

COVID-19 NEWS OF INTEREST

Estate Planning Opportunities While Asset Prices and Interest Rates Remain Low

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AUTHORS

David J. McCabe | David J. Posner | Barbara Grayson | Jillian E. Merns
Donna P. Margolis | Margaret A. Podell

As detailed in previous client alerts, the federal estate, gift and generation-skipping transfer (“GST”) tax exemption amounts were significantly increased in 2018. As of January 1, 2020, these exemption amounts are **\$11,580,000** for individuals and **\$23,160,000** for married couples. The exemption amounts are scheduled to increase with inflation each year until 2025. Barring further legislative action, on January 1, 2026, the exemption amounts will revert to the 2017 level of \$5 million, adjusted for inflation. The highest marginal federal estate and gift tax rates are 40%, and the GST tax rate is a flat 40%.

The recent downturn in financial markets and the now historically low interest rates make this a uniquely attractive time to take advantage of the significant, but possibly temporary, increase in the exemption amounts. If your circumstances permit, we recommend that you consider utilizing your remaining gift tax exemption amount and possibly the GST tax exemption amount by making gifts of assets at depressed values to children and/or grandchildren either outright or to new or existing trusts.

You may also wish to leverage gifts of your gift and GST tax exemption amounts by engaging in sales to grantor trusts. Other estate planning techniques, including intra-family loans, grantor retained annuity trusts (“GRATs”) and split-interest charitable trusts, continue to be effective wealth transfer tools as well. In April 2020, the Applicable Federal Rate for use with a sale to a grantor trust or for an intra-family loan with a nine-year term is 0.99%. The Section 7520 “hurdle rate” for GRATs and certain split-interest trusts is 1.2%. It is important to note that certain techniques work better in a low interest-rate environment, so it may be advantageous to act in the near future. We are fully operational while working remotely and look forward to hearing from you.

If you have any questions or would like to discuss your particular situation in further detail, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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Willkie has multidisciplinary teams working with clients to address coronavirus-related matters, including, for example, contractual analysis, litigation, restructuring, financing, employee benefits, SEC and other corporate-related matters. Please click [here](#) to access our publications addressing issues raised by the coronavirus. For advice regarding the coronavirus, please do not hesitate to reach out to your primary Willkie contacts.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

David J. McCabe

212 728 8723

dmccabe@willkie.com

David J. Posner

212 728 8780

dposner@willkie.com

Barbara Grayson

312 728 9030

bgrayson@willkie.com

Jillian E. Merns

212 728 8718

jmerns@willkie.com

Donna P. Margolis

212 728 8778

dmargolis@willkie.com

Margaret A. Podell

212 728 8758

mpodell@willkie.com

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