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Jensen Huang's Stunning $10 Billion Tax Move

The Huangs' estate-planning strategy illustrates how soaring stocks can help wealthy families transfer fortunes without gift or estate taxes.

BY BECKIE STRUM

By any measure, it was a breathtaking transfer of wealth: **Nvidia** ex-CEO Jensen Huang and his wife, Lori, moved more than $10 billion worth of company stock into a family trust without paying a penny in estate taxes. The maneuver required 10 years of planning and unwavering faith in the stock. As it happens, it wrapped up just months before Jensen Huang's downfall.

The Huangs pulled off this feat of estate planning through what's called a grantor-retained annuity trust, or GRAT for short. GRATs are a common hack—albeit one facing increasing scrutiny—for the ultrarich to pass oodles of assets to their children without paying federal estate tax.

Plenty of other billionaires have used GRATs, including **Meta Platforms** boss Mark Zuckerberg, **Nike** co-founder Phil Knight, and President Donald Trump's parents.

But the Huangs' multibillion-dollar wealth transfer stands out for both its size and its success, according to a *Barron's* analysis of Securities and Exchange Commission filings, which was reviewed by several estate lawyers and wealth advisors. Had the Huangs given $10 billion outright to a trust for their children, say $1 billion a year, the gift tax bill would have approached $4 billion. "It literally cost them nothing," says Joshua Caswell, a Boston-based trust and estates attorney with the firm Rubin & Rudman.

He and others used phrases like "wild," "unmitigated success," and "impeccable" to describe the amount of wealth the Huangs moved estate-tax free. "I've not seen anything into the billions," Caswell says.

To fully appreciate how successful the transfer was, let's explain how a GRAT works. In the simplest terms, a properly structured GRAT allows a grantor to skim the gains off a growing asset and direct them to a beneficiary, without using any of their federal gift-and-estate-tax exemption, which is $15 million per individual in 2026.

Take, for instance, a dad who has an asset he expects to increase in value, such as a private business interest, commercial real estate, or, say, Nvidia stock. He puts that asset into a GRAT for a set number of years, often two or four, and receives annuity payments.

By the end of the GRAT term, he has received the scheduled annuity payments. In what's called a "zeroed-out" GRAT, those payments are structured so their present value, calculated using an Internal Revenue Service–prescribed interest rate, equals the original contribution, while all of the appreciation left over in the trust funnels off to his heirs. The more the asset grows while in the GRAT, the more wealth gets passed on.

"GRATs are sanctioned by the IRS, so there's very little risk in this strategy from an estate-planning perspective," says Chris Tate, partner and wealth strategist at Fidelis Capital and a former estate attorney.

GRATs get more complicated when the assets involved are harder to value, such as a tightly held business or other illiquid investment. They can also fail if the asset's growth falls short of the mandatory interest. When a GRAT fails, nothing gets passed on to the heirs and everything in the trust simply goes back to the grantor, who still incurs legal and administration costs.

"If they fail, you just get the shares back, and you can throw them into another GRAT and roll the dice again, so to speak," Tate says. But the Huang GRATs were about as simple and successful as they could be. Jensen Huang put the wheels in motion a decade ago, as he was publicly touting the potential of artificial intelligence.

On a February 2016 earnings call, Huang gushed about the forthcoming AI boom and the opportunity it would hand Nvidia, which was mainly a videogame chip maker at that point. "It's very likely they'll put artificial intelligence into every single application they have. We're starting to see this sweep across industries," Huang said on the call.

He put his money on it. A month after that earnings call, on March 16, 2016, Jensen and Lori Huang funded four GRATs. Two would run for four years, which is typical, and two would run for a whopping 10 years. Such long-term GRATs are far less popular in part because long-term growth is less predictable. Nevertheless, the Huangs funded the two 10-year GRATs with about $51 million worth of Nvidia shares that would explode in value as the company rose to become the world's leading maker of AI chips.

"This to me is indicative of someone who had a great deal of faith in himself and the company, but didn't know when the liquidity event would occur," Caswell says.

The gains came quickly. The two 10-year GRATs nearly quadrupled in value by May 2017, reaching a combined total of more than $190 million, according to the *Barron's* analysis of SEC filings. The GRATs continued to experience exponential growth. By 2021, the trusts topped $1 billion. Two years later, the value doubled again.

On March 18 of this year, the GRATs terminated as planned and almost 60 million shares, worth more than $10.5 billion at the time, were transferred into the Huang Irrevocable Remainder Trust, according to an SEC filing. The filing doesn't say which heirs the irrevocable trust benefits, but the Huangs have two adult children, Madison and Spencer, who both work at Nvidia. Requests for comment sent to Nvidia and the family's foundation weren't returned.

From the day the strategy started to the day it ended, Nvidia shares rose 22,161% compared with an S&P 500 index gain of 288%, according to the Dow Jones Market Data team.

The transfer preceded the scandal involving extramarital entanglements that would end Huang's CEO tenure on Nov. 12 after three decades. Nvidia was plunged into a leadership crisis, and billions of dollars have been shaved off the value of the company. As of midday on Nov. 18, Nvidia stock had plummeted roughly 16% since the GRATs wrapped up in March.

Had the Huangs waited a few years to set up the 10-year GRATs, the current fracas and stock decline could have dented the gains they could transfer to their heirs. Now, that's at least one problem off their plate.

Some might say the Huangs' transfer was a stroke of genius. Others would call it unfair. Either way, the couple got lucky. ■



An Rong Xu / Bloomberg

Jensen Huang's heirs include his children, Madison Huang, senior director of product marketing at Nvidia, below left, and Spencer Huang, director of product for robotics at the company.