



ORSON AND BRUSINI LTD

C O U N S E L O R S A T L A W

Tax Efficient Gifting Under the Current Economic Climate

The current economic crisis has created a unique and unprecedented planning opportunity. The Internal Revenue Service just released Revenue Ruling 2020-12, setting the applicable federal interest rates for June. These rates dictate the lowest rate which can be used in inter-family transfers and certain types of gifts and annuities. The interest rate on short-term loans is .18%. The so-called “7520” rate, the rate which is used in private annuities, is .6%. These historically low rates are down even from the May rates which were .25% on short-term loans and a 7520 rate of .8%. Combined with this rate structure is an economy where values of investments and businesses are severely depressed. This combination of factors allows clients with wealth to leverage future growth of assets outside of the client’s estate with reduced gift, estate or generation skipping transfer tax consequences.

Through the use of inter-family loans, private annuities, or certain types of trusts known as grantor retained annuity trusts (“GRATs”) a client can transfer wealth to a child or grandchild (outright or in trust) while retaining through an annuity interest or promissory note only the value of the property transferred plus the minimal interest required by the federal government, thereby shifting all growth and appreciation to the next generation. This retention by the client consumes a minimal amount, if any, of the client’s current \$11,580,000 federal estate, gift and generation skipping transfer tax exemption, leaving a greater balance for future gifts or for use at death. These opportunities provide unparalleled means to move wealth to the next generation tax efficiently.

We invest time, effort and emotion in your estate and financial planning - for yourselves and your loved ones. Changes in the law, as well as changes in your personal circumstances, warrant a periodic review of a plan to make sure it continues to comport with your wishes. Your attorneys at Orson and Brusini Ltd. look forward to helping you review your current estate plan, or establish a new one, so that you may continue to accomplish your planning goals.

**ORSON AND BRUSINI LTD.
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Multi-state bar admissions, including Rhode Island and Massachusetts

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