Estate Planning Summary

for

John and Sally

Presented by

KR

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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:	0.00%
Heirs Income Tax Rate:	0.00%
Growth Rates	
Portfolio(s):	0.00%
Credit Shelter:	0.00%
Reverse QTIP:	0.00%

	John	Sally
Portfolio Beginning Balance:	$0	$0
Prior Taxable Gifts:	$0	$0
Unified Credit Used on Prior Gifts:	$0	$0
Charitable Bequests:	$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 (2021)

Pertinent Information

- John, who will be age 41 at the end of 2021, has an estate that includes the following:

	Current Value
IRA 1 -	$1,200,000
CHECKING (Jointly Owned)	87,500
TROWE (Jointly Owned)	4,506,000
V (Jointly Owned)	12,500
WORK 401K	739,000
Stock	750,000
Boat	75,000
CDs	750,000
Second House	850,000
Asset For CST	10,000,000
Total	$18,970,000

- Sally, who will be age 41 at the end of 2021, has an estate that includes the following:

	Current Value
Primary Residence	$1,500,000
IRA 2-	580,000
CHECKING (Jointly Owned)	87,500
Liquid Asset	15,678,990
TROWE (Jointly Owned)	4,506,000
V (Jointly Owned)	12,500
Portfolio (see Note below)	600,000
Total	$22,964,990

Total Estate(s): $41,934,990
(Total reflects any life insurance includable in the estate)

Insurance Assets	Owner	Insured	Death Benefit	Beneficiary
LIFE INSURANCE	John	John	$600,000	Sally

- Non-probate assets will not be used to fund testamentary trusts.
- Current wills: For assets passing under the will, John and Sally 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.
- John and Sally have 3 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.

Net Worth Summary (2021)

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 the inflation rate for the applicable exclusion is 0.00%.
- 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)

John (2021)
$19,570,000

Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$0
Federal Tax:	$0
Total:	$0

Passing to Sally

Marital Ded.:	$18,970,000
Life Insurance:	$600,000
Marital QTIP:	$0
Total:	$19,570,000

Passing to Nonspouse

Credit Shelter:	$0
Heirs:	$0
ILIT:	$0
Charity:	$0
Total:	$0

Plus Appreciation

Sally (2021)

From John:	$41,934,990
Separate Assets:	$0
Total:	$41,934,990

Plus Appreciation

Settlement Costs

Probate:	$0
Liabilities:	$0
CT Tax:	$4,156,199
Federal Tax:	$5,751,516
Total:	$9,907,715

To Beneficiaries

Heirs:	$32,027,275
ILIT:	$0
Charity:	$0
Total:	$32,027,275

Total Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$4,156,199
Federal Tax:	$5,751,516
Total:	$9,907,715

Total to Nonspouse

Credit Shelter:	$0
Heirs (First):	$0
Heirs (Second):	$32,027,275
ILIT (First):	$0
ILIT (Second):	$0
Charity:	$0
Total:	$32,027,275

Current Will and Asset Arrangement

Pertinent Information

- John, who will be age 41 at the end of 2021, has an estate that includes the following:

	Current Value	Growth & Income	End of Year	Future Value	End of Year	Future Value
IRA 1 -	$1,200,000	0.00%	2030	$1,200,000	2035	$1,200,000
CHECKING (Jointly Owned)	87,500	0.00%	2030	87,500	2035	87,500
TROWE (Jointly Owned)	4,506,000	0.00%	2030	4,506,000	2035	4,506,000
V (Jointly Owned)	12,500	0.00%	2030	12,500	2035	12,500
WORK 401K	739,000	0.00%	2030	739,000	2035	739,000
Stock	750,000	0.00%	2030	750,000	2035	750,000
Boat	75,000	0.00%	2030	75,000	2035	75,000
CDs	750,000	0.00%	2030	750,000	2035	750,000
Second House	850,000	0.00%	2030	850,000	2035	850,000
Asset For CST	10,000,000	0.00%	2030	10,000,000	2035	10,000,000
Total	$18,970,000			$18,970,000		$18,970,000

- Sally, who will be age 41 at the end of 2021, has an estate that includes the following:

	Current Value	Growth & Income	End of Year	Future Value	End of Year	Future Value
Primary Residence	$1,500,000	0.00%	2030	$1,500,000	2035	$1,500,000
IRA 2-	580,000	0.00%	2030	580,000	2035	580,000
CHECKING (Jointly Owned)	87,500	0.00%	2030	87,500	2035	87,500
Liquid Asset	15,678,990	0.00%	2030	15,678,990	2035	15,678,990
TROWE (Jointly Owned)	4,506,000	0.00%	2030	4,506,000	2035	4,506,000
V (Jointly Owned)	12,500	0.00%	2030	12,500	2035	12,500
Portfolio (see Note below)	0	0.00%	2030	600,000	2035	600,000
Total	$22,364,990			$22,964,990		$22,964,990
Total Estate(s):	$41,334,990			$41,934,990		$41,934,990

(Total reflects any life insurance includable in the estate)

Insurance Assets	Owner	Insured	Death Benefit	Beneficiary
LIFE INSURANCE	John	John	$600,000	Sally

- Non-probate assets will not be used to fund testamentary trusts.
- Current wills: For assets passing under the will, John and Sally 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.
- John and Sally have 3 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

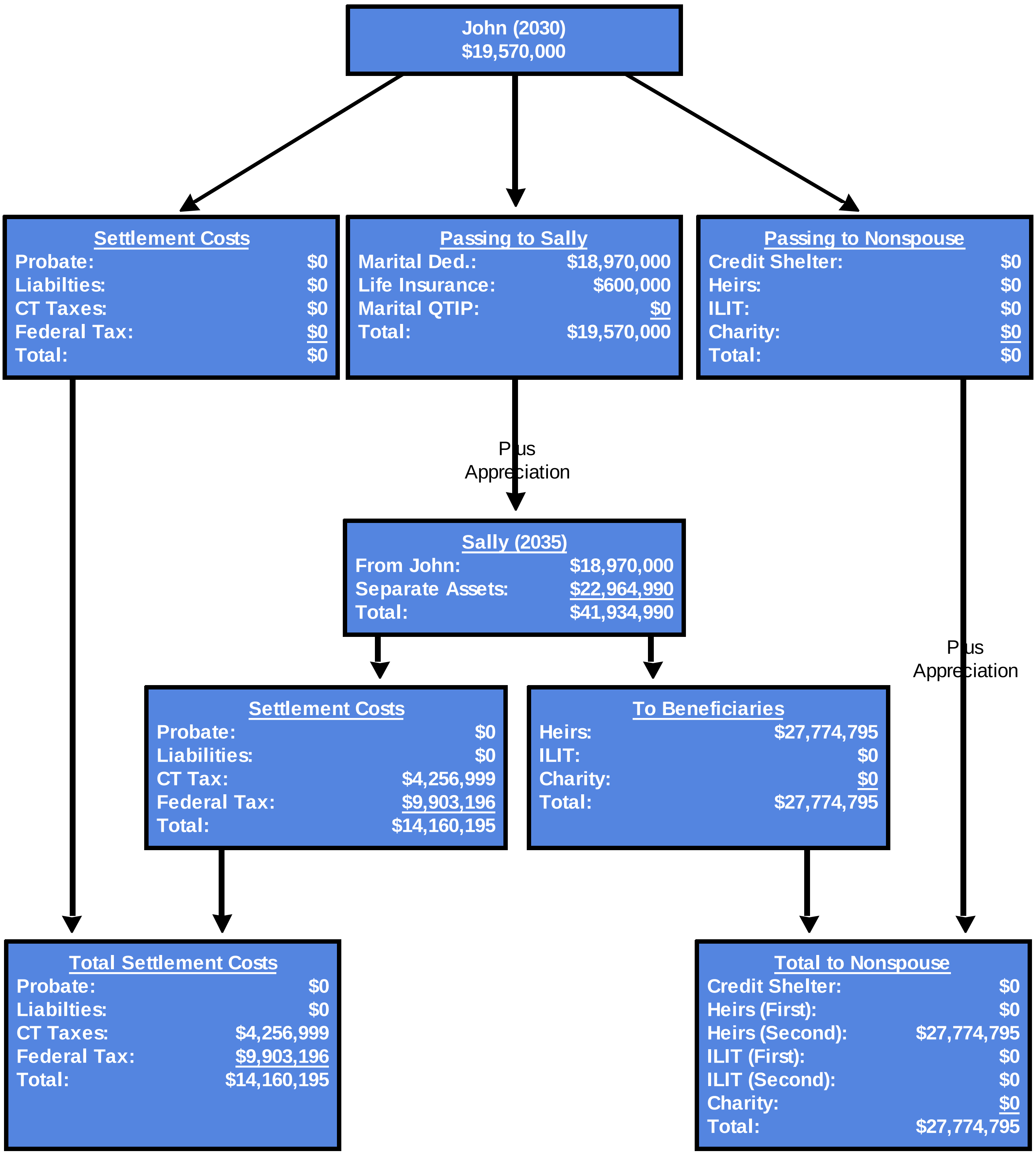
- If a "Portfolio" asset is listed above or on a subsequent page, it is simply the net after tax Required Minimum Distributions (unless assumed to be used for living expenses), life insurance payable to a surviving spouse or included in the surviving spouse's estate, and/or any other income payments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

Current Estate Tax Situation

- It is assumed that the inflation rate for the applicable exclusion is 0.00%.
- It is assumed that John dies in 2030 and the applicable exclusion amount is $6,460,000. Sally dies in the year 2035 and the applicable exclusion amount is $6,460,000. 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



Credit Shelter Trust

Pertinent Information

- John has a projected estate of $19,570,000 for the year 2030.
- Sally has a projected estate of $41,934,990 for the year 2035.
- John's will leaves his estate outright to Sally.
- John's non-probate assets also pass outright to Sally.

Goals and Objectives

- Reduce the projected estate settlement costs of $14,160,195.

Proposed Arrangement

- Under current estate tax law assumptions, $6,460,000 could be used to fund a credit shelter trust in 2030. The amount actually placed in the trust will be limited by available assets and reduced by any unified credit used by prior gifts.
- John establishes a new will that would provide for maximum funding of a credit shelter trust to minimize estate taxes at Sally's death.
- In addition to the Federal Estate Tax, many states impose a State Estate or Inheritance Tax. The State Tax is deductible for Federal Estate Tax purposes and factored into the illustrated settlement costs.
- If desired, non-probate assets could be restructured (i.e., retitle jointly owned assets, change QRP beneficiary, etc.) to provide John and Sally with more flexibility in transferring those assets via lifetime gifts or testamentary bequests.
- Note: Retitling jointly owned assets into the names of either or both spouses may affect the ability of creditors to reach those assets and may affect the division and distribution of property upon a subsequent divorce.
- Note: Qualified retirement proceeds are not the ideal asset to fund a unified credit or marital trust for the following reasons: 1) In many retirement plans, spousal written consent is required to change the beneficiary and 2) it eliminates the possibility of a spousal IRA rollover, and generally results in an earlier and more accelerated payout to the surviving spouse and subsequent beneficiaries.

Results and Benefits

- The credit shelter trust would allow John to control the ultimate disposition of the trust principal upon Sally's subsequent death.
- Estate tax at John's death is zero ($0) because the unified credit would be utilized to pay the estate tax on the $6,460,000 passing to the credit shelter trust (shown on the next page).
- Any amount passing to the credit shelter trust in excess of the State Tax Exemption amount will cause a State Estate or Inheritance tax to be payable at John's death.
- The projected estate settlement costs should be reduced as the credit shelter trust (and its appreciation) should not be included in Sally's subsequent estate.
- The projected estate settlement costs would now be reduced from $14,160,195 to $13,695,075, a savings of $465,120.

Projected Effect of Adding Credit Shelter Trust

John (2030)
$19,570,000

Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$0
Federal Tax:	$0
Total:	$0

Passing to Sally

Marital Ded.:	$12,510,000
Life Insurance:	$600,000
Marital QTIP:	$0
Total:	$13,110,000

Passing to Nonspouse

Credit Shelter:	$6,460,000
Heirs:	$0
ILIT:	$0
Charity:	$0
Total:	$6,460,000

Plus Appreciation

Sally (2035)

From John:	$12,510,000
Separate Assets:	$22,964,990
Total:	$35,474,990

Plus Appreciation

Settlement Costs

Probate:	$0
Liabilities:	$0
CT Tax:	$3,481,799
Federal Tax:	$10,213,276
Total:	$13,695,075

To Beneficiaries

Heirs:	$21,779,915
ILIT:	$0
Charity:	$0
Total:	$21,779,915

Total Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$3,481,799
Federal Tax:	$10,213,276
Total:	$13,695,075

Total to Nonspouse

Credit Shelter:	$6,460,000
Heirs (First):	$0
Heirs (Second):	$21,779,915
ILIT (First):	$0
ILIT (Second):	$0
Charity:	$0
Total:	$28,239,915

Projected Effect of Adding Credit Shelter Trust

Techniques Implemented:
Credit Shelter Trust

	John's Future Estate (2030)
Estate at Death:	$19,017,500
Amount Removed from Estate via Planning:	$7,012,500
Credit Shelter Trust:	$6,460,000
Assets to Estate:	
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
Total:	$5,965,000
Assets to: Sally:	
IRA 1 - :	$1,200,000
CHECKING:	$87,500
TROWE:	$4,506,000
V:	$12,500
WORK 401K:	$739,000
Total:	$6,545,000
Estate Settlement Costs:	$0

	Sally's Future Estate (2035)
Estate at Death:	$25,966,200
Amount Removed from Estate via Planning:	$15,968,790
Assets to Estate:	
Primary Residence:	$1,500,000
Liquid Asset:	$2,758,915
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
CHECKING:	$0
TROWE:	$9,012,000
V:	$25,000
Total:	$19,260,915
Estate Settlement Costs	
CT Estate Tax:	$2,425,862
Federal Estate Tax:	$7,141,665
Income Tax:	$0
Total Costs:	$9,567,527
Credit Shelter Trust Value:	$6,460,000

Qualified Personal Residence Trust, Transfer Year: 2023

Pertinent Information

- Sally (age 43) owns a residence with fair market value of $1,500,000 and no mortgage.

Goals and Objectives

- Sally is very concerned about the shrinkage of her estate at death due to the estate tax.
- Sally is willing to consider a future interest gift, but is reluctant to make a large current gift.

Proposed Arrangement

- Consider a future interest gift of the residence via Qualified Personal Residence Trust.
- The trust allows a considerably larger gift than actually reported for gift tax purposes.
- Assume a 10 year trust and a 5.00% IRS Section 7520 Rate.
- Sally retains the use and enjoyment of the residence for the 10 year trust period.
- Trust will contain a provision that will allow the residence to revert back to Sally's estate if she does not survive the trust term (will pass to John via the Marital Deduction).
- Note: This should allow a gift valuation reduction for the probability of death during the term of the trust.

Taxable Gift Calculation

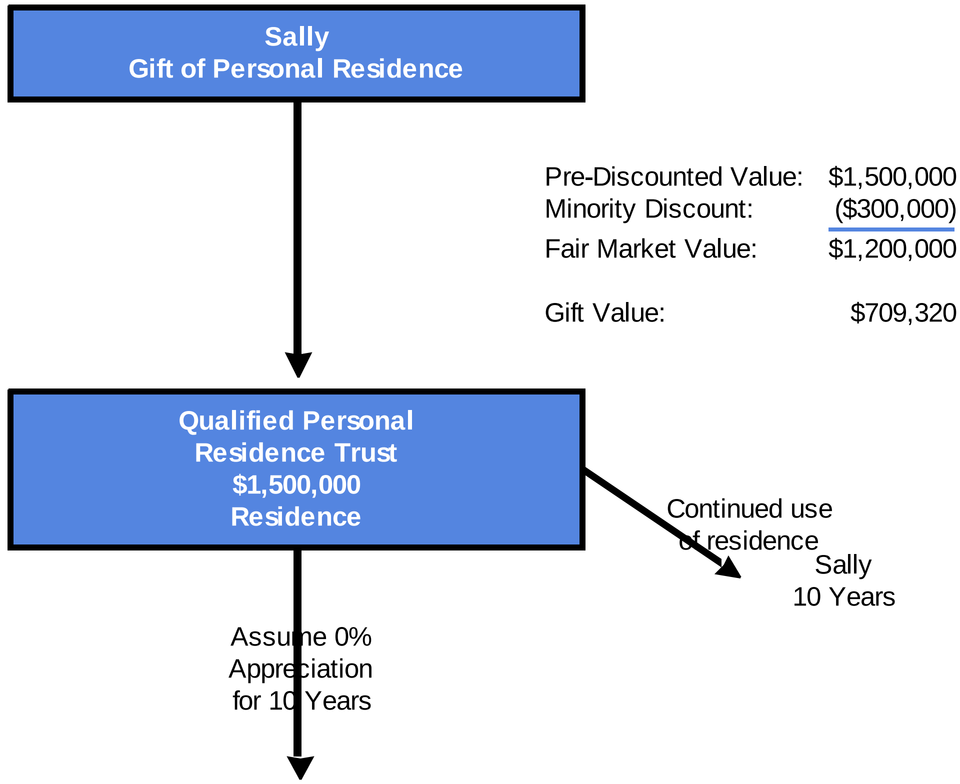
Present value of grantor's retained interest (without reversion):	$456,540
Present value of reversionary interest:	$34,140
Present value of grantor's retained interest:	$490,680
Present value of remainder interest (Gift):	$709,320

Results and Benefits

- Sally reported a gift of just $709,320 (actuarial value of remainder interest) and in 10 years will have removed $1,500,000 from the estate (assume 0.00% appreciation on $1,500,000 residence for the duration of trust.)
- If Sally does survive the 10 year period, the beneficiary would then own the residence. Thus, Sally must then pay reasonable rent to the beneficiary for use of residence.
- Rental payments, in effect, result in further estate reduction without gift tax considerations.
- If Sally does not survive the 10 year period, residence reverts back to the estate. The gift amount ($709,320) is then restored. Thus, there is no loss of the Applicable Exclusion Gift Amount or any gift taxes paid.
- Note: The trust document must provide that neither Sally nor John can buy the residence during the trust term.

Minority Interest QPRT

The Grantor transfers a minority interest in the residence to an Irrevocable Trust structured for each remainder interest beneficiary. The Grantor retains the use of the residence for the Trust Period, and minority interest in the residence then passes to the remainder beneficiary.



Remainder Interest Beneficiary Heirs(2032): $1,500,000
Amount Removed from Sally's Estate(2035): $1,500,000

Note: If the gift is to one QPRT for the Heirs, the IRS may take the position that this gift is to one trust and does not qualify for a minority interest discount.

Note: If the grantor only has one remainder interest beneficiary, then minority interest could be gifted in year one. The balance of the residence may be gifted to newly created QPRTs in subsequent years and still qualify for a minority interest discount.

Note: There is a possible GST Tax if a child dies during the term of the Trust since the Pre-Deceased Child Rule is not applicable (child was alive when the Trust was established). However, the GST tax could be avoided if other children are named as QPRT remainder interest beneficiaries. Sally could then make equalizing distributions to deceased child's family under the will.

Note: If desired, the Grantor could provide the spouse with a life estate in the residence after the 10-year period ends. The gift tax calculation would not change.

Projected Effect of Adding QPRT (2023)

John (2030)
$19,570,000

Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$0
Federal Tax:	$0
Total:	$0

Passing to Sally

Marital Ded.:	$12,510,000
Life Insurance:	$600,000
Marital QTIP:	$0
Total:	$13,110,000

Passing to Nonspouse

Credit Shelter:	$6,460,000
Heirs:	$0
ILIT:	$0
Charity:	$0
Total:	$6,460,000

Plus
Appreciation

Sally (2035)

From John:	$12,510,000
Separate Assets:	$21,464,990
Total:	$33,974,990

Plus
Appreciation

Settlement Costs

Probate:	$0
Liabilities:	$0
CT Tax:	$3,386,917
Federal Tax:	$9,962,663
Total:	$13,349,580

To Beneficiaries

Heirs:	$20,625,410
ILIT:	$0
Charity:	$0
Total:	$20,625,410

Total Settlement Costs

Probate:	$0
Liabilties:	$0
CT Taxes:	$3,386,917
Federal Tax:	$9,962,663
Total:	$13,349,580

Techniques Implemented
QPRT

Total to Nonspouse

Credit Shelter:	$6,460,000
Heirs (First):	$0
Heirs (Second):	$20,625,410
ILIT (First):	$0
ILIT (Second):	$0
Charity:	$0
Total:	$27,085,410

Projected Effect of Adding QPRT (2023)

Techniques Implemented:
Credit Shelter Trust
QPRT

	John's Future Estate (2030)
Estate at Death:	$19,017,500
Amount Removed from Estate via Planning:	$7,012,500
Credit Shelter Trust:	$6,460,000
Assets to Estate:	
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
Total:	$5,965,000
Assets to: Sally:	
IRA 1 - :	$1,200,000
CHECKING:	$87,500
TROWE:	$4,506,000
V:	$12,500
WORK 401K:	$739,000
Total:	$6,545,000
Estate Settlement Costs:	$0

	Sally's Future Estate (2035)
Estate at Death:	$25,966,200
Amount Removed from Estate via Planning:	$15,968,790
Assets to Estate:	
Primary Residence:	$0
Liquid Asset:	$3,104,410
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
CHECKING:	$0
TROWE:	$9,012,000
V:	$25,000
Total:	$18,106,410
Estate Settlement Costs	
CT Estate Tax:	$2,425,862
Federal Estate Tax:	$7,141,665
Income Tax:	$0
Total Costs:	$9,567,527
Credit Shelter Trust Value:	$6,460,000

Charitable Remainder Unitrust, Transfer Year: 2023

Pertinent Information

- Sally would like to increase income and reduce the projected estate settlement costs.
- Sally owns a capital asset valued at $15,678,990. The cost basis for this asset is $0.

Estate Planning Concerns

- If the capital asset were sold for $15,678,990, there would be a capital gain of $15,678,990.
- The capital gains tax (15.00%) would be $2,351,849.
- Sally feels that the net $13,327,142 proceeds could be reinvested at 0.00%.

Proposed Arrangement

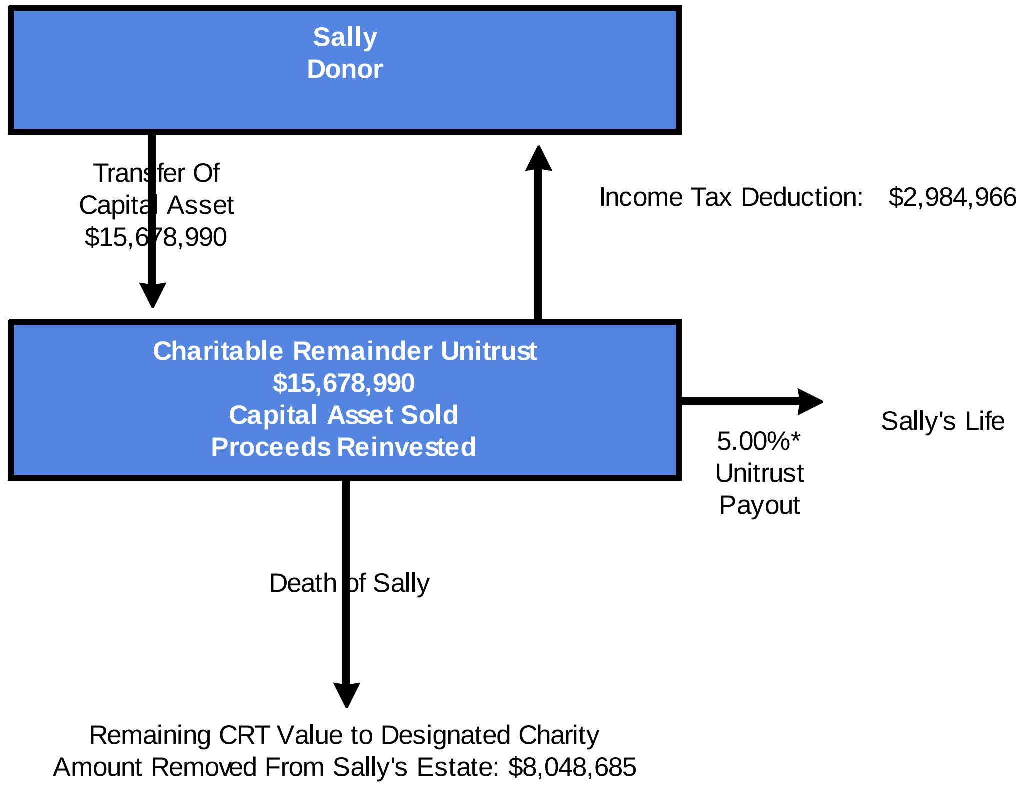
- Sally establishes a Charitable Remainder Trust (CRUT). A CRUT is a trust in which Sally retains a payout each year equal to a stated percentage of the net fair market value of trust assets determined annually. The charity receives the remaining trust principal at the death of Sally.
- Sally gifts the capital asset to the tax exempt trust.
- The trust subsequently sells the capital asset for $15,678,990. There should be no pre-arranged sale. No current capital gains tax will be owed because of the exempt status of the trust.
- Sally retains 5.000% per year unitrust income from the trust, for Sally's lifetime.
- Assume the IRC Section 7520 Interest Rate is 5.00% when the trust is funded.

Results and Benefits

- Upon Sally's death, the charity will receive the remaining value in the trust.
- Note: the amount of the income tax charitable deduction is a function of the interest rate factors and donor's age(s).
- If any portion of the income tax deduction exceeds the donor's charitable limit for the year of the gift, that portion of the deduction will not be available currently, but may be carried forward for up to five years.

	Outright Sale	**Charitable Remainder Trust**
Sale Price:	$15,678,990	$15,678,990
Cost Basis:	($0)	($0)
Capital Gain:	$15,678,990	N/A
15.00% Tax:	$2,351,849	$0
After-Tax Proceeds:	$13,327,142	$15,678,990
Annual Income at 0.00%:	$0	$0
Income Tax Deduction: (Remainder Interest)	$0	$2,984,966

Charitable Remainder Unitrust, Transfer Year: 2023



* The asset is removed from Sally's estate and will reduce the projected estate settlement costs. This reduction is offset by the annuity payout, which goes to Sally, and is therefore included in her estate.

** The annuity must be paid each year, whether from trust income or trust principal. The annuity payment is assumed to be taxable income.

Note: The annual annuity payout must be at least 5%, and no more than 50% of the trust's fair market value. In addition, the value of the remainder interest (to charity) must be at least 10% of initial net fair market value of the property contributed to the trust (IRC Section 664).

Note: If the principal grows at a rate greater than the payout rate (5.00%), both the trust principal and annual payout will increase. However, if the trust growth rate is lower, the subsequent trust principal and annual payout will decrease.

Charitable Remainder Unitrust, Transfer Year: 2023

Year	Beginning Balance	Growth	Income	Unitrust Payment	Remainder
2021	$0	$0	$0	$0	$0
2022	$0	$0	$0	$0	$0
2023	$15,678,990	$0	$0	$783,950	$14,895,041
2024	$14,895,041	$0	$0	$744,752	$14,150,289
2025	$14,150,289	$0	$0	$707,514	$13,442,775
2026	$13,442,775	$0	$0	$672,139	$12,770,636
2027	$12,770,636	$0	$0	$638,532	$12,132,104
2028	$12,132,104	$0	$0	$606,605	$11,525,499
2029	$11,525,499	$0	$0	$576,275	$10,949,224
2030	$10,949,224	$0	$0	$547,461	$10,401,763
2031	$10,401,763	$0	$0	$520,088	$9,881,675
2032	$9,881,675	$0	$0	$494,084	$9,387,591
2033	$9,387,591	$0	$0	$469,380	$8,918,211
2034	$8,918,211	$0	$0	$445,911	$8,472,300
2035	$8,472,300	$0	$0	$423,615	$8,048,685
2036	$8,048,685	$0	$0	$402,434	$7,646,251
2037	$7,646,251	$0	$0	$382,313	$7,263,939
2038	$7,263,939	$0	$0	$363,197	$6,900,742
2039	$6,900,742	$0	$0	$345,037	$6,555,705
2040	$6,555,705	$0	$0	$327,785	$6,227,919
2041	$6,227,919	$0	$0	$311,396	$5,916,523
2042	$5,916,523	$0	$0	$295,826	$5,620,697
2043	$5,620,697	$0	$0	$281,035	$5,339,662
2044	$5,339,662	$0	$0	$266,983	$5,072,679
2045	$5,072,679	$0	$0	$253,634	$4,819,045
2046	$4,819,045	$0	$0	$240,952	$4,578,093
2047	$4,578,093	$0	$0	$228,905	$4,349,188
2048	$4,349,188	$0	$0	$217,459	$4,131,729
2049	$4,131,729	$0	$0	$206,586	$3,925,142
2050	$3,925,142	$0	$0	$196,257	$3,728,885
2051	$3,728,885	$0	$0	$186,444	$3,542,441
2052	$3,542,441	$0	$0	$177,122	$3,365,319
2053	$3,365,319	$0	$0	$168,266	$3,197,053
2054	$3,197,053	$0	$0	$159,853	$3,037,200
2055	$3,037,200	$0	$0	$151,860	$2,885,340
2056	$2,885,340	$0	$0	$144,267	$2,741,073
2057	$2,741,073	$0	$0	$137,054	$2,604,020
2058	$2,604,020	$0	$0	$130,201	$2,473,819
2059	$2,473,819	$0	$0	$123,691	$2,350,128
2060	$2,350,128	$0	$0	$117,506	$2,232,621
Total:		$0	$0	$13,446,369	

Projected Effect of Adding CRUT (2023)

John (2030)
$19,570,000

Settlement Costs	
Probate:	$0
Liabilties:	$0
CT Taxes:	$0
Federal Tax:	$0
Total:	$0

Passing to Sally	
Marital Ded.:	$12,510,000
Life Insurance:	$600,000
Marital QTIP:	$0
Total:	$13,110,000

Passing to Nonspouse	
Credit Shelter:	$6,460,000
Heirs:	$0
ILIT:	$0
Charity:	$0
Total:	$6,460,000

Plus
Appreciation

Sally (2035)	
From John:	$12,510,000
Separate Assets:	$13,416,305
Total:	$25,926,305

Plus
Appreciation

Settlement Costs	
Probate:	$0
Liabilities:	$0
CT Tax:	$2,421,075
Federal Tax:	$7,127,610
Total:	$9,548,685

To Beneficiaries	
Heirs:	$16,377,620
ILIT:	$0
Charity:	$0
Total:	$16,377,620

Total Settlement Costs	
Probate:	$0
Liabilties:	$0
CT Taxes:	$2,421,075
Federal Tax:	$7,127,610
Total:	$9,548,685

Techniques Implemented
QPRT, CRUT

Total to Nonspouse	
Credit Shelter:	$6,460,000
Heirs (First):	$0
Heirs (Second):	$16,377,620
ILIT (First):	$0
ILIT (Second):	$0
Charity:	$0
Total:	$22,837,620

Projected Effect of Adding CRUT (2023)

Techniques Implemented:
Credit Shelter Trust
QPRT
CRUT

	John's Future Estate (2030)
Estate at Death:	$19,017,500
Amount Removed from Estate via Planning:	$7,012,500
Credit Shelter Trust:	$6,460,000
Assets to Estate:	
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
Total:	$5,965,000
Assets to: Sally:	
IRA 1 - :	$1,200,000
CHECKING:	$87,500
TROWE:	$4,506,000
V:	$12,500
WORK 401K:	$739,000
Total:	$6,545,000
Estate Settlement Costs:	$0

	Sally's Future Estate (2035)
Estate at Death:	$25,966,200
Amount Removed from Estate via Planning:	$7,920,105
Assets to Estate:	
Primary Residence:	$0
Liquid Asset:	$0
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,890,000
CHECKING:	$0
TROWE:	$7,868,620
V:	$25,000
Total:	$13,858,620
Estate Settlement Costs	
CT Estate Tax:	$2,425,862
Federal Estate Tax:	$7,141,665
Income Tax:	$0
Total Costs:	$9,567,527
Credit Shelter Trust Value:	$6,460,000
Amount to Charity:	$8,048,685

GRAT for a Term Certain, Transfer: 2023

Pertinent Information

- John is in good health, and has a substantial estate.
- John owns an asset (Second House) with a fair market value of $850,000. Gift valuation discounts (0.00%) produce an inital gift fair market value of $850,000.

Goals and Objectives

- John would like to make a large deferred gift to the Heirs.

Proposed Arrangement

- John would consider a future interest gift of the $850,000 asset via a 5-year term certain grantor retained annuity trust (GRAT) -- a "leveraged" gift (one trust for each heir(s)).
- Assume John retains an annual annuity of $59,500 and the IRS Section 7520 Interest Rate is 5.00%.

Results and Benefits

- As a grantor trust, the grantor (John) is deemed to own the trust principal for income tax purposes. Therefore, all trust income would be taxable to the grantor. However, there is no capital gain if trust principal is distributed for the annuity payout (Revenue Ruling 85-13).
- For a gift of the asset (Second House), John reports a gift of just $592,394.75.
- Assume the asset grows by 0.00% (0% income and 0% growth) each year.
- The GRAT's remainder interest would ultimately grow to $552,500.
- 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.
- Note: John must survive the 5-year period, otherwise the GRAT will be included in his estate at death, with a credit for any gift taxes paid or unified credit attributable to the GRAT (TAM 200210009).

Taxable Gift Calculation

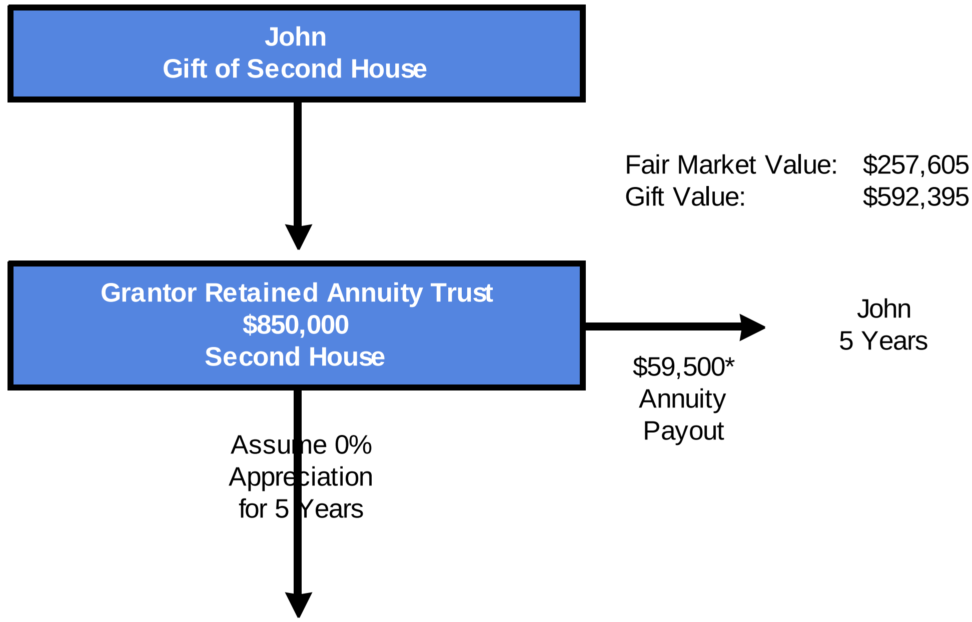
for $850,000 transfer ($850,000 before $0 assumed minority discount)

Initial value of Asset Transferred:	$850,000
Less reduction for probability of grantor dying during 5-year period (reversionary period)	($592,395)
Present value of retained annuity interest:	$257,605
Present value of remainder interest (Gift):	$592,395

GRAT for a Term Certain, Transfer: 2023

Grantor Retained Annuity Trust - For a Term Certain

A term certain GRAT is an irrevocable trust in which the grantor gifts assets to the trust while the grantor retains the right to receive fixed annuity payments for a term of years. At the end of the this term, the trust principal passes to the remainder interest beneficiary (Heirs).



**Remainder Interest Beneficiary Heirs(2027): $552,500
Amount Removed from John's Estate(2030): $552,500

*	The $59,500 annuity must be satisfied, either with the trust income or distribution of trust principal.
**	If you assume a 0.00% investment rate, (0.00% income and 0.00% growth) the value of the remainder interest would be $552,500.
Note:	There is a possible GST Tax if a child dies during the term of the trust, because the Pre-Deceased Child Rule is not applicable (child was alive when the trust was established) and no GST exemption can be allocated to the trust during the ETIP. As an alternative, if the grantor has more than one child, the surviving child can receive the trust property at the end of the trust term. An equalizing distribution can be made under the grantor's will to benefit the children of the deceased.
Note:	The heir(s) will have a carry-over basis for income tax purposes.

GRAT for a Term Certain, Transfer: 2023

Inputs

Assumed Income Rate:	0.00%
Assumed Appreciation Rate:	0.00%
Annuity Payment:	$59,500.00
Minority Interest Discount:	0.00%
Assumed §7520 Rate:	5.00%
Reportable Gift:	$592,394.75
Term:	5

Year	Beginning Balance	Annuity Payment	Excess or Shortfall	Principal Distributed for Annuity Shortfall to Grantor	Ending Balance
2	$850,000	$59,500	-$59,500	$59,500	$790,500
3	$790,500	$59,500	-$59,500	$59,500	$731,000
4	$731,000	$59,500	-$59,500	$59,500	$671,500
5	$671,500	$59,500	-$59,500	$59,500	$612,000
6	$612,000	$59,500	-$59,500	$59,500	$552,500*

* To Remainder Beneficiary

Projected Effect of Adding GRAT (2023)

John (2030)
$19,017,500

Settlement Costs	
Probate:	$0
Liabilties:	$0
CT Taxes:	$0
Federal Tax:	$0
Total:	$0

Passing to Sally	
Marital Ded.:	$12,549,895
Life Insurance:	$600,000
Marital QTIP:	$0
Total:	$13,149,895

Passing to Nonspouse	
Credit Shelter:	$5,867,605
Heirs:	$0
ILIT:	$0
Charity:	$0
Total:	$5,867,605

Plus Appreciation

Sally (2035)	
From John:	$12,549,895
Separate Assets:	$13,416,305
Total:	$25,966,200

Plus Appreciation

Settlement Costs	
Probate:	$0
Liabilities:	$0
CT Tax:	$2,425,862
Federal Tax:	$7,141,665
Total:	$9,567,527

To Beneficiaries	
Heirs:	$16,398,673
ILIT:	$0
Charity:	$0
Total:	$16,398,673

Total Settlement Costs	
Probate:	$0
Liabilties:	$0
CT Taxes:	$2,425,862
Federal Tax:	$7,141,665
Total:	$9,567,527

Techniques Implemented
GRAT
QPRT, CRUT

Total to Nonspouse	
Credit Shelter:	$5,867,605
Heirs (First):	$0
Heirs (Second):	$16,398,673
ILIT (First):	$0
ILIT (Second):	$0
Charity:	$0
Total:	$22,266,278

Projected Effect of Adding GRAT (2023)

Techniques Implemented:
- **Credit Shelter Trust**
- **QPRT**
- **CRUT**
- **GRAT**

	John's Future Estate (2030)
Estate at Death:	$19,017,500
Amount Removed from Estate via Planning:	$6,420,105
Credit Shelter Trust:	$5,867,605
Assets to Estate:	
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,929,895
Total:	$6,004,895
Assets to: Sally:	
IRA 1 - :	$1,200,000
CHECKING:	$87,500
TROWE:	$4,506,000
V:	$12,500
WORK 401K:	$739,000
Total:	$6,545,000
Estate Settlement Costs:	$0

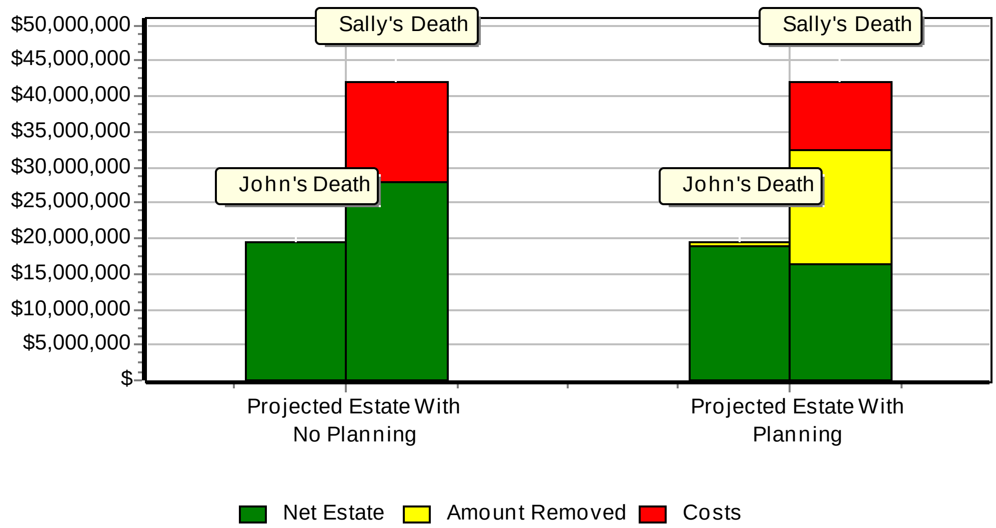
	Sally's Future Estate (2035)
Estate at Death:	$25,966,200
Amount Removed from Estate via Planning:	$7,920,105
Assets to Estate:	
Primary Residence:	$0
Liquid Asset:	$0
Stock:	$0
Boat:	$75,000
CDs:	$0
Second House:	$0
Asset For CST:	$5,929,895
CHECKING:	$0
TROWE:	$7,849,778
V:	$25,000
Total:	$13,879,673
Estate Settlement Costs	
CT Estate Tax:	$2,425,862
Federal Estate Tax:	$7,141,665
Income Tax:	$0
Total Costs:	$9,567,527
Credit Shelter Trust Value:	$5,867,605
Amount to Charity:	$8,048,685

Analysis of Taxes at Death

At John's Death (2030)	No Planning	With Planning
Taxable Estate:	$19,570,000	$19,017,500
Amount Going to Surviving Spouse:	$19,570,000	$13,149,895
Credit Shelter Trust:	$0	$5,867,605
Available Federal Estate Exclusion:	$6,460,000	$0
CT Available State Exclusion:	$6,460,000	$6,460,000
CT State QTIP Portion:	$0	$0
Probate and Administrative Expenses:	$0	$0
Federal Estate Tax:	$0	$0
Total Settlement Costs:	$0	$0

At Sally's Death (2035)		
Qualified Plans Subject to Income Tax:	$2,519,000	$2,519,000
Estate Tax with Qualified Plans:	$14,160,195	$9,567,527
Estate Tax without Qualified Plans:	$12,971,227	$8,377,700
Estate Tax Attributed to Qualified Plans:	$1,188,968	$1,189,827
Income Tax Deduction for Estate Tax:	$1,188,968	$1,189,827
Taxable Estate:	$41,934,990	$25,966,200
Available Federal Estate Exclusion:	$6,460,000	$6,460,000
Deceased Spousal Unused Exclusion Amount:	$6,460,000	$0
Total Available Federal Exclusion:	$12,920,000	$6,460,000
CT State Exclusion Available Exclusion:	$6,460,000	$6,460,000
Outstanding Liabilities:	$0	$0
Probate and Administrative Expenses:	$0	$0
CT State Estate Tax (Pickup Tax):	$4,256,999	$2,425,862
Federal Estate Tax:	$9,903,196	$7,141,665
Income Tax at Death:	$0	$0
Total Settlement Costs:	$14,160,195	$9,567,527

Summary of Planning Results



	Future Estate with No Planning	Future Estate with Planning
John's Death		
Estate at Death:	$19,570,000	$19,017,500
Amount Removed from Estate via Planning:	0	(6,420,105)
Credit Shelter Trust:	0	5,867,605
Estate Settlement Costs:	0	0
Amount to Heirs:	0	0
Amount to Heirs (value at Second Death):	0	0
Sally's Death		
Estate at Death:	$41,934,990	$25,966,200
Amount Removed from Estate via Planning:	0	(7,920,105)
Estate Settlement Costs		
CT Estate Tax:	(4,256,999)	(2,425,862)
Federal Estate Tax:	**(9,903,196)**	**(7,141,665)**
Total Costs:	(14,160,195)	(9,567,527)
Amount to Charity:	$0	$8,048,685
Amount to Non-Charity:	$27,774,795	$8,349,988
Amount to Heirs:	27,774,795	16,398,673
Credit Shelter Trust Value:	0	$5,867,605
Taxes and Costs Reduced by Planning:		$4,592,668