

Private Annuity Trust Article Should Be Required Reading

To the Editor:

I am writing about the comprehensive article by Kevin McGrath entitled, "Private Annuity Trusts — The Numbers Don't Support the Hype," *Tax Notes*, Oct. 3, 2005, p. 93. I hear smatterings of discussion about private annuity trusts, particularly as an alternative to periodic payments in the settlement of litigation, or to annuitized attorney fee structures modeled on *Childs v. Commissioner*, 103 T.C. 634 (1994), *aff'd*, 89 F.3d 856 (11th Cir. 1996). However, I'll admit that I have not analyzed an attorney fee structure myself.

When I hear people talk of the "much higher" return generated by private annuities as compared with "real" annuities issued by life insurance companies, I've always wondered whether clients and practitioners exercise the appropriate degree of caution. I am particularly struck by McGrath's discussion of the mix of tax, business, and economic risks. Whether Mr. McGrath is right or wrong, I would think his article should be mandatory reading for anyone entertaining one of these transactions.

Very truly yours,

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