

A Way to Help Parents and Grandparents in Financial Need

**By Matthew Crider, JD
Family Wealth Protection Attorney**

Estate planning is often about how people can pass wealth on to their children or grandchildren, but what if a child wants to give financial gifts to a parent or grandparent? This article from Bloomberg discusses just that: how GRATs Let Children Pass Millions to Mom or Granny Free of U.S. Gift Taxes.

As the elderly population of the U.S. increases, and as the effects of the economic downturn hit, more and more adult children find that their parents or grandparents are not doing as well financially as they had hoped. Many need help paying for medical expenses, home care expenses, mortgage or rent payments, etc. Adult children would like to be able to help, and a properly executed GRAT can be the perfect vehicle for wealthy children to give financial aid to their parents or grandparents without taking away from their lifetime gift-tax exemptions.

“With a GRAT, a child sets up a trust with a term of at least two years and funds the trust with stock or other investments. The trust pays the principal plus interest back to the child over its term as if it were an annuity, based on an interest rate set by the Internal Revenue Service. Any appreciation of the underlying investments above this ‘hurdle’ rate passes on to the GRAT’s beneficiary, in this case the parents, without being considered a gift for tax purposes.”

However, this opportunity may not be around forever. The Obama administration has recommended imposing a 10 year minimum term on GRATs, an act which would make the GRAT strategy significantly less useful for many families. Adult children who would like to use a GRAT to pass wealth up to their parents or grandparents should consult with a financial or estate planning advisor sooner rather than later.

If you do miss out on the GRAT window, however, there are other options for helping elderly relatives, including paying medical expenses for the loved one (so long as payments are made to the service provider directly, rather than to the relative.) Contact our office for other options and more information about helping elderly parents and grandparents.

A Way to Help Parents and Grandparents in Financial Need

About Matthew Crider, J.D.

Matthew Crider formed [Crider Law PC](#) in 1999 so he could help individuals and business owners by providing creative solutions and be their trusted advisor and legal counselor. He serves his clients by listening closely to their goals, dreams and concerns and working with them to develop superior and comprehensive estate and asset protection plans. His estate planning practice focuses on preserving and growing wealth by providing comprehensive, highly personalized estate planning counsel to couples, families, individuals and businesses.

