DAY PITNEY LLP

Grantor Retained Annuity Trust (GRAT)

A GRAT is a vehicle used to transfer future growth on property to your family free of transfer tax. This planning technique is simple, effective and can be easy to implement. The outline below summarizes how a GRAT works and includes an illustration of the economics of a sample three-year GRAT.

Particularly if you have assets that you expect to appreciate over the next couple of years, a GRAT may be an attractive and efficient way to transfer that appreciation to your family.

SUMMARY OF GRAT TRANSACTION

◊ You (the grantor) transfer assets to the GRAT for a specified term of years

◊ Trustee pays to you a percentage of the initial fair market value of those assets each year

◊ The percentage is based on the applicable IRS interest rate for the month of funding and increases by twenty percent each year

◊ At the end of the GRAT term (assuming you survive), property remaining in the GRAT passes to your children (or a trust for their benefit) free of estate and gift tax

BENEFITS

◊ Transfers no existing wealth

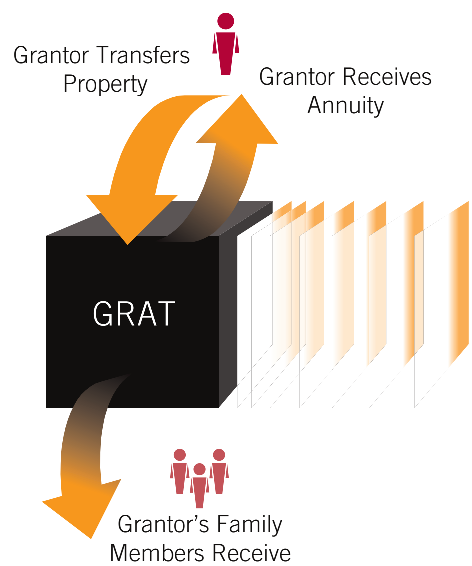
◊ Moves future growth on GRAT assets above the applicable interest rate – the "winnings"– to children (or a trust for their benefit)

◊ Generates no gift or estate tax

◊ The tax-planning benefits of a GRAT can be enhanced by the volatility of a particular asset or market (by capturing a "spike" in value during the term, increasing the amount of winnings)

◊ Winnings can be locked in prior to the GRAT's termination by swapping cash (or other "fixed" assets) into the GRAT for assets of equivalent value

◊ Successive GRATs may be funded with previous GRAT annuity payments (rolling GRATs) to increase probability of the successful transfer of wealth



EXAMPLE

DATE ESTABLISHED	May 2020
IRS interest rate	0.8%
Property transferred to GRAT	$ 1,000,000[1]
Term	3 years
Annual Percentage Payout (Yrs. 1-3)	27.93998% 33.52797% 40.23356%
Annuity Payments to Grantor (Yrs. 1-3)	$ 279,400 $ 335,280 $ 402,336
TOTAL RETURNED TO YOU:	**$ 1,017,016**

Assumed Annual Growth of GRAT Assets	remainder to children (or trust) "tax-free"
5%	$ 95,207
10%	$ 221,783
15%	$ 363,462
20%	$ 520,993

[1] This amount is for illustrative purposes only. Funding a GRAT with a greater or lesser amount will result in proportionately higher or low annuity payments and remainder to children.