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March Interest Rates Remain Historically Low

March 2, 2012 by Gary A. Phillips

[In a blog post on February 29](#), we highlighted the opportunities to implement significant estate planning in 2012, and the possibility that these opportunities may expire if not acted upon. We want to add that the IRS interest rates in March remain historically low, making certain estate planning techniques even more attractive.

The March 7520 rate remains unchanged from February at 1.4%. What this means for GRATs, for example, is that the annuity payments that get paid back to the grantor are calculated based on a 1.4% interest rate, as opposed to a historically much higher interest rate. If the underlying assets of the GRAT grow at a greater rate than 1.4%, the GRAT becomes an even more powerful wealth transfer vehicle.

In connection with sales to grantor trusts, if a three year promissory note is utilized, the interest rate on the note could be as low as 0.19%. If a nine year note is used, the minimum interest rate could be as low as 1.08%. These low interest rates mean less money needs to be paid to the grantor, resulting in more assets passing to the trust beneficiaries.

In short, the low interest rate environment makes certain estate planning techniques even more compelling in 2012.

Cole, Schotz, Meisel, Forman & Leonard, P.A.

Court Plaza North
25 Main Street
Hackensack, NJ 07601
Phone: (201) 489-3000

900 Third Avenue
16th Floor
New York, NY 10022
Phone: (212) 752-8000

500 Delaware Avenue
Suite 1410
Wilmington, DE 19801
Phone: (302) 652-3131

300 East Lombard Street Suite 2000
Baltimore, MD 21202
Phone: (410) 230-0660

301 Commerce Street
Suite 1700
Fort Worth, TX 76102
Phone: (817) 810-5250