

WILLS, TRUSTS & ESTATES: PLAIN AND SIMPLE

“SLATS” – Spousal Lifetime Access Trusts: A Way to Have your Cake and Eat It, Too?



You may have heard of Spousal Lifetime Access Trusts (“SLATS”) lately, especially if you have been thinking about using your federal estate and gift tax exemption before it goes down, whether sooner or later. In the estate planning world, SLATS may actually be a way to “have your cake and eat it, too!”

Usually, when you create a trust for your descendants, you give up all interest in the assets you give to the trust. With a SLAT, however, you can preserve access to the trust assets because your spouse is a beneficiary of the SLAT, too. As long as the spouses remain living and married, both spouses, practically, have the use of the assets of the SLAT.

A SLAT is similar to a trust you would otherwise create for your descendants, except your spouse is also a permissible beneficiary, along with your descendants. The spouse creating the SLAT can gift up to his or her full unused federal exemption amount (\$11.58 million for each spouse in 2020) without incurring any gift tax, and the assets in the SLAT will not be included in either spouse’s estate for estate tax purposes at death. Both spouses can create a SLAT, thereby using their combined exemptions to shelter up to \$23.16 million in assets from gift and estate taxes, even if the exemptions are later significantly reduced.

There is an important caveat when creating SLATS, if both spouses plan to create one. In order to avoid the “reciprocal trust doctrine,” which, basically, “undoes” the trusts and puts the assets back in the grantor spouse’s estate for estate tax purposes, it is very important that the SLATS are drafted carefully with varying provisions in each.

If you would like to know more about SLATS, feel free to contact me, or contact your estate planning lawyer.

If there is a trust or estates topic that you would like to know more about, please feel free to email me at pmarcin@farrellfritz.com

with your suggestion and I will do my best to cover it in a future column.



Patricia C. Marcin is a partner at the law firm of Farrell Fritz, P.C. concentrating in trusts, estates and tax law. Patricia has lived in Lloyd Harbor since 2005 with her husband John. They have two sons, Sam and Matt. Their faithful dog, Blizzard, still lives at home.



“I’m so glad we updated our wills. Farrell Fritz helped us understand all the recent changes and the best part is, we minimized our estate taxes. I feel so much more secure about our family’s future.”



400 R X R Plaza, Uniondale, NY 11556
516.227.0700 | www.farrellfritz.com

The quote used in this advertisement is a dramatization, not based upon a specific event. Prior results do not guarantee a similar outcome.