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Gifting Options Frequently Used By Clients – 2013

Gifting Technique: Gift to Children or Grandchildren Without a Trust

Description	Gift to children or grandchildren without restrictions
When do Children or a Trust for the Children Receive the Gift	Immediately
Best Asset to Use	Assets with good likelihood of appreciation
Estate Tax Impact	Out of your and your spouse's estates
Income Tax Impact	The children or grandchildren pay the income taxes
Gift Tax Impact	Uses your gifting exemption equal to the current value of the gifted assets
Risk	You and your spouse cannot have access to the assets during your lifetime
Appraisal Necessary	At the time of the gift, if the assets are not publically traded or recently purchased.
Comments	Children or grandchildren immediately receive the benefit of the gift

Gifting Technique: Trust for Children or Grandchildren

Description	Gift to a Trust that benefits your children or grandchildren
When do Children or a Trust for the Children Receive the Gift	You make that determination when the Trust is created
Best Asset to Use	Assets with good likelihood of appreciation
Estate Tax Impact	Out of your and your spouse's estates.
Income Tax Impact	The Trust generally pays the income taxes on a yearly basis
Gift Tax Impact	Uses your gifting exemption equal to the current value of the gifted assets
Risk	You and your spouse cannot have access to the assets during your lifetime
Appraisal Necessary	At the creation of the Trust, if the assets are not publically traded or recently purchased.
Comments	Can design this Trust for the primary purposes you designate, such as education, medical expenses, etc. Assets generally protected from creditors of children or grandchildren.

Gift Technique: Dynasty Trust

Description	Gift to a Trust that benefits your children and future generations
When do Children or a Trust for the Children Receive the Gift	You make that determination when the Trust is created
Best Asset to Use	Assets with good likelihood of appreciation
Estate Tax Impact	Out of your and your spouse's estates, and will not be subject to estate tax for future generations
Income Tax Impact	The Trust generally pays the income taxes on a yearly basis
Gift Tax Impact	Uses your gifting exemption equal to the current value of the gifted assets
Risk	You and your spouse cannot have access to the assets during your lifetime
Appraisal Necessary	At the creation of the Trust, if the assets are not publically traded or recently purchased.
Comments	Can design this Trust per the primary purposes you designate, such as Education, medical expenses, etc. Assets generally protected from creditors of children.

Gift Technique: SLAT (Spousal Lifetime Access Trust)

Description	Gift to a Trust for your spouse's benefit during his/her lifetime, with the remaining assets going to the children and future generations after his/her death
When do Children or a Trust for the Children Receive the Gift	Can be whenever your spouse determines, including during the spouse's lifetime or after the spouse's death
Best Asset to Use	Assets with good likelihood of appreciation
Estate Tax Impact	Out of your and your spouse's estates
Income Tax Impact	You can continue to pay the income taxes, as an additional gift to the children, without using gifting exemption
Gift Tax Impact	Uses your gifting exemption equal to the current value of the gifted assets
Risk	You lose indirect access to the assets if your spouse passes away before you, when the gifted assets go to the next generation.
Appraisal Necessary	At the creation of the SLAT, if the assets are not publically traded or recently purchased.
Comments	It is a newer technique and there are restrictions on access.

Gift Technique: GRAT (Grantor Retained Annuity Trust)

Description	Gift for a Term of years, in which you get the value of the gift back, plus a predetermined interest rate set by the IRS. Any additional appreciation becomes the gift
When do Children or a Trust for the Children Receive the Gift	At the end of the Term, usually 2 years.
Best Asset to Use	Easy to value, and/or one with good likelihood of appreciation
Estate Tax Impact	Out of your Estate if you outlive the Term
Income Tax Impact	You pay the income taxes during the Term
Gift Tax Impact	Does not use any of your Gifting Exemption.
Risk	You need to outlive the Term. If you do not, the assets are in your estate.
Appraisal Necessary	Yearly during the Term, if the assets are not publically traded.
Comments	Very successful if the value of the assets appreciate more than the predetermined interest rate set by the IRS.

Gifting Technique: QPRT (Qualified Personal Residence Trust)

Description	Gift your home to a Trust for a Term of years. You can use the home during your lifetime. The appreciation of the home becomes the gift.
When do Children or a Trust for the Children Receive the Gift	Technically, at the end of the Term. However, you and your spouse retain the right to live in the home after the Term ends, but must pay rent.
Best Asset to Use	Can only use for your home and/or vacation home. Best if the home has good likelihood of appreciation
Estate Tax Impact	Out of your Estate if you outlive the Term
Income Tax Impact	You are treated as the owner during the Term
Gift Tax Impact	Uses less than the value of the home for your Gifting Exemption, because the gift is reduced to its present value
Risk	You need to outlive the Term for the gift to be effective. If you do not, the home is in your estate.
Appraisal Necessary	When you gift the home to the QPRT
Comments	Very successful if the home appreciates. Can sell the home and reinvest in a new property. Must pay rent to children after the Term ends.

Gifting Technique: Sale to “Defective” Trust

Description	Sale of an asset to this Trust, combined with a gift to the Trust of at least 10% cash, in return for a promissory note by the Trust to repay you, no later than at your death
When do Children or a Trust for the Children Receive the Gift	You make that determination when the Trust is created, but generally after your death
Best Asset to Use	Assets with good likelihood of appreciation
Estate Tax Impact	The value of the Promissory Note is in your estate. Any appreciation in value of the asset is not taxed in your estate
Income Tax Impact	You pay the income taxes during your lifetime
Gift Tax Impact	Does not use gifting exemption
Risk	You only have access to the value of the Promissory Note during your lifetime.
Appraisal Necessary	At the time of the sale, if the assets are not publically traded or recently purchased.
Comments	Freezes the value of the asset in your estate. Generally is a Dynasty Trust

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