



October's Historically Low Interest Rates Enhance Intra-Family Transfers

September 26, 2011

The IRS interest rates that apply to loans to family members and trusts are at historic lows for the month of October. For example, loans with maturities of 3 years or less have a rate of .16%; loans with maturities of more than 3 years but not more than 9 years have a 1.19% rate; and loans with maturities over 9 years have a 2.95% rate. In addition to intra-family loans, these rates apply to sales of assets to family members or trusts in exchange for a note.

In addition, the "7520 rate," which is used for Grantor Retained Annuity Trusts ("GRATs") and Charitable Lead Annuity Trusts ("CLATs") is also low for October – 1.4%. GRATs and CLATs are estate planning vehicles that allow transfers of assets to a trust that pays out an annuity for a fixed term – for the donor's own benefit, if a GRAT, or for charity, if a CLAT -- with any amounts exceeding the required payout passing with little or no gift tax to the donor's descendants. Gift tax is payable only on a small percentage of the transferred assets upon funding.

For more information about these planning opportunities, please contact one of the following members of the Firm's Personal Planning Department.

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