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BY APPOINTMENT ONLY

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TO: CLIENTS AND THEIR ADVISORS

RE: INTENTIONALLY DEFECTIVE GRANTOR TRUST (IDGT) - A VALUABLE ESTATE PLANNING TECHNIQUE

One advantage of gifting during one's lifetime is to freeze the value of the gifted assets as of the date of the transfer while the future appreciation of the asset escapes inclusion in the donor's estate. The donor gifts appreciable assets to an IDGT created by the donor. The appreciable assets are then purchased by the donor from the IDGT in exchange for a promissory note ("Note"). The assets owned by the IDGT will generate cash flow to comply with the terms of the Note. The current historically low interest rates make this a very attractive estate planning technique. The terms of the Note can be designed based upon the nature of the assets being purchased and other factors to be considered.

Additional advantages/highlights of the IDGT technique are as follows:

- The IDGT income is taxed 100% to the donor, hence the term, "Defective". The payment of the income tax by the donor results in an additional tax free gift since more assets remain in the IDGT for its beneficiaries.
- Donor can either borrow from or lend to the IDGT, even to fund Note payments.
- Donor can exchange additional assets with the IDGT as well as make additional contributions.
- Upon the death of the donor during the term of the Note only the fair market value of the Note is included in the donor's estate.
- The IDGT provides flexibility with the selection of assets and the timing of payments under the Note.
- The donor can allocate the GST exemption to the IDGT at the beginning of the gifting process.
- The flexibility of the IDGT makes it preferable to a grantor retained annuity trust (GRAT) as many of the planning provisions available for an IDGT would be prohibited or severely limited for a GRAT.

Our office is available to assist you or your clients in exploring these and other sophisticated gift and estate tax planning opportunities including family limited partnerships, qualified personal residence trusts and charitable scenarios which will assist in the preservation of wealth for future generations. Our other areas of specialization include real estate, tax dispute resolution, business and employment law representation and retirement planning issues.