

## QUALIFIED PERSONAL RESIDENCE TRUST

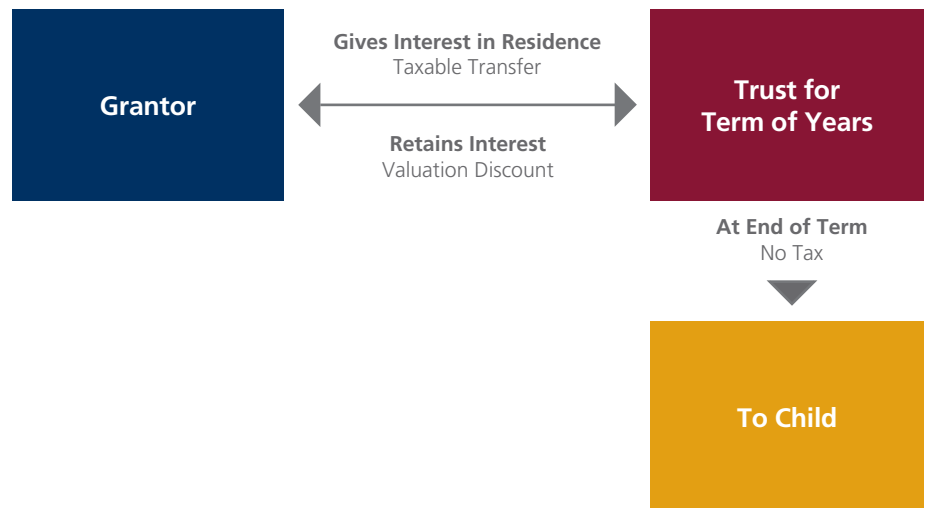
*Preserving Family Homes*

**The Wealth Strategies Group** at Atlantic Trust integrates estate, financial and investment planning through sophisticated assessment of goals with the objective of multigenerational capital preservation, family business continuity and strategic philanthropic objectives.

A Qualified Personal Residence Trust is an estate planning technique that takes advantage of the valuation discounts that result from splitting an interest in property.

For example, a donor can transfer her interest in a vacation home to a trust (known as a QPRT) for the benefit of her children, while retaining the right to live in the residence for a term of years. At the end of the term, the trust will terminate and distribute the residence outright to or in further trust for her children.

Because the initial transfer of the residence is subject to the donor's retained right to use the house for a period of time, the value of the gift to the trust is reduced. The right of the children to own and use the house sometime in the future is not as valuable as the right to own and use the house immediately. Moreover, if the property appreciates in value during the period of the trust, the appreciation passes to children free of any additional transfer tax.



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### Advantages

- Residence is not included in grantor’s estate.
- Appreciation in excess of the IRS assumed rate is transferred to children at minimal gift tax cost.
- Grantor retains right to live in residence for QPRT term.
- Grantor has the ability to rent residence from child or trust at the end of the QPRT term.
- Income tax benefits (\$250,000/\$500,000 exclusion from capital gains) are available.
- Additional tax savings may be achieved through valuation discounts if the property is owned by two donors as tenants in common.

### Disadvantages

- There is a mortality risk if the grantor dies before the end of QPRT term, the value of the grantor’s interest will be included in the grantor’s estate. However, the mortality risk can be offset by varying the length of QPRTs.
- The IRS may challenge the value of discount taken in addition to the value of remainder interest.
- Stepped-up basis at death is lost if child sells the residence after the grantor’s death for estate liquidity or other reasons. ■

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