QUALIFIED PERSONAL RESIDENCE TRUST

A Qualified Personal Residence Trust ("QPRT") is a special type of irrevocable trust that is designed for those with significant assets to transfer their primary home or a secondary home into a QPRT because homes within the trust will not count towards your taxable estate.

A QPRT can freeze the value of the residence at the time the trust is created. This can result in significant tax savings. Aside from tax benefits, the QPRT allows the grantor to continue to use the home as their personal residence if desired during their lifetime, but then allows the home to easily transfer to a spouse or another heir.

GRANTOR RETAINED ANNUITY TRUSTS

A Grantor Retained Annuity Trust ("GRAT") is a special type of irrevocable trust that minimizes the tax liability that usually accompanies intergenerational transfers of estate assets. One of the most popular ways to pass a business on to someone is through a Grantor Retained Annuity Trust. Under a GRAT, an irrevocable trust is created for a certain term or period of time.

Basically, the owner of the business would form an irrevocable trust, and transfer the shares of stock if a corporation, or membership units if an LLC to the trust. The trust creator pays a tax when the trust is established. Assets are then placed in the trust and an annuity is paid out every year.

Qualified Terminable Interest in Property Trust

In some situations, a Qualified Terminable Interest in Property Trust ("QTIP") is ideal for the surviving spouse. Where some couples (especially those in second marriages) may not want to give the surviving spouse complete control over the couple's assets and control over who will inherit at the surviving spouse's death. It is held for the benefit of the surviving spouse during the spouse's lifetime, but the deceased spouse has already selected the beneficiaries who inherit upon the surviving spouse's death. A QTIP trust is a separate entity and is required to file its own income tax return, the trust's income is distributed to the surviving spouse and the surviving spouse pays the income tax at his or her marginal rate using the individual income tax rate brackets.

GENERATION-SKIPPING TRUSTS

A Generation-Skipping Trust is exactly what it sounds like - a trust in which a grantor's assets are locked up in a trust to be transferred the grantor's grandchildren, while skipping the grantor's children. The generation the grantor's children belong to skips the opportunity to receive the assets to avoid the estate taxes on an individual's right to transfer property upon his or her death, which would apply if the assets were transferred to the children. The recipient of a generation-skipping transfer doesn't necessarily have to be a family member.

THE MARSALESE LAW GROUP

Providing Estate Planning and a Financial Foundation For Families

Advanced estate Planning is more than making a plan in advance and naming whom you want to receive the things you own after you die.



The Marsalese Law Group's Estate Planning Practice Group routinely employs advanced estate planning strategies, which are designed to lower if not eliminate estate taxes. Now that the lifetime tax exemption has doubled under the New Tax Cuts and Jobs Act from \$5.6 million individually and \$11.2 million for married couples to \$11.18 million and \$22.36 million there are existing trusts, which no longer serve their original purpose. A review of your current estate plan is now in order.

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Marsalese Law Group, PLCC 21415 Civic Center Drive, Suite 250 Southfield, Michigan 48076 (248) 350-9370 mm@marsalese.com Some of the advanced strategies, which are currently at the forefront of our estate planning practice, include the following:

CHARITABLE REMAINDER TRUST

A Charitable Remainder Trust ("CRT") transfers appreciated property into an irrevocable trust and designate a charity as the beneficiary. A portion (or all) of the assets within the trust are then sold and reinvested to provide income to the person donating the assets. A charitable remainder trust offers income to the donors or their beneficiaries while alive, and then at the death of the donor, or after a specified number of years, the trust expires and the property remaining within the trust is transferred to the charity.

The CRT has long been a popular planning vehicle for individuals interested in leaving something to charity. A CRT is also a great way to shelter a highly appreciated asset.

The CRT is, for example, one way for retired couples to sell their homes of many years, downsize, and not pay huge capital gains taxes. A couple can deed over the percentage of a residence to the CRT that is above the \$500,000 capital-gains exclusion on a personal residence. Cash, real estate, securities, valuables, and shares in a corporation, a limited liability company, or a partnership can all be transferred to a CRT, which isn't subject to a gift tax.

IRREVOCABLE LIFE INSURANCE TRUST

An Irrevocable Life Insurance Trust ("ILIT") is a trust primarily set up to hold one or more life insurance policy(s). The ILIT is both the owner and beneficiary of the life insurance policies. An individual can transfer ownership of an existing policy to the ILIT after it's been formed, or the trust can purchase the policy directly. Upon the death of the insured, the trustee invests the insurance proceeds and administers the trust for one or more beneficiaries.

An Irrevocable Life Insurance Trust (ILIT) is commonly used to prevent the taxation of life insurance proceeds after the death of the insured person. Although life insurance proceeds are not subject to income tax, they are includable in the taxable estate of the insured. If the estate is large enough, up to 40% of the life insurance death benefit can be lost to federal estate tax. The solution is to purchase the policy using an ILIT or to gift an existing policy to an ILIT, so that the ILIT owns the life insurance policy, making the insurance proceeds estate tax free thereby leaving more money to your beneficiaries by removing the proceeds from your taxable estate.

The individual who creates the ILIT can't serve as trustee of the trust, and must relinquish any right to make changes to the trust or to dissolve it, however, their spouse, their adult children, a friend or even a financial institution or an attorney can serve as trustee.

Qualified Personal Residence Trusts

A Qualified Personal Residence Trust ("QPRT") is a special type of irrevocable trust that is designed to remove the value of your primary residence or a second home from your taxable estate at a reduced rate to help reduce the size of the grantor's estate.

Those with significant assets may wish to transfer their primary home or a secondary home into a QPRT because homes within the trust will not count towards your taxable estate.

A QPRT can freeze the value of the residence at the time the trust is created. This can result in significant tax savings. Aside from tax benefits, the QPRT allows you to continue to use the home as your personal residence if desired during your lifetime, but then allows the home to easily transfer to a spouse or another heir. A QPRT also allows the grantor to claim an income tax deduction for any real estate taxes paid and a deduction for the value of the estate when initially transferred.

