Estate Planning Summary

for

Husband Client and Wife Client

Prepared 2/18/2019

Disclaimer

The following pages are intended to demonstrate estate planning concepts as well as the hypothetical operation of life insurance funding concepts. These illustrations display how non-guaranteed dividend values may be used to fund policy premiums at a future date. A reduction in an insurer dividend scale may increase the number of years premiums must be paid out-of-pocket. An actual illustration must be issued and reviewed to obtain actual premium figures and policy value projections. The figures mentioned are not intended to represent any particular product or company.

Kugler Estate Analyzer is designed to illustrate the application of various business and estate concepts for consideration by insurance and other financial professionals along with their clients. However, any final determination as to the merits of a particular tax strategy must be made by the client in conjunction with tax counsel.

The Kugler Estate Analyzer cases are not intended to convey any legal, tax or accounting advice, nor do they refer to or endorse a specific policy or insurance company.

The planner must provide the client with a full and complete illustration of the product being proposed. A reduction in the insurer's dividend rate or rate of return on policy values may increase the number of years premiums must be paid.

Summary of Concepts Presented

Calculation Assumptions

Gift Splitting Used?:	No
Liquidate Assets at Second Death?:	No
Payment Timing:	End
Income Tax Rates	
Client Income Tax Rate:	28.00%
Heirs Income Tax Rate:	28.00%
Growth Rates	
Portfolio(s):	5.00%
Credit Shelter:	0.00%
Reverse QTIP:	0.00%

	Husband	Wife
Portfolio Beginning Balance:	$0	$0
Prior Taxable Gifts:	$0	$0
Unified Credit Used on Prior Gifts:	$0	$0
Charitable Deductions:	$0	$0
Probate Expenses:	0.00%	0.00%

Liquidation Order:

- Portfolio
- Liquid Assets
- Stock Options
- Non-Liquid Assets
- Business Interests
- Real Estate
- Qualified Plans

Net Worth Summary (2018)

Pertinent Information

- Husband, who will be age 77 at the end of 2018, has an estate that includes the following:

	Current Value
Joint Account (Jointly Owned)	$2,500,000
His Cash	3,000,000
His House	1,750,000
Portfolio (see Note below)	2,000,000
Total	$9,250,000

- Wife, who will be age 73 at the end of 2018, has an estate that includes the following:

	Current Value
Joint Account (Jointly Owned)	$2,500,000
Her Cash	4,000,000
Total	$6,500,000

Liabilities

Beach House	$200,000

Total Estate(s): $15,750,000
(Total reflects any life insurance includable in the estate)

Insurance Assets	Owner	Insured	Death Benefit	Beneficiary
John Insurance	Husband	Husband	$2,000,000	Estate

- Non-probate assets will not be used to fund testamentary trusts.
- Current wills: For assets passing under the will, Husband and Wife have simple wills which provide an outright bequest to each other if the other is living, otherwise to their heirs.
- For any subsequent gifting techniques, it is assumed that there are no outstanding liabilities on the gifted property.
- Husband and Wife have 2 heirs.
- Probate and administrative expenses are assumed to be 0.00% at first death and 0.00% at second death.

Net Worth Summary (2018)

- Settlement costs include state death taxes (where applicable). A breakdown of the federal estate tax and state estate or inheritance tax is included on the last page of the presentation.

Net Worth Summary (2018)

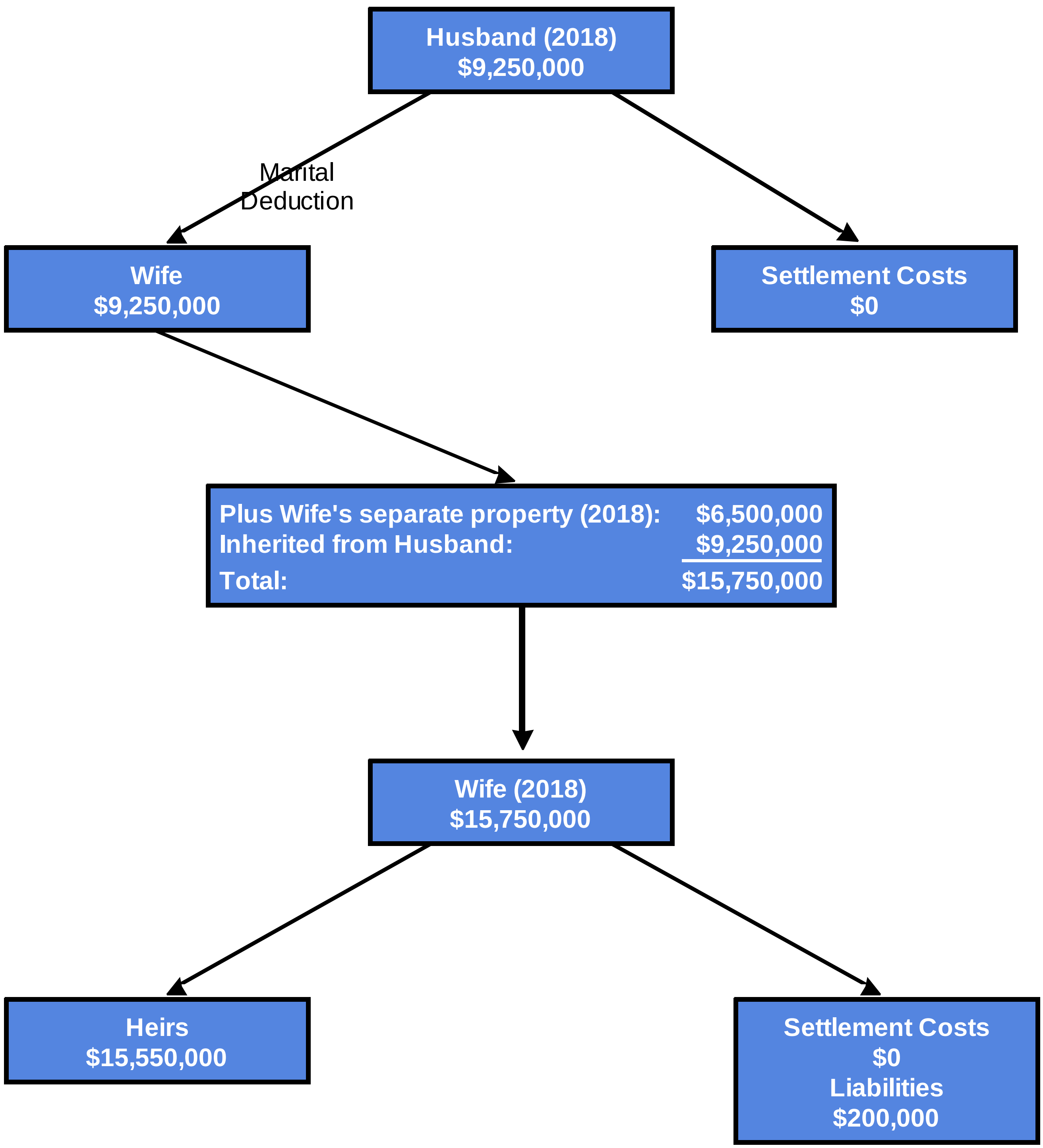
Portfolio

- If a "Portfolio" asset is listed above or on a subsequent page, it is simply the net after tax Required Minimum Distributions (unless assumed to be used for living expenses), life insurance payable to a surviving spouse or included in the surviving spouse's estate, and/or any other income payments being made back to the estate owner (such as CRT's, GRAT's, etc.).

Current Estate Tax Situation

- Note: With respect to state death taxes, the state death tax is assumed to be calculated for the state of residence. Therefore, no consideration is given to assets owned in other states that may have a state death tax.
- The estate values for the year of death are the initial estate values plus any projected additions and assumed growth rates, minus projected deletions or losses.
- This analysis assumes "portability" of any unused Applicable Exclusion Amount (AEA). At the death of a married estate owner, any unused gift/estate AEA (exemption) may be carried over and added to the unused AEA of the surviving spouse. An estate tax return must be filed in a timely manner for the deceased spouse, and the executor must elect to allocate the unused AEA to the surviving spouse. Indexing does not apply to the unused AEA received from deceased spouse. The surviving spouse may only use the unused exemption of use of his/her previously deceased spouse.

Both Spouses Die within One Year (Assume No Appreciation)



Note: Amount Currently Available to Fund Credit Shelter Trust: $6,750,000

Current Will and Asset Arrangement

Pertinent Information

- Husband, who will be age 77 at the end of 2018, has an estate that includes the following:

	Current Value	Growth & Income	End of Year	Future Value	End of Year	Future Value
Joint Account (Jointly Owned)	$2,500,000	10.00%	2018	$2,750,000	2019	$3,025,000
His Cash	3,000,000	10.00%	2018	3,300,000	2019	3,630,000
His House	1,750,000	10.00%	2018	1,925,000	2019	2,117,500
Portfolio (see Note below)	2,000,000	5.00%	2018	2,000,000	2019	2,100,000
Total	$9,250,000			$9,975,000		$10,872,500

- Wife, who will be age 73 at the end of 2018, has an estate that includes the following:

	Current Value	Growth & Income	End of Year	Future Value	End of Year	Future Value
Joint Account (Jointly Owned)	$2,500,000	10.00%	2018	$2,750,000	2019	$3,025,000
Her Cash	4,000,000	10.00%	2018	4,400,000	2019	4,840,000
Total	$6,500,000			$7,150,000		$7,865,000
Liabilities						
Beach House	$200,000		2018	$200,000		$200,000
Total Estate(s):	$15,750,000			$17,125,000		$18,737,500

(Total reflects any life insurance includable in the estate)

Current Will and Asset Arrangement

Insurance Assets	Owner	Insured	Death Benefit	Beneficiary
John Insurance	Husband	Husband	$2,000,000	Estate

- Non-probate assets will not be used to fund testamentary trusts.
- Current wills: For assets passing under the will, Husband and Wife have simple wills which provide an outright bequest to each other if the other is living, otherwise to their heirs.
- For any subsequent gifting techniques, it is assumed that there are no outstanding liabilities on the gifted property.
- Husband and Wife have 2 heirs.
- Probate and administrative expenses are assumed to be 0.00% at first death and 0.00% at second death.
- Settlement costs include state death taxes (where applicable). A breakdown of the federal estate tax and state estate or inheritance tax is included on the last page of the presentation.

Current Will and Asset Arrangement

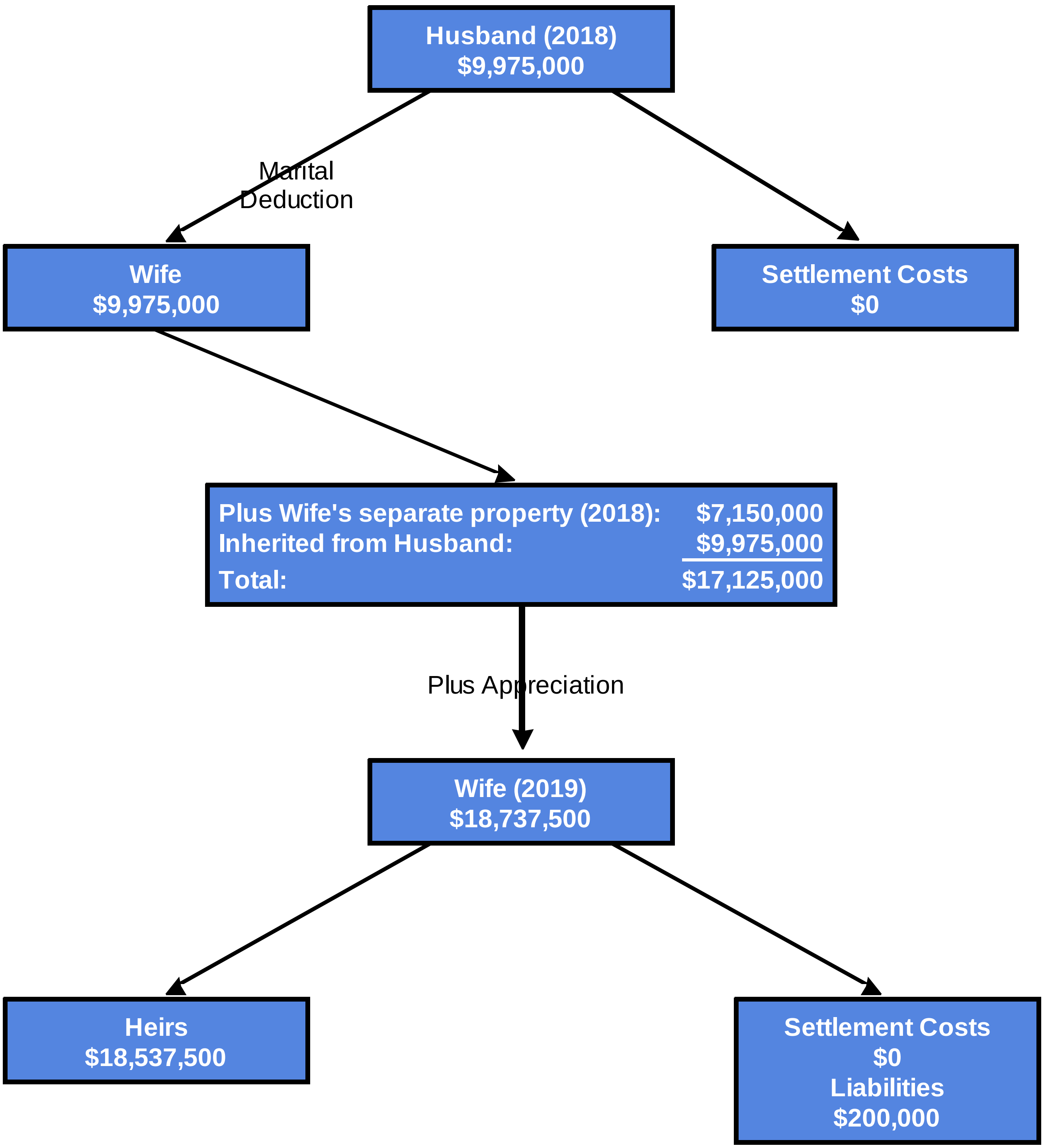
Portfolio

- If a "Portfolio" asset is listed above or on a subsequent page, it is simply the net after tax Required Minimum Distributions (unless assumed to be used for living expenses), life insurance payable to a surviving spouse or included in the surviving spouse's estate, and/or any other income payments being made back to the estate owner (such as CRT's, GRAT's, etc.).

Current Estate Tax Situation

- It is assumed that Husband dies in 2018 and the applicable exclusion amount is $11,180,000. Wife dies in the year 2019 and the applicable exclusion amount is $11,400,000. It is also assumed that the estate tax rate is 40.0%.
- Note: With respect to state death taxes, the state death tax is assumed to be calculated for the state of residence. Therefore, no consideration is given to assets owned in other states that may have a state death tax.
- The estate values for the year of death are the initial estate values plus any projected additions and assumed growth rates, minus projected deletions or losses.
- This analysis assumes " portability" of any unused Applicable Exclusion Amount (AEA). At the death of a married estate owner, any unused gift/estate AEA (exemption) may be carried over and added to the unused AEA of the surviving spouse. An estate tax return must be filed in a timely manner for the deceased spouse, and the executor must elect to allocate the unused AEA to the surviving spouse. Indexing does not apply to the unused AEA received from deceased spouse. The surviving spouse may only use the unused exemption of use of his/her previously deceased spouse.

Current Will and Asset Arrangement



Current Asset Details

End of Year Balances

Year	Joint Account	His Cash	Her Cash	His House	Husband's Portfolio	Wife's Portfolio	Total Liabilities
2018	$5,500,000	$3,300,000	$4,400,000	$1,925,000	$2,000,000	$0	$200,000
2019	$6,050,000	$3,630,000	$4,840,000	$2,117,500	$0	$1,900,000	$0

Utilizing the Estate Assets to Provide Income to the Spouse

Pertinent Information

- After Husband's death, the estate may be invested to produce income for Wife and the family.
- Some of the assets are income producing. Some are non-income producing that could be converted to income producing, and some will remain non-income producing.

Goals and Objectives

- Husband wants to estimate the income from the estate assets that should be available to produce income.
- Husband also wants to estimate the potential income if some non-income assets were converted to income producing.
- Husband feels an overall investment rate of 0% is reasonable.

Results of Current Arrangement

- Projected income from Husband's estate:

	Value	Income Rate	Income
Assets passing outright to QTIP trust:	$0	0%	$0
Plus Assets Passing to Credit Shelter Trust:	$0	0%	$0
Plus Assets Passing to Life Insurance Trust (if any):	$0	0%	$0
Plus Assets Passing to Reverse QTIP (if any):	$0	0%	$0
Total:	$0		$0
Amount of available non-income producing capital:	$5,500,000		
Total income generated:	$0		

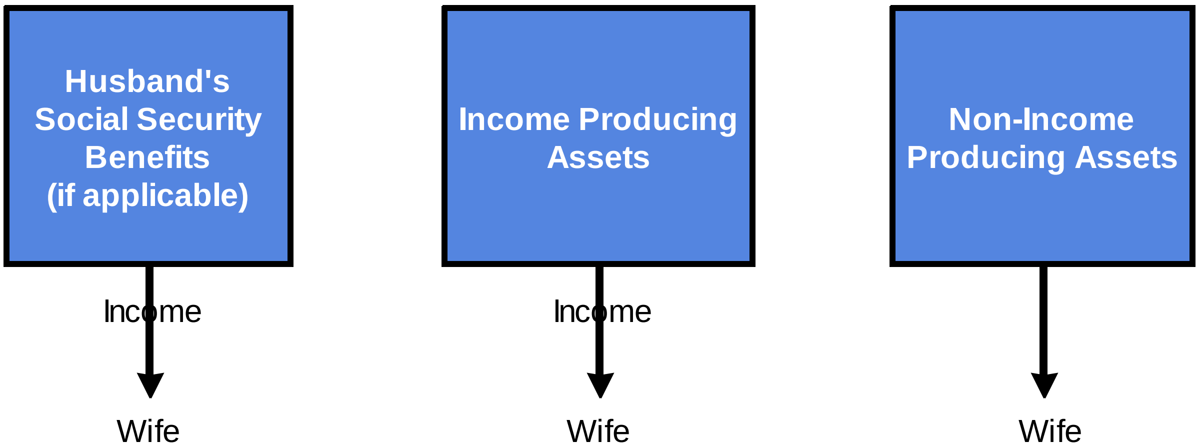
- Note: In addition, Social Security income may be available.

Proposed Arrangement

	Value	Income Rate	Income
Assets passing outright to QTIP trust:	$0	0%	$0
Plus Assets Passing to Credit Shelter Trust:	$0	0%	$0
Plus Assets Passing to Life Insurance Trust (if any):	$0	0%	$0
Plus Assets Passing to Reverse QTIP (if any):	$0	0%	$0
Converted Amount:	$0	0%	$0
Total:	$0		$0
Total income generated:	$0		

Utilizing the Estate Assets to Provide Income to the Spouse

Results and Benefits



Term Certain Charitable Lead Annuity Trust, Transfer: 2019

Pertinent Information

- Husband is age 78, in good health, and has a substantial estate.
- Husband owns an asset (His Cash) with a fair market value of $3,300,000.

Goals and Objectives

- Husband would like to make a large deferred gift of the asset to Heirs and a gift to his favorite charity.

Proposed Arrangement

- Husband establishes a 10-year term certain Charitable Lead Annuity Trust (CLAT). A term certain CLAT is a trust which pays an annual annuity to the designated charity for a stated period of years. The remaining trust principal is paid to the remainder beneficiaries (Heirs) at the end of the trust period.
- Husband gifts the asset to the CLAT and sets the annuity payout at $33,000 per year for 10 years.
- The CLAT will utilize the trust principal and income from the gifted asset for the annuity payout.

Results and Benefits

- Husband gets an income tax deduction the year of the gift in an amount equal to the present value of the the amount passing to charity.
- Husband must report an immediate gift for the present value of remainder interest which will pass to the Heirs at the end of the trust period.
- If the IRC Section 7520 Interest Rate equals 3.20% when the trust is funded, the present value of the remainder interest will be just $3,021,355.
- The CLAT would be entitled to an annual income tax deduction for the annuity payout to charity. Husband would be entitled to a gift tax deduction (IRC Section 2422(c)(2)(B)), but no income tax deduction. However, Husband is no longer taxed on the income generated by the gifted asset. Any income in excess of the charitable annuity payout would be taxed to the trust.

- If desired, in the year the trust is created, Husband could obtain an income tax deduction for the present value of the annuity payment to charity. To accomplish this, the CLAT must be structured as a grantor trust, so that he will be treated as the owner of the CLAT for income tax purpose (IRC Section 170(f)(2)(B)).
- Assume the asset grows by 10.00% (0.00% income and 10.00% appreciation) each year.
- The CLAT's remainder interest would ultimately grow to $8,033,417.
- Note: It is assumed that as the asset value grows, the corresponding income will increase accordingly.
- Note: If trust principal must be used for the annuity payout, the same valuation discount used for the asset transfer is assumed to apply to the trust principal used for the annuity payout.

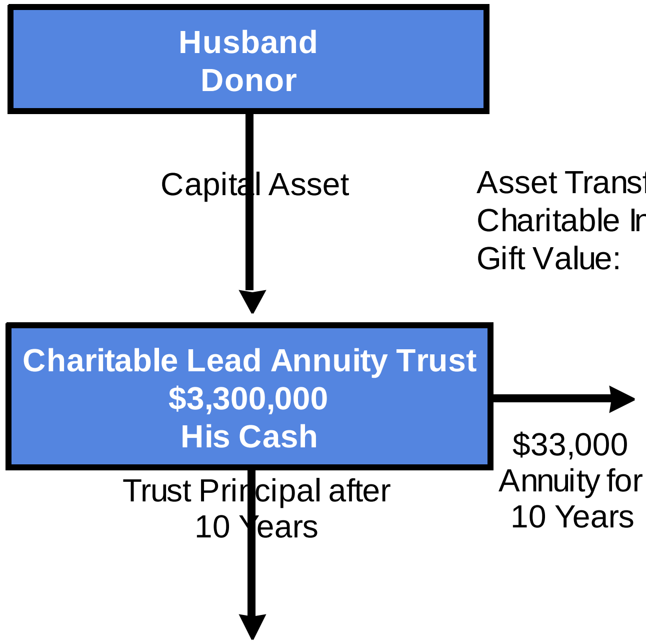
Term Certain Charitable Lead Annuity Trust, Transfer: 2019

Term Certain CLAT Taxable Gift Calculation

for $3,300,000 transfer (no valuation discount)

Initial value of asset transferred to CLAT:	$3,300,000
Present value of 10-year $33,000 annual annuity paid to charity	$278,645
Present value of remainder interest (Gift):	$3,021,355

Term Certain Charitable Lead Annuity Trust, Transfer: 2019



Asset Transfer:	$3,300,000
Charitable Interest:	$278,645
Gift Value:	$3,021,355

Remainder Interest Beneficiary Heirs(2028):	$8,033,417
Amount Removed from Husband's Estate(2018):	$0

Assumes the overall grow rate is 10.00% per yea (0.00% income, 10.00% appreciation)

Note: If an interest in a closely held business is transferred to a CLAT, close attention must be paid to the self-dealing rules (IRC Section 4941) and the excess business holding rules (IRC Section 4947).

Note: Special rules will apply if the GST Exemption is allocated to a charitable lead trust.

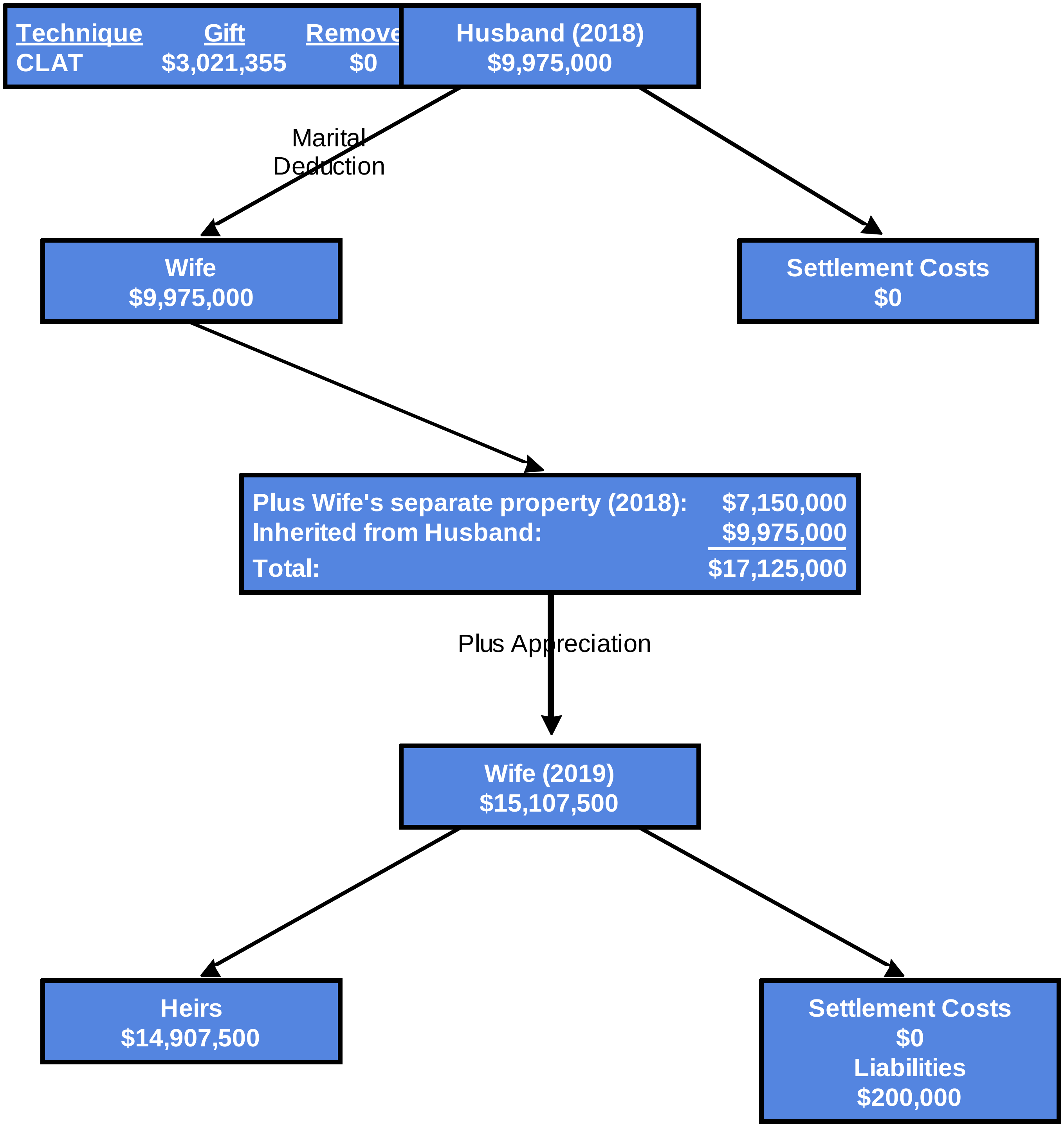
Note: There is a possible GST Tax if a child (or beneficiary) dies during the term of the trust, because the Pre-Deceased Child Rule is not applicable (the parent's child [next beneficiary] was alive when the trust was established.)

Note: In this case the duration of the trust is structured to terminate upon grantor's death prior to the stated term of years. Therefore, the gift value would be calculated based on the applicable interest rate and the grantor's actuarial life expectancy using IRS tables and the stated term of years. The IRS tables may be used even if the grantor is in poor health, as long as the grantor has at least a 50% chance of surviving one year (Regulation 1.7520-3(b)(3)).

Term Certain Charitable Lead Annuity Trust, Transfer: 2019

Year	Beginning Balance	Growth	Income	Annuity Payment	Liquidated	Remainder
2017	$0	$0	$0	$0	$0	$0
2018	$3,300,000	$330,000	$0	$0	$33,000	$3,597,000
2019	$3,597,000	$359,700	$0	$0	$33,000	$3,923,700
2020	$3,923,700	$392,370	$0	$0	$33,000	$4,283,070
2021	$4,283,070	$428,307	$0	$0	$33,000	$4,678,377
2022	$4,678,377	$467,838	$0	$0	$33,000	$5,113,215
2023	$5,113,215	$511,322	$0	$0	$33,000	$5,591,537
2024	$5,591,537	$559,154	$0	$0	$33,000	$6,117,691
2025	$6,117,691	$611,769	$0	$0	$33,000	$6,696,460
2026	$6,696,460	$669,646	$0	$0	$33,000	$7,333,106
2027	$7,333,106	$733,311	$0	$0	$33,000	$8,033,417

Projected Effect of Adding CLAT (2019)



Asset Details After CLAT is Implemented

End of Year Balances

Year	Joint Account	His Cash	Her Cash	His House	Husband's Portfolio	Wife's Portfolio	Total Liabilities
2018	$5,500,000	$3,300,000	$4,400,000	$1,925,000	$2,000,000	$0	$200,000
2019	$6,050,000	$0	$4,840,000	$2,117,500	$0	$1,900,000	$0

Projected Effect of Adding CLAT (2019)

Techniques Implemented:
Income to Spouse
CLAT

	Husband's Future Estate (2018)
Estate at Death:	$9,975,000
Amount Removed from Estate via Planning:	$0
Assets to Estate:	
His Cash:	$3,300,000
His House:	$1,925,000
Total:	$5,225,000
Assets to: Wife:	
Portfolio:	$2,000,000
Joint Account:	$2,750,000
Total:	$4,750,000
Estate Settlement Costs:	$0

	Wife's Future Estate (2019)
Estate at Death:	$10,267,500
Amount Removed from Estate via Planning:	$4,840,000
Assets to Estate:	
His Cash:	$0
Her Cash:	$4,840,000
His House:	$2,117,500
Joint Account:	$6,050,000
Estate Settlement Costs:	$0
Amount to Charity:	$3,630,000

Outright Gift, Transfer Year: 2019

Pertinent Information

- Wife owns an asset (Her Cash) with a balance of $4,400,000.

Goals and Objectives

- Wife is considering making an outright gift.

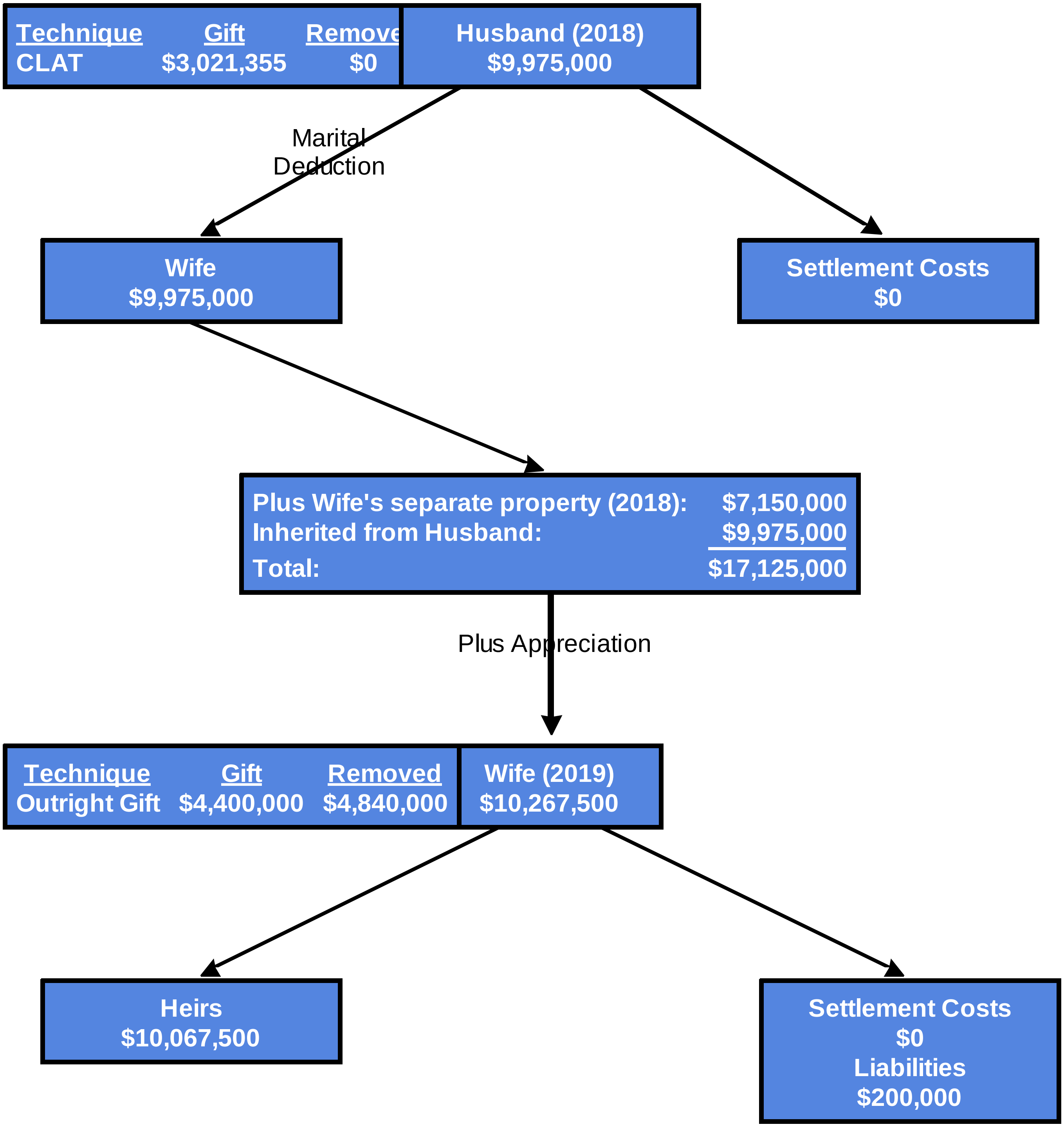
Proposed Arrangement

- The gift could be made outright to the individual donee(s).

Results and Benefits

- By making the gift during life, all subsequent appreciation on the gifted asset will accrue to the donee(s) of the gift and will not be included in Wife's estate for tax purposes.
- As long as the gift qualifies as a present interest gift and Wife has not used her gift tax annual exclusion for the current year, all or a portion of the gift tax annual exclusion may be applied to the gift to the donee(s).
- If Wife gifts the $4,400,000 of the asset (Her Cash), the reportable gift would be $4,400,000.
- If $0 of the gift qualifies for the gift tax annual exclusion, then the taxable gift would be $4,400,000.
- Any remaining applicable exclusion amount for gift tax purposes would be utilized before a gift tax would be payable.

Projected Effect of Adding Outright Gift (2019)



Asset Details After Outright Gift is Implemented

End of Year Balances

Year	Joint Account	His Cash	Her Cash	His House	Husband's Portfolio	Wife's Portfolio	Total Liabilities
2018	$5,500,000	$3,300,000	$4,400,000	$1,925,000	$2,000,000	$0	$200,000
2019	$6,050,000	$0	$0	$2,117,500	$0	$1,900,000	$0

Projected Effect of Adding Outright Gift (2019)

Techniques Implemented:
Income to Spouse
CLAT
Outright Gift

	Husband's Future Estate (2018)
Estate at Death:	$9,975,000
Amount Removed from Estate via Planning:	$0
Assets to Estate:	
His Cash:	$3,300,000
His House:	$1,925,000
Total:	$5,225,000
Assets to: Wife:	
Portfolio:	$2,000,000
Joint Account:	$2,750,000
Total:	$4,750,000
Estate Settlement Costs:	$0

	Wife's Future Estate (2019)
Estate at Death:	$10,267,500
Amount Removed from Estate via Planning:	$4,840,000
Assets to Estate:	
His Cash:	$0
Her Cash:	$0
His House:	$2,117,500
Joint Account:	$6,050,000
Estate Settlement Costs:	$0
Amount to Charity:	$3,630,000

Creating a Family Legacy using Life Insurance, Transfer Year: 2019

Pertinent Information

- Husband owns an asset (His House) with a balance of $1,925,000.
- Husband owns $2,000,000 of life insurance.
- Husband is interested in creating a bigger legacy for his family.

Goals and Objectives

- Review strategies for the payment of Federal Estate Tax in an economical manner.
- The balance of the settlement costs may be paid via liquidation of existing estate assets.
- Husband would like to provide his family with an additional $1,000,000 of additional assets after he is gone. These additional funds will be available to help maintain their standard of living.
- Find a source of additional funds to fund a family legacy.

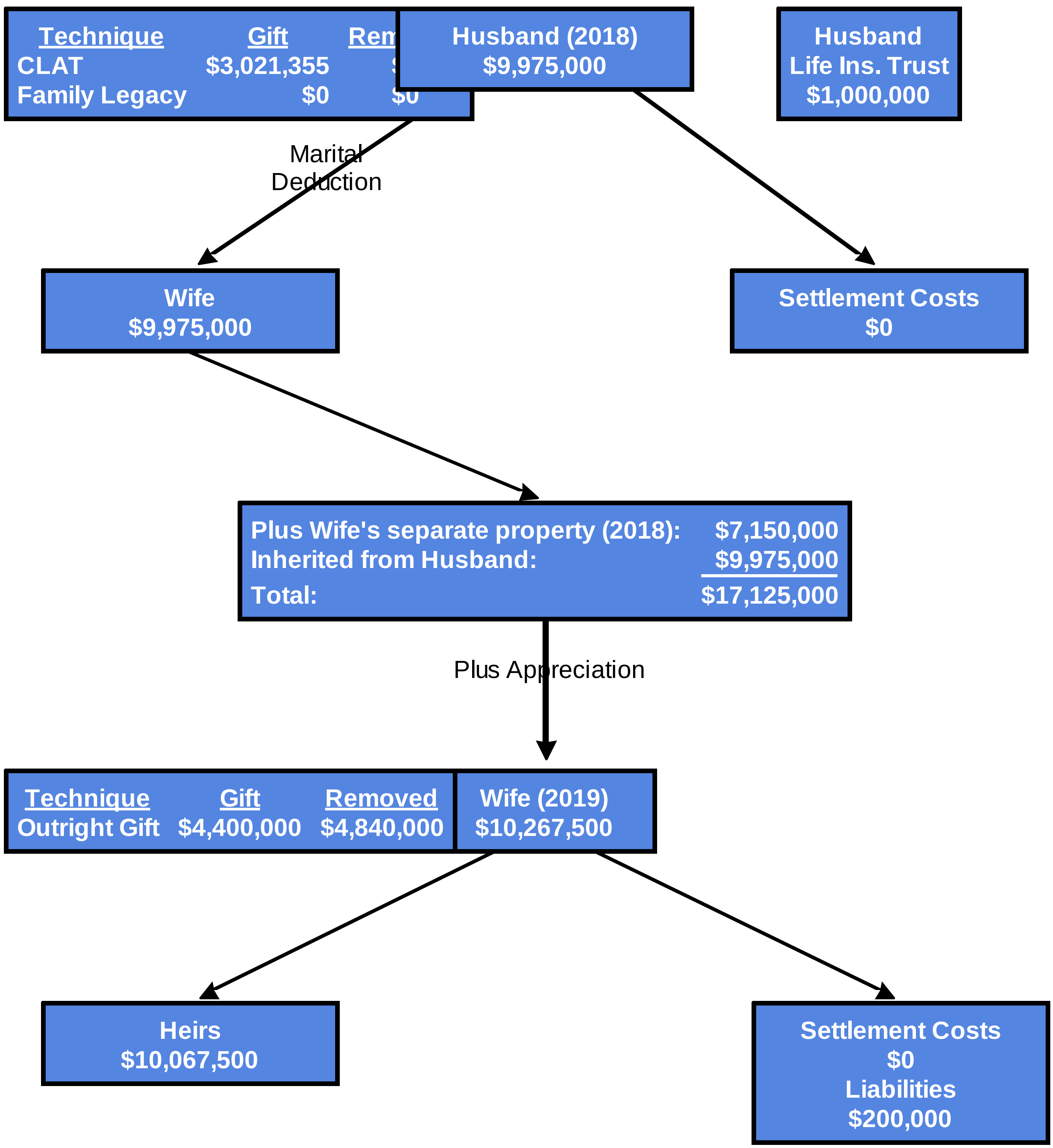
Proposed Arrangement

- Create a new asset to help provide the additional funds needed.
- Consider additional survivorship life insurance or single life coverage to be owned by irrevocable trust.
- Structure life insurance to keep death proceeds out of both spouse's estates via life insurance trust. Husband is hopeful that using a trust will provide additional protection against mismanagement, potential bankruptcy, potential divorce or other liabilities.

Results and Benefits

- Husband creates a new life insurance asset that provides the cash at the exact time needed to help fund the enhanced family legacy.
- The annual premium outlay may be a small percentage of total life insurance coverage; it will be paid for using existing assets.
- Life insurance death proceeds should be not included in either spouse's estate.
- Note: Premium payments may have gift tax consequences.
- Note: This technique does not reflect an actual life insurance product offered by an insurance company. The client must consult the actual illustration for details, assumptions and disclosures regarding premiums and values which are contratually guaranteed by any proposed life insurance policy. Underwriting is not guaranteed.

Projected Effect of Adding Family Legacy (2019)



Asset Details After Family Legacy is Implemented

End of Year Balances

Year	Joint Account	His Cash	Her Cash	His House	Husband's Portfolio	Wife's Portfolio	Total Liabilities
2018	$5,500,000	$3,300,000	$4,400,000	$1,925,000	$2,000,000	$0	$200,000
2019	$6,050,000	$0	$0	$2,117,500	$0	$1,900,000	$0

Projected Effect of Adding Family Legacy (2019)

Techniques Implemented:

Income to Spouse
CLAT
Outright Gift
Family Legacy

	Husband's Future Estate (2018)
Estate at Death:	$9,975,000
Amount Removed from Estate via Planning:	$0
Assets to Estate:	
His Cash:	$3,300,000
His House:	$1,925,000
Total:	$5,225,000
Assets to: Wife:	
Portfolio:	$2,000,000
Joint Account:	$2,750,000
Total:	$4,750,000
Estate Settlement Costs:	$0
Life Insurance Trust:	$1,000,000

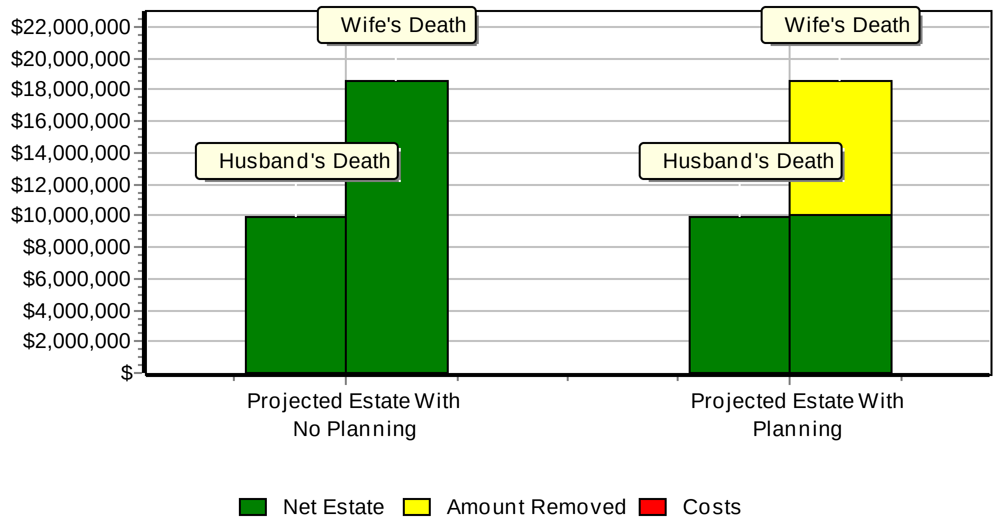
	Wife's Future Estate (2019)
Estate at Death:	$10,267,500
Amount Removed from Estate via Planning:	$4,840,000
Assets to Estate:	
His Cash:	$0
Her Cash:	$0
His House:	$2,117,500
Joint Account:	$6,050,000
Estate Settlement Costs:	$0
Amount to Charity:	$3,630,000

Analysis of Taxes at Death

At Husband's Death (2018)	No Planning	With Planning
Taxable Estate:	$9,975,000	$9,975,000
Amount Going to Surviving Spouse:	$9,975,000	$9,975,000
Available Federal Estate Exclusion:	$11,180,000	$11,180,000
Probate and Administrative Expenses:	$0	$0
Federal Estate Tax:	$0	$0
Total Settlement Costs:	$0	$0

At Wife's Death (2019)		
Taxable Estate:	$18,737,500	$10,267,500
Available Federal Estate Exclusion:	$11,400,000	$11,400,000
Deceased Spousal Unused Exclusion Amount:	$11,180,000	$8,158,645
Total Available Federal Exclusion:	$22,580,000	$19,558,645
Outstanding Liabilities:	$200,000	$200,000
Probate and Administrative Expenses:	$0	$0
Federal Estate Tax:	$0	$0
Income Tax at Death:	$0	$0
Total Settlement Costs:	$200,000	$200,000

Summary of Planning Results



	Future Estate with No Planning	Future Estate with Planning
Husband's Death		
Estate at Death:	$9,975,000	$9,975,000
Amount Removed from Estate via Planning:	0	0
Estate Settlement Costs:	0	0
Amount to Heirs:	0	0
Life Insurance Trust:	0	1,000,000
Wife's Death		
Estate at Death:	$18,737,500	$10,267,500
Amount Removed from Estate via Planning:	0	(4,840,000)
Liabilities Paid at Death:	(200,000)	(200,000)
Estate Settlement Costs:	0	0
Amount to Heirs:	18,537,500	10,067,500
Amount to Charity:	$0	$3,630,000

Follow Up Items