

INTENTIONAL DEFECTIVE IRREVOCABLE TRUST
SALE OF PRINCIPAL RESIDENCE FOR A PRIVATE ANNUITY
(RULES AND RECOMMENDATIONS)

Sale of the taxpayer's highly appreciated principal residence to an Intentionally Defective Irrevocable Grantor Trust, in exchange for a Single Premium Deferred Private Annuity Contract, for purposes of Income Tax Deferral, Estate Tax Avoidance, and Asset Protection.

1. INTRODUCTION

1.1 **Purpose.** This Tax, Estate, and Asset Protection Strategy (the "Strategy") is an important part of a sophisticated and advanced Estate Plan for affluent high net worth taxpayers. The purpose of this Article is to briefly describe the various legal entities, legal instruments, and rules of law, all acting collectively together to make an effective Strategy which will achieve the taxpayers' objectives in his Estate Plan. Specifically, this consists of the following:

- (i) Intentionally Defective Irrevocable Grantor Trust;
- (ii) Single Premium Deferred Private Annuity Contract (the "Private Annuity");
and
- (iii) The substantial Tax, Estate, and Asset Protection Benefits available to a Taxpayer when selling the Taxpayer's highly appreciated Principal Residence ("Residence"), or other suitable highly appreciated real property (hereinafter sometimes jointly the "Property"), to the above Intentionally Defective Irrevocable Grantor Trust (the "IDIT"), in exchange for the above Deferred Private Annuity, for equivalent value (the "Private Annuity Contract").

The type of trust aforementioned is technically referred to as an "Intentionally Defective Irrevocable Grantor Trust." The reason the IDIT is referred to as intentionally defective is explained in greater detail below in paragraph 2.1.3. The substantial benefits generated by the IDIT for the Taxpayer are as follows:

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