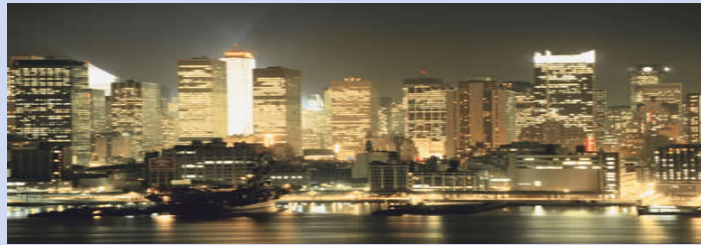


Subject: Legal Alert: Opportunity is Knocking; Sale to a Grantor Trust

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Kelleher & Buckley, LLC

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Kelleher & Buckley, LLC

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Opportunity is Knocking

*Using the Current Low Interest Rate
and Asset Valuation Environment to
Shift Future Appreciation and Save
Estate Taxes with a:*

"Sale to a Grantor Trust"

Please feel free to contact *Kelleher & Buckley, LLC* with any questions or referrals.

"Sale to a Grantor Trust" Opportunity

We wanted to take a moment to call your attention to the "Sale to a Grantor Trust" planning opportunity that is currently available in this low interest rate and seemingly depressed asset value environment.

In order to lower estate tax exposure, one major planning goal is to *shift future appreciation* of assets to lower generations (i.e., children, grandchildren and the like). One appreciation shifting technique is the "Sale to a Grantor Trust". Such a transaction is

best explained with a simplified example (with certain legal and technical details intentionally omitted).

- Dad transfers a rental building and a stock portfolio with an aggregate current fair market value of \$1M into a limited liability company ("LLC") in exchange for LLC units.
- Thereafter Dad owns the LLC units and the LLC owns the building and stock portfolio.
- Dad also establishes an irrevocable grantor trust for the benefit of his wife and children ("trust"). The trust is designed as a "grantor trust" so that Dad and the trust are the same taxpayer for income tax purposes.
- Next, Dad sells his \$1M of LLC units to the trust in exchange for a \$1M promissory note (amortizing over 9 years using the January 2012 mid-term AFR of 1.17%)(the "note"). As Dad and the trust are the same taxpayer there is no capital gains/income tax on the sale.
- After the sale, Dad owns the note and the trust owns the LLC units.
- Dad's family benefits if, over the 9 years, the building and stock portfolio owned by the LLC appreciate more than the 1.17% interest on Dad's promissory note as such excess is excluded from Dad's taxable estate. So, assuming the LLC assets appreciate at a compounded 7% rate over the 9 years, the excess excluded from Dad's taxable estate is approximately \$428,509! Estate tax savings can be further enhanced with discount planning and more efficient promissory note structuring.

The applicable federal interest rates the IRS will allow in a "Sale to a Grantor Trust" for months beyond January 2012 cannot be predicted, however, depending on factors such as inflation, such interest rates could very well rise thereby significantly lowering the benefits of this planning. So, now is a great time to consider this planning. We are available to discuss your specific situation regarding any wealth transfers, including the sale to grantor trust transaction, and what steps you can take to minimize your estate tax exposure.

Tax Matters: To the extent this correspondence concerns tax matters, it is not intended or written to be used, and cannot be used by a taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer under law.

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