rate that applies to loans with a term of over nine years is 1.01%.
- The Section 7520 rate (the discount rate that applies to GRATs and CLATs) is 0.60%.

Given these low rates and declines in asset values, now may be an appropriate time to create GRATs or CLATs, make loans to family members and trusts, or sell assets in exchange for notes. As a reminder, GRATs, CLATs, and loans allow for the transfer, gift tax-free, of appreciation in excess of the applicable IRS rate. You may also wish to consider refinancing existing intra-family / inter-trust debt at these lower rates.

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We are fully available to discuss any of the above with you.

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Trusts and Estates Group

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