

Does Your Grantor Trust Still Make Sense?

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What is a Grantor Trust?

A "Grantor Trust" is a trust where the person who created the trust (the grantor) continues to pay the income taxes on the trust's income even though the grantor does not receive any benefit from the trust. A "Non-Grantor Trust" is a separate taxpayer from the grantor and responsible for its own income taxes.

Does it still make sense for the grantor to be paying the Grantor Trusts' income tax bill?

Clients and advisors need to crunch the numbers. Changing the income tax treatment of an existing Grantor Trust does not impact the wealth transfer benefits already achieved by the trust. However, changing whether the grantor or the trust pays the income taxes may benefit the client.

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