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SLATS – SPOUSAL LIFETIME ACCESS TRUSTS

While historically high federal transfer tax exemptions remain in effect, the Spousal Lifetime Access Trust (“SLAT”) remains one of the most effective planning techniques for married clients. A SLAT is an irrevocable trust where the spouse is a permitted beneficiary. It allows married clients to take advantage of the high gift tax exemption amount while also allowing for continued access to the gifted trust assets, if needed, while removing any appreciation on the gift from each spouse’s taxable estate. A SLAT can also be structured as a Dynasty Trust by naming children and grandchildren as additional beneficiaries and allocating GST exemption to the trust ([click here for information on Dynasty Trusts](#)).

With a SLAT, one spouse (the grantor) transfers assets to an irrevocable trust for the benefit of the other spouse (the beneficiary). The grantor spouse applies his or her gift tax exemption to the gifted trust assets, and all post-transfer appreciation of the SLAT assets are shielded from future gift, estate and

GST taxes. While it is desirable to allow the trust assets to continue to grow in the trust free of transfer tax, if the beneficiary spouse needs assets from the trust in the future, a distribution can be made to the beneficiary spouse by a trustee. For this reason, SLATs are particularly attractive to clients who want to make large, irrevocable gifts while leaving open the possibility that a spouse could benefit from the trust if necessary.

Spouses may each use their available gift tax exemptions to fund a SLAT for the benefit of the other spouse; however the trusts must be sufficiently different so as to avoid application of the “reciprocal trust doctrine” and trigger unintended estate inclusion. Also, in the event of a subsequent divorce, the grantor spouse would lose any tangential benefits from the trust. In the end, however, SLATs provide married couples with a flexible, tax-efficient estate planning opportunity.

[Click here to view a Wiggin and Dana LLP Webcast on SLATs.](#)