

CYNOSURE WEALTH ADVISORS

“Innovative Solutions for families with
Extraordinary Wealth”

ING and CGNG Trusts: Advanced Strategies for Wealth Transfer Planning & State Income Tax Planning

An overview of Incomplete Gift Non-Grantor and Completed Gift Non-Grantor trust structures for sophisticated wealth transfer planning and state income tax planning. These powerful vehicles offer significant advantages for high-net-worth individuals seeking wealth preservation, asset protection and state income tax efficiency.



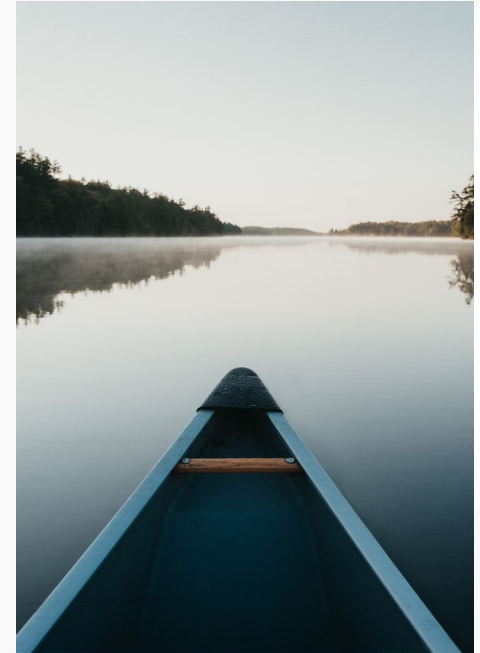
Understanding ING and CGNG Trusts

Incomplete Gift Non-Grantor ("ING") and Completed Gift Non-Grantor ("CGNG") trusts are sophisticated wealth planning strategies designed for high-net-worth individuals with specific tax and asset protection objectives.

These structures serve distinct yet complementary purposes:

- ING trusts may minimize state income taxes without triggering federal gift tax
- CGNG trusts facilitate wealth transfer outside the grantor's estate, reducing future estate tax exposure, while also minimizing state income taxes
- Both provide significant creditor protection under state law
- Both shift income tax liability to the trust entity itself, away from the grantor, often resulting in the mitigation of state income taxes

The strategic implementation of these trusts requires careful consideration of jurisdiction, trustee selection, and distribution provisions.



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The Incomplete Gift Non-Grantor Trust (“ING”)



Legal Framework

Originated in Delaware with legislation allowing irrevocable trusts where:

- Grantor may retain beneficial interest
- Creditor access to trust assets is statutorily restricted
- Trust is responsible for its own income taxes

Subsequently adopted by other states with favorable trust and income tax laws, including South Dakota, Alaska, Wyoming, New Hampshire, and Nevada.



Tax Characteristics

Major Tax Characteristics include:

- Transfers are incomplete gifts for federal gift tax purposes
- Assets, and appreciation thereon, remain includable in grantor's estate
- Trust pays its own income taxes
- Trust is structured to be a Non-Resident trust in Grantor's home state
- State taxation of trust based upon jurisdiction of situs state
- Primary purpose: **Potential reduction in state (not federal) income taxes** on accumulated income and capital gains



Structure & Distribution

Assets transferred from grantor to ING trust while:

- Income and principal may be distributed to grantor
- Distributions can also benefit grantor's spouse and family
- Distribution committee typically required to maintain non-grantor status

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The Completed Gift Non-Grantor Trust (“CGNG”)



Legal Framework

Irrevocable trust structure where:

- Transfers constitute completed gifts using estate, gift and GST tax exemption (\$13.99M in 2025, increasing to \$15M in 2026)
- Grantor's spouse and descendants may be beneficiaries of the trust
- Trust is responsible for its own income taxes



Key Advantages

Advantages of CGNG:

- Grantor's (and beneficiaries) creditors may be statutorily precluded from accessing trust assets
- Assets, and future appreciation thereon, may be permanently removed from being subject to estate tax if properly administered
- Potential state income tax avoidance on accumulated income and capital gains
- Multi-generational wealth preservation potential



Distribution Structure

Unlike ING Trusts:

- Grantor cannot be a beneficiary
- Income and principal distributed only to grantor's spouse and descendants
- Distribution provisions must be carefully drafted to maintain completed gift status

Many states have adopted multi-generational family-friendly trust legislation. Delaware, South Dakota, Alaska, Wyoming, New Hampshire and Nevada offer particularly favorable environments for CGNG implementation.

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ING/CGNG Comparison: Strategic Implementation

Families can utilize both ING and CGNG Trusts simultaneously to manage state income taxes and wealth transfer. Common features and key differences include:

Shared Characteristics

- Non-grantor tax status
- Potential State income tax reduction
- May provide asset protection from creditors
- Jurisdictional flexibility
- Trust is responsible for its own income taxes
- Requires careful drafting and administration to achieve intended results

ING Distinctions

- Incomplete gift for federal gift tax purposes
- Assets remain in grantor's taxable estate
- Grantor may be a beneficiary
- Retain access to transferred assets
- No exemption amounts used
- May be Ideal for highly appreciated assets

CGNG Distinctions

- Completed gift for federal gift tax purposes
- Assets (and future appreciation) removed from taxable estate
- Grantor cannot be a beneficiary
- Spouse/family are beneficiaries
- Gift/estate/GST tax exemption must be allocated on gift tax return
- May be Ideal for generational transfers

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Strategic Implementation Considerations

A tailored wealth strategy incorporating both structures may bring clarity and purpose to: managing assets, optimizing wealth preservation, tax efficiency, and shaping a lasting family legacy.



Jurisdictional Selection

Critical factors in selecting an optimal trust situs include:

- Rule Against Perpetuities limitations (length trust can last)
- Strength of asset protection statutes
- State taxation of trust income
- Privacy protections for trust administration
- Applicable state laws and client objectives

Practical Applications

- ING trusts: may be appropriate for highly appreciated assets generating capital gains or ordinary income
- CCNG trusts: may be optimal for wealth transfer when exemption amounts are available
- Combined strategy: may maximize both immediate tax benefits and long-term estate planning objectives

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