

# The HYCET Trust™: You Really Can Have Your Cake and Eat it Too!



The HYCET Trust is the trust for today's times. Your tax advisor has told you about the \$5M gift tax exemption and how using it to remove appreciating property from your estate now will save you millions in estate taxes later. You agree, but what if you need or want it back in the future? So you procrastinate. And what happens? You never make the gift and at your death, millions of dollars of death taxes are needlessly paid. Ask yourself, wouldn't it be great if you could make a gift to a trust for your kids and grandkids, taking advantage of the \$5M lifetime gift exemption, and if you need or want all or part of the assets back, you can reclaim them? Well you can with the "Have Your Cake and Eat It Too" HYCET Trust.

**JEFFREY M. VERDON LAW GROUP, LLP**

# Meet the HYCET Trust™

In 2013, Congress made permanent the increased gift and estate tax lifetime exemption. This means that you can make gifts up to \$5M<sup>1</sup>, without incurring any current gift tax and the future appreciation in value will escape estate tax at your death. Why should it matter? A gift of \$5M today growing at a 6% rate of return, over 30 years will grow to more than \$30M. At a 10% rate of return, the value of the original gift will approach \$100M. As death taxes are currently 40%, this will result in a death tax savings of \$12M and \$40M, respectively.

Many taxpayers understand these extraordinary tax benefits but remember all too well the Great Recession of 2009. If they should later need or want all or a portion of the gifted assets, under conventional gift planning, once made the gift is non-retrievable. So to be safe the family chose not to make the gift, and at their death the heirs end up paying millions more in death taxes. But you can have your cake and eat it too — meet the HYCET Trust.

<sup>1</sup> The \$5M exemption adjusted for inflation as of 2016 is \$5,450,000.

## This is Why You Get to Have Your Cake and Eat it Too!

This HYCET Trust is designed to take advantage of certain unique trust laws offered in 16 states, the most popular being Nevada. Trusts established in the other 34 states do not have the special trust laws required to qualify for these special flexible characteristics to reclaim all or part of the previous gift(s), subjecting the entire trust assets to being taxed in the estate.

The 16 states offer so-called self-settled spendthrift trusts which do not allow the trust creator's creditors from reaching assets inside the trust<sup>2</sup>. Under recent

IRS Private Letter Rulings<sup>3</sup> this limited power of appointment treats transfers to these trusts as completed gifts and by extension, removed from the donor/creator's taxable estate. The PLR is only binding on the taxpayer who requested it but the review of the PLR will give you an idea as to how the IRS views these sorts of transactions.



<sup>2</sup> Absent a fraudulent transfer or voidable transaction.

<sup>3</sup> PLR 200944002

# Have Your Cake and Eat it Too!



## Legacy Protection

The HYCET Trust is a multi-purpose trust used for comprehensive estate planning. In addition to the flexibility of being able to reclaim all or part of the gifted assets, the trust provides superior asset protection from a financially ruinous lawsuit. The HYCET trust can help protect your legacy for generations to come.

This trust protects assets from future potential lawsuits brought against any of the beneficiaries — as well as from the possibility of a divorcing spouse reaching the trust's assets, and from any future tax claim or bankruptcy.

A popular and effective estate tax reduction strategy is called an “estate freeze”. An estate freeze allows the taxpayer to sell appreciating assets to a grantor trust for an I.O.U. or private annuity shifting the future appreciation of the asset(s) sold to the trust to be removed from the taxpayer's taxable estate. The value of the I.O.U. is frozen at the face amount and never grows in value, thereby avoiding the death taxes on the appreciation. For income tax purposes, the trust receives “grantor trust” status, meaning the trust is disregarded and no gain or loss is recognized at the time of sale.

# Protect Your Assets with the HYCET Trust



## JEFFREY M. VERDON LAW GROUP, LLP

*The Fusion of Planning and Protection.*

*Jeffrey M. Verdon Law Group, LLP is a boutique law firm specializing in Comprehensive Estate Planning and Asset & Lifestyle Protection. For over 30 years we have assisted affluent families and business owners with their comprehensive estate plans, maximizing wealth transfer opportunities, and providing “firewall” asset protection planning to protect estates and family legacies.*

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