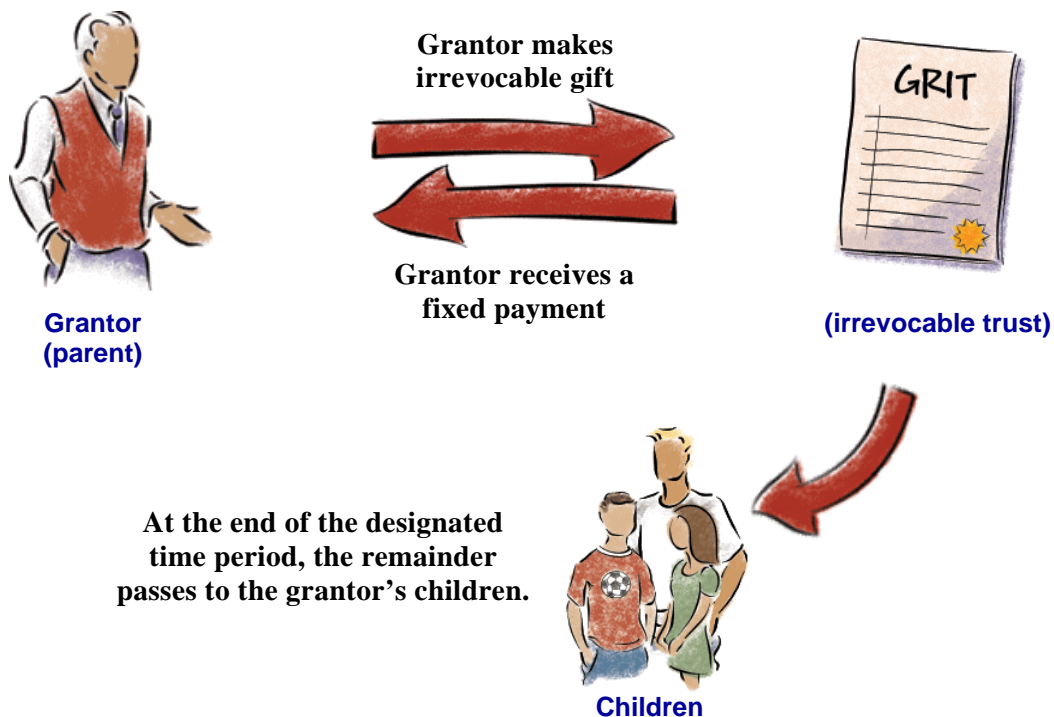


Grantor-Retained Interest Trust (GRIT)



The use of the grantor-retained interest trust (GRIT) under the Revenue Reconciliation Act of 1990 is limited to those trusts which either pay the grantor a fixed payment at least annually (an annuity) or pay a fixed percentage of the trust assets as computed annually (a unitrust).

The intrafamily GRIT allowed under the prior law currently has only a limited usefulness in the areas of tangible property (e.g., art work) and personal residences which are exempt from the special valuation rules. Such a GRIT is still usable in situations involving unrelated individuals, as well as those including non-lineal descendants such as nieces, nephews and cousins.

To avoid confusion between the GRIT prior to the change in law and the type of trusts which are now permitted, we have two new forms of GRITs called GRATs and GRUTs.

The GRAT is a grantor-retained annuity trust and the GRUT is a grantor-retained unitrust.

By following the new rules, senior family members may transfer assets with growth potential to junior family members with minimal payment of gift taxes.

In localities where real estate values are depressed, a personal residence GRIT may be very useful in transferring future appreciation potential to one's children.

Note: Under the Tax Act of 2001, the federal estate tax is gradually phased out until its final repeal in the year 2010. If Congress does not act at that time to repeal it for the years following, it will automatically revert back to the rates in effect during the year 2001, with an exemption for the first \$1,000,000 of assets.