



# Estate TAX Analysis

## Ed and Tina Allen

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# Important Notes

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This analysis provides only broad, general guidelines, which may be helpful in shaping your thinking about your retirement needs. It can serve as a guide for discussions with your professional advisors. These pages depict certain wealth preservation strategies. These strategies may include simple wills, marital trusts, family trusts, credit shelter trusts, living trusts, grantor retained trusts, charitable remainder trusts, special business entities, life insurance (with or without a trust), taxable and charitable gifts. This illustration simply shows the effect of a strategy on your estate and potential estate taxes, based on certain assumptions detailed in the illustration.

Each scenario shown illustrates your current situation or an alternative strategy and its possible effects on the financial situation you provided. Inclusion of one or more of these strategies does not constitute a recommendation of that strategy over any other strategy.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a "best guess." No guarantee can be made regarding values, as all rates are the hypothetical rates you provided. These computations are not a guarantee of future performance of any asset, including insurance or other financial products.

No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction. Unless indicated, the tax aspect of the federal Generation-Skipping Transfer Tax (GSTT) is not reflected. The GSTT is similar to an additional level of estate tax on certain transfers to grandchildren, or individuals two or more generations removed from the transferor. State laws vary regarding the distribution of property, and individual circumstances are unique and subject to change. You should discuss all strategies, transfers, and assumptions with your legal and tax advisors.

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 in this presentation.

To implement a strategy, it may be necessary to restructure the ownership of property, or change designated beneficiaries before specific will or trust provisions, prepared by the client's counsel, become effective. The transfer of a life insurance policy may not result in its removal from the estate of the prior owner for three years.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

**IMPORTANT:** The projections or other information generated by this investment analysis tool (Estate Tax Analysis) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

**IRS CIRCULAR 230 NOTICE:** To ensure compliance with requirements imposed by the IRS, this notice is to inform you that any U. S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this presentation.

# Executive Summary

for Ed Allen, age 60, and Tina Allen, age 56

## Current Situation

This analysis uses the information you provided.

Liquid Assets	\$3,100,000	
Retirement Plans	\$600,000	
Business	\$1,700,000	
Residences	\$1,500,000	
<b>Your total value if death occurred today:</b>		<b>\$6,900,000</b>

## Effects of Current Situation

Using the estimated rates of return you provided, the combined gross estate in 2023 would be	\$15,000,046	
Assuming Ed dies in 2023, Estimated taxes, expenses, probate, and debts	\$109,067	
Assuming Tina dies in 2028, Estimated taxes, expenses, probate, and debts	\$3,125,137	
Income tax on income in respect of decedent <sup>1</sup>	\$1,969,192	
Shrinkage	\$5,203,396	
Total to family after both deaths	<b>\$13,403,082</b>	
Total distribution to family and charity		<b>\$13,403,082</b>
Portion of the estate in 2028		<b>72%</b>

## Proposed Strategy

The proposed strategy, without the recommended new life insurance, would decrease the portion going to the family to	<b>\$12,976,866</b>
The proposed strategy, including the recommended new life insurance, would increase the portion going to the family to	<b>\$13,820,319</b>

<sup>1</sup> Heirs must pay the tax on income in respect of decedent, usually associated with inheriting qualified retirement plan assets and annuities.

# Executive Summary (Continued)

for Ed Allen, age 60, and Tina Allen, age 56

## Major Differences

The complete analyses of scenarios being compared should be reviewed for differences. The chart below shows the differences in these two scenarios:

Scenario Name	Current Situation	Proposed
<b>Assets</b>		
Savings - All Other Assets		
Ownership	Joint	Ed
Mutual Fund - Mutual Fund 1		
Ownership	Joint	Ed
Mutual Fund - Mutual Fund 2		
Ownership	Joint	Ed
Mutual Fund - Mutual Fund 3		
Ownership	Joint	Ed
Mutual Fund - Mutual Fund 4		
Ownership	Joint	Ed
Mutual Fund - Mutual Fund 5		
Ownership	Joint	Ed
Stock - Stocks		
Ownership	Joint	Ed
Stock - Misc Stocks		
Ownership	Joint	Ed
Residence - House		
Ownership	Joint	Ed
Residence - Beach House		
Ownership	Joint	Ed
Business Type - Tina's Gift Shop		
Ownership	Joint	Tina
Business Type - Internet Business		
Ownership	Joint	Ed
Plan - PMM	Exists	Not included
Plan - Ed 401(k)		
Actively Employed	No	Yes
<b>Incomes</b>		
Business Income - Income from Internet Business		
Ownership	Joint	Ed
Business Income - Income from Tina's Gift Shop		
Ownership	Joint	Tina
<b>Life Insurance</b>		
Life Insurance Policy - ILIT - New Life Insurance	Not included	Exists
<b>Cash Sources</b>		
Cash Source - PMM	Exists	Not included
<b>Transactions</b>		
Transaction - Defined Contribution	Exists	Not included
<b>Estate Assumptions</b>		
Tina's Will		
Will Provisions	All To Spouse	Family Trust
Use Living Trust	No	Yes
Family Trust	Not included	Exists

The Assumptions page and the Additional Details page can provide more details for the items included within a scenario.

# Executive Summary (Continued)

for Ed Allen, age 60, and Tina Allen, age 56

## Summary

Your Proposed Plan with new life insurance could provide the following after both deaths.

Irrevocable Life Insurance Trust	\$1,000,000
Family Trust	\$8,736,555
Net Distributions to Heirs	\$4,931,880
less: Income Tax on Income in Respect of Decedent	(\$848,116)
<b>Total to Family</b>	<b>\$13,820,319</b>

# Summary of Values

Your Current Plan

## Assets

For estate planning purposes, assets can be categorized by their availability to pay taxes and expenses at death. Availability of assets depends on two things:

1. Ownership—the title to the asset determines how it passes at death.
2. Type of Asset—certain assets can be converted to cash more quickly than others.

	Ed	Tina	Joint	Total
<b>Liquid Assets</b>				
Checking Account			\$200,000	\$200,000
All Other Assets			\$500,000	\$500,000
Stocks			\$300,000	\$300,000
Misc Stocks			\$700,000	\$700,000
Mutual Fund 1			\$500,000	\$500,000
Mutual Fund 2			\$100,000	\$100,000
Mutual Fund 3			\$500,000	\$500,000
Mutual Fund 4			\$100,000	\$100,000
Mutual Fund 5			\$200,000	\$200,000
<b>Retirement Plans</b>				
Ed 401(k)	\$300,000			\$300,000
Tina's IRA		\$100,000		\$100,000
PMM	\$200,000			\$200,000
<b>Business</b>				
Tina's Gift Shop			\$700,000	\$700,000
Internet Business			\$1,000,000	\$1,000,000
<b>Residences</b>				
House			\$1,000,000	\$1,000,000
Beach House			\$500,000	\$500,000
<b>Total Values Today</b>	<b>\$500,000</b>	<b>\$100,000</b>	<b>\$6,300,000</b>	<b>\$6,900,000</b>

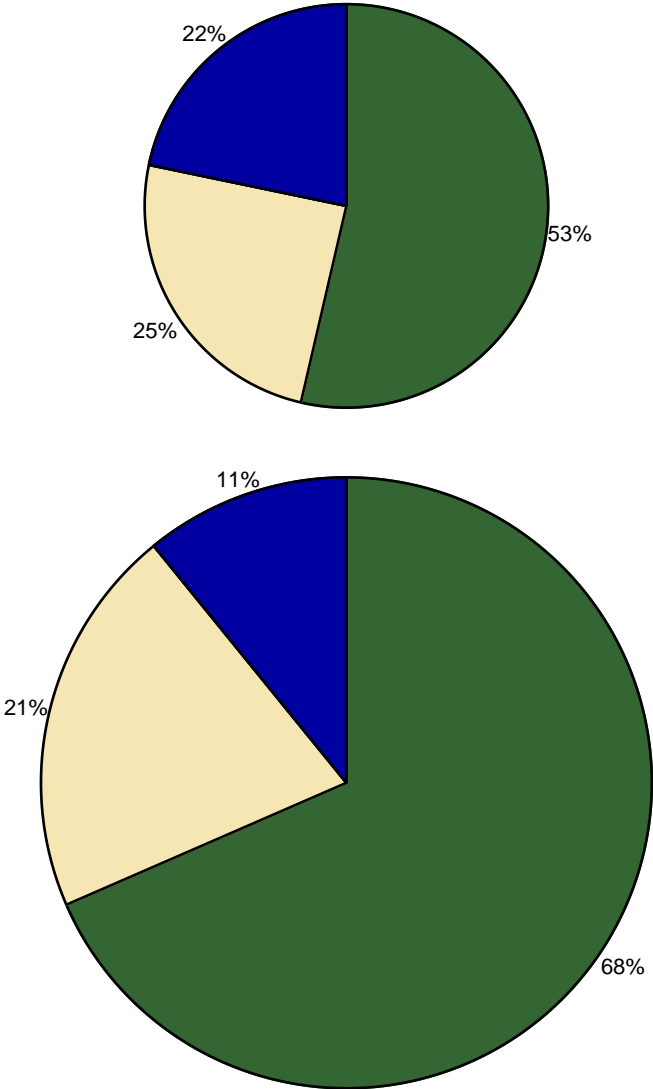
## Total Value if Death Today

The summary of your values today equals the  
Total Values Today of \$6,900,000

**Total Value if Death Today** **\$6,900,000**

# Your Estate...

Your Current Plan



Today: \$6,900,000



In 15 years:  
\$18,604,220

Legend: Liquid (dark green), Fixed (light yellow), Home (blue), Trusts (tan)

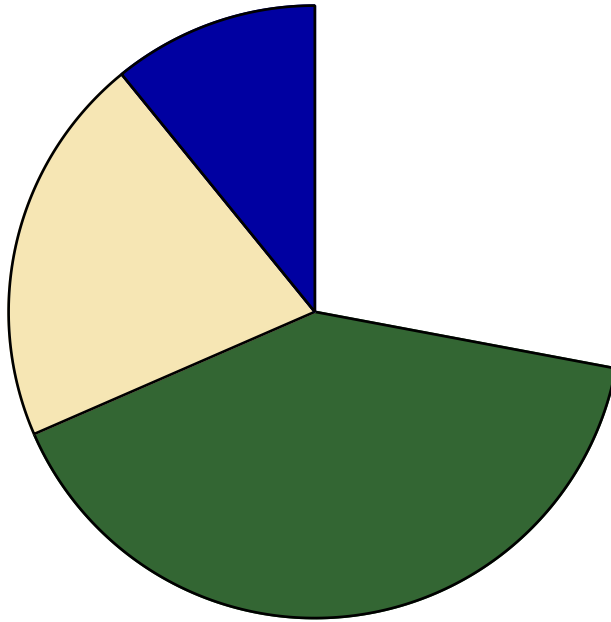
## To whom do you want to leave your estate?



# At Your Death

Your Current Plan

## Before Your Heirs Get Anything...



**Form 706** United States Estate (and Generation-Skipping Transfer) Tax Return  
(Rev. August 2004)  
Estate of a citizen or resident of the United States (see separate instructions).  
To be filed for decedents dying after December 31, 2003, and before January 1, 2005.  
For Paperwork Reduction Act Notice, see the separate instructions.

OMB No. 1545-0015

Department of the Treasury Internal Revenue Service

1a Decedent's first name and middle initial 1b Decedent's last name 1c Decedent's Social Security No.

2a County, state, and ZIP code of residence (domestic) at time of death 2b Decedent's domicile established 2c Date of birth 2d Date of death

3a Name of executor (see page 3) 3b Executor's title (honorary and street including apartment or suite no. or rural box; office, state, and ZIP code) and phone no.

4c Executor's social security number

5a Name and location of court where probate proceedings were held 5b Case number

6 If decedent died testate, check  If decedent died intestate, check  If Schedule R-1 is attached, check here

7 Total gross estate less expenses, debts, and claims against the estate 7

8 Total allowable deductions 8

9 Taxable estate (subtract line 8 from line 7) 9

10 Adjusted taxable gifts (total after December 31, 1976, of gifts for which the decedent was the donor of these gifts) 10

11 Add lines 9 and 10 11

12 Tentative tax on the amount on line 11 12

13 Total gift tax payable with reductions by the decedent's spouse who was the donor of these gifts 13

14 Gross estate tax (subtract line 13 from line 12) 14

15 Maximum unified credit (top of page 5) 15

16 Adjustment to unified credit (top of page 5) 16

17 Allowable unified credit (applicable credit amount) (subtract line 16 from line 15) 17

18 Subtract line 17 from line 14 (but do not enter less than zero) 18

19 Credit for state death taxes (cannot exceed line 12). Attach credit evidence (see instructions). Figure the credit by using the amount on line 3 less \$60,000. See Table B in the instructions. Enter the amount here from Table B  $\times 25$  19

20 Subtract line 19 from line 18 20

21 Credit for Federal gift taxes on pre-1977 gifts (section 2012) (attach computation) 21

22 Credit for foreign death taxes (from Schedule(s) P). (Attach Form(s) 706-CE.) 22

23 Credit for tax on prior transfers (from Schedule O) 23

24 Total (add lines 15, 16, and 17) 24

25 Net estate tax (subtract line 18 from line 14) 25

26 Generation-skipping transfer taxes (from Schedule R, Part 2, line 10) 26

27 Total transfer taxes (add lines 19 and 20) 27

28 Prior payments. Explain in an attached statement 28

29 United States Treasury bonds redeemed in payment of estate tax 29

30 Total (add lines 22 and 23) 30

31 Balance due (or overpayment) (subtract line 24 from line 21) 31

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than the executor) is based on all information of which preparer has any knowledge.

Signature(s) of executor(s) \_\_\_\_\_ Date \_\_\_\_\_

Signature of preparer other than executor \_\_\_\_\_ Address (and ZIP code) \_\_\_\_\_ Date \_\_\_\_\_

Cat. No. 20548R

Remaining Estate<sup>1</sup>  
\$13,403,082  
72%

Taxes, Expenses, Probate, Debts<sup>2</sup>  
\$5,201,138  
28%

## The Tax Man Gets His!

<sup>1</sup> Includes the values from prior planning and existing life insurance.

<sup>2</sup> The sum of taxes, expenses, debt, and probate and administrative fees, as shown by the flowchart that follows.

# Current Planning

## Current Will Assumptions

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. Not all property is transferred by your will. Property owned jointly with survivorship rights passes to the surviving joint owner. Life insurance proceeds are paid to your named beneficiary. This analysis applies the provisions below to the extent possible. State Inheritance Tax is based on New Jersey.

### Ed's Current Plan

A family trust. All other property passes to the surviving spouse using the will.

#### **Trust for Family**

A Family Trust will be created using an amount equal to the Unified Credit if available. The trust corpus is assumed to grow or earn 5.000% annually between your death and Tina's death.

#### **Living Trust**

A Living Trust has been established to help reduce probate fees.

### Tina's Current Plan

Your will leaves everything outright to Ed after providing for any other planning options.

# Your Current Plan Today

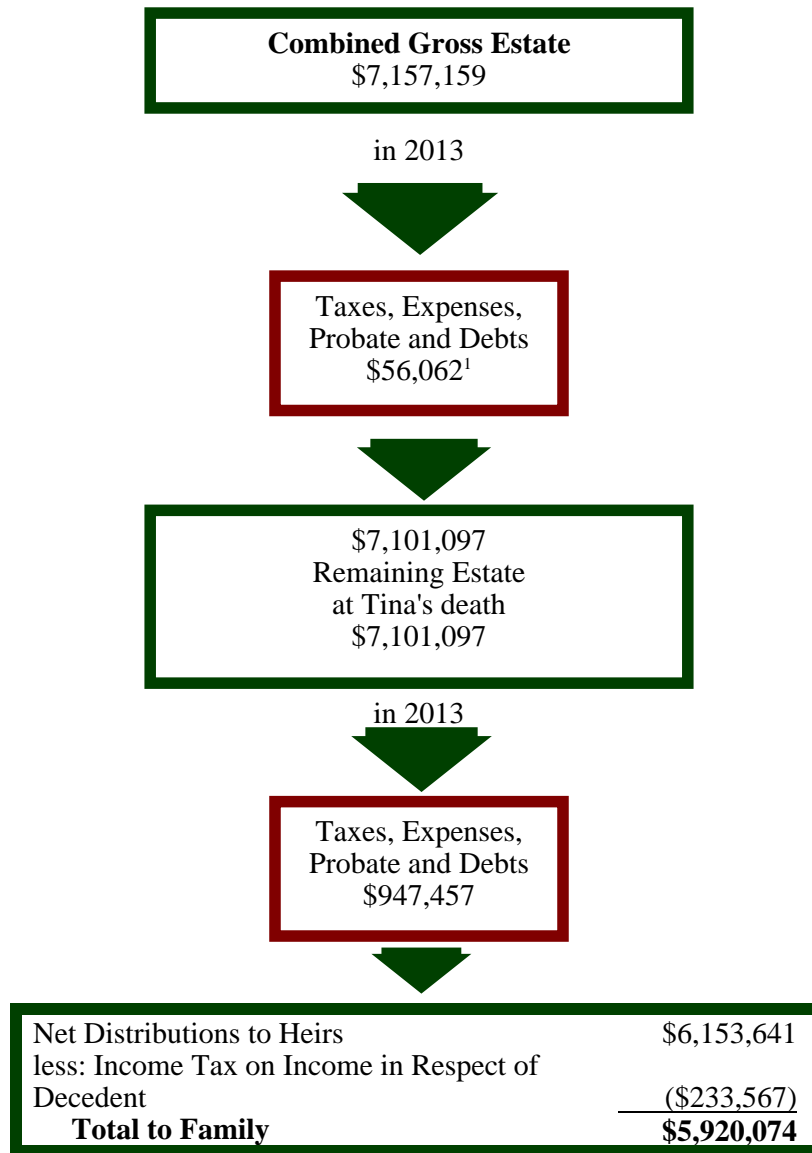
Total Value of Assets

This analysis assumes that both Ed and Tina die today. The total value of your assets today considers your income as well as the portion of existing assets used to provide the spending patterns detailed in the assumptions.

	<b>Ed's Assets</b>	<b>Tina's Assets</b>
<b>Values at Death Today</b>	\$3,650,000	\$3,250,000
<b>Adjustments at Ed's Death</b>		
Cash Flow Adjustment	\$158,176	\$98,983
<b>Estate Total in 2013</b>	<b>\$3,808,176</b>	<b>\$3,348,983</b>
<b>Combined Estate Total</b>		<b>\$7,157,159</b>

# Your Current Plan Today

Ed Dies in 2013, Tina Dies in 2013



<sup>1</sup> Debts of \$7,980 are deductible for estate tax calculations even though some of these debts were not paid but transferred to the surviving spouse.

# Your Current Plan Today

Explanation of Values on Flowchart

## At Ed's Death in 2013

### Combined Gross Estate

The Combined Gross Estate is \$7,157,159. Included are assets owned by Ed and Tina.

### Taxes, Expenses, Probate and Debts

Tentative Tax Base (after expenses, deductions and adjustments): \$0<sup>1</sup>

Federal Estate Tax before Credits	\$0	
Applicable Unified Credit <sup>2</sup>	\$2,045,800	
New Jersey State Tax	\$0	
<b>Total Net Taxes Due</b>		<b>\$0</b>

### Remaining Estate

Tina's Assets at Ed's death	\$3,348,983	
<i>plus</i> Other Funds (Net Inheritance)	\$3,752,115	
Remaining Estate at Ed's death		<b>\$7,101,097</b>
includes IRA Rollover of \$563,264		
<b>Remaining Estate at Tina's death in 2013</b>		<b>\$7,101,097</b>
<b>with growth at assumed rates</b>		
includes IRA Rollover of \$563,264		

### Family Trust

A Family Trust is established at Ed's death, using assets valued at \$0. With growth at assumed rates, the Family Trust is worth \$0 at Tina's death.

## At Tina's Death in 2013

### Taxes, Expenses, Probate and Debts<sup>1</sup>

Tentative Tax Base (after expenses, deductions and adjustments): \$6,153,641

Federal Estate Tax before Credits	\$2,407,256	
Applicable Unified Credit <sup>2</sup>	\$4,145,800	
New Jersey State Tax	\$607,415	
<b>Total Net Taxes Due</b>		<b>\$607,415</b>

## Summary of Total Distributions to Heirs and Others

<b>Values at Second Death</b>		
<b>Total Net Distributions to Family</b>		<b>\$5,920,074</b>
<b>Total Distributions to Family and Charity</b>		<b>\$5,920,074</b>

<sup>1</sup> See the Estate Calculations page for further details on expenses and deductions.

<sup>2</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

# Your Current Plan

## Projected Growth of Assets

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. The growth of your assets until death considers your income as well as the portion of existing assets used to provide the spending patterns detailed in the assumptions.

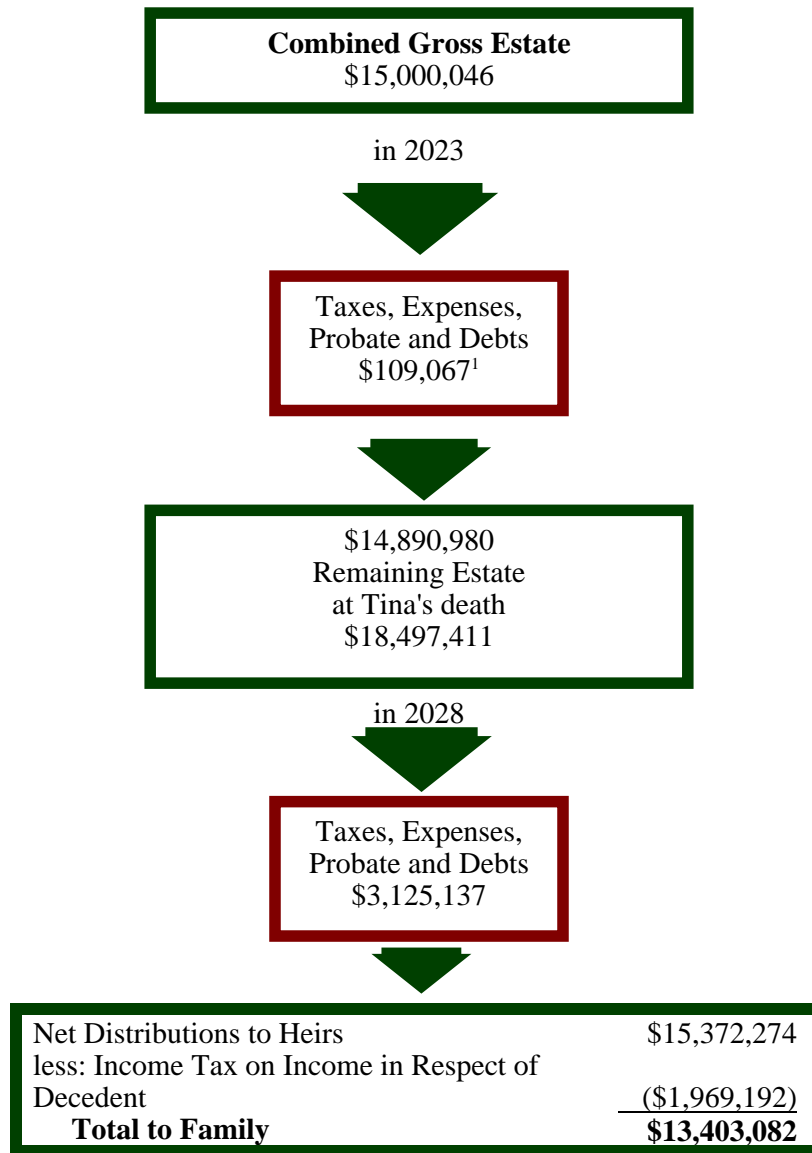
End of Year	Expected Income	Total Outgoing Payments	Change in Assets	End of Year Asset Values	Ed's Assets	Tina's Assets
			<b>Values Today</b>	<b>\$6,900,000</b>	<b>\$3,650,000</b>	<b>\$3,250,000</b>
2013	\$159,000	\$131,237	\$238,887	\$7,367,852	\$3,969,622	\$3,398,230
2014	638,880	490,864	984,947	8,500,815	4,876,990	3,623,825
2015	641,846	520,612	1,033,845	9,655,894	5,811,129	3,844,765
2016	644,902	525,453	1,085,336	10,860,679	6,786,565	4,074,114
2017	648,049	530,446	1,139,567	12,117,848	7,805,403	4,312,445
2018	171,290	205,505	504,502	12,622,350	8,136,933	4,485,417
2019	207,886	207,357	568,457	13,191,336	8,504,334	4,687,002
2020	215,436	224,512	590,931	13,782,267	8,886,503	4,895,764
2021	220,099	231,420	622,166	14,404,433	9,288,261	5,116,173
2022	194,902	222,528	641,397	15,045,830	9,703,788	5,342,043
			<b>Values at Ed's death after 10 years</b>		<b>\$9,703,788</b>	<b>\$5,342,043</b>

### Adjustments at Ed's Death

Cash Flow Adjustment	-\$22,892	-\$22,892
<b>Estate Total in 2023</b>	<b>\$9,680,896</b>	<b>\$5,319,151</b>
<b>Combined Estate Total</b>	<b>\$15,000,046</b>	

# Your Current Plan

Ed Dies in 2023, Tina Dies in 2028



<sup>1</sup> Debts of \$2,258 are deductible for estate tax calculations even though some of these debts were not paid but transferred to the surviving spouse.

# Your Current Plan

Explanation of Values on Flowchart

## At Ed's Death in 2023

### Combined Gross Estate

The Combined Gross Estate is \$15,000,046. Included are assets owned by Ed and Tina.

### Taxes, Expenses, Probate and Debts

Tentative Tax Base (after expenses, deductions and adjustments): \$0<sup>1</sup>

Federal Estate Tax before Credits	\$0	
Applicable Unified Credit <sup>2</sup>	\$2,765,800	
New Jersey State Tax	\$0	
<b>Total Net Taxes Due</b>		<b>\$0</b>

### Remaining Estate

Tina's Assets at Ed's death	\$5,319,151	
<i>plus</i> Other Funds (Net Inheritance)	\$9,571,829	
Remaining Estate at Ed's death		<b>\$14,890,980</b>
includes IRA Rollover of \$4,540,150		
<b>Remaining Estate at Tina's death in 2028</b>		<b>\$18,497,411</b>
<b>with growth at assumed rates</b>		
includes IRA Rollover of \$4,540,150		

### Family Trust

A Family Trust is established at Ed's death, using assets valued at \$0. With growth at assumed rates, the Family Trust is worth \$0 at Tina's death.

## At Tina's Death in 2028

### Taxes, Expenses, Probate and Debts<sup>1</sup>

Tentative Tax Base (after expenses, deductions and adjustments): \$15,473,790

Federal Estate Tax before Credits	\$6,135,316	
Applicable Unified Credit <sup>2</sup>	\$6,033,800	
New Jersey State Tax	\$2,312,627	
<b>Total Net Taxes Due</b>		<b>\$2,414,143</b>

## Summary of Total Distributions to Heirs and Others

<b>Values at Second Death</b>	
<b>Total Net Distributions to Family</b>	<b>\$13,403,082</b>
<b>Total Distributions to Family and Charity</b>	<b>\$13,403,082</b>

<sup>1</sup> See the Estate Calculations page for further details on expenses and deductions.

<sup>2</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.



# Additional Planning

## Proposed Will Assumptions

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. Not all property is transferred by your will. Property owned jointly with survivorship rights passes to the surviving joint owner. Life insurance proceeds are paid to your named beneficiary. This analysis applies the provisions below to the extent possible. State Inheritance Tax is based on New Jersey.

### Ed's Proposed Plan

A family trust. All other property passes to the surviving spouse using the will.

#### **Trust for Family**

A Family Trust will be created using an amount equal to the Unified Credit if available. The trust corpus is assumed to grow or earn 5.000% annually between your death and Tina's death.

#### **Living Trust**

A Living Trust has been established to help reduce probate fees.

### Tina's Proposed Plan

A family trust. All other property passes to the surviving spouse using the will.

#### **Trust for Family**

A Family Trust will be created using an amount equal to the Unified Credit if available. The trust corpus is assumed to grow or earn 5.000% annually between your death and Ed's death.

#### **Living Trust**

A Living Trust has been established to help reduce probate fees.

# Proposed Expenses and Gifts

Your Proposed Plan

This analysis of the proposed plans of Ed and Tina assumes that the following plans for expenses and gifts replace your current plans. Expenses are referring to expenses that are consumed, that is, they are not used to purchase other assets and are in addition to expenditures shown elsewhere in this Proposed Plan.

## Essential Living Expenses

Description	Amount	Frequency	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Living Expenses Already started and ending after the illustration	\$7,000	Monthly	100%	100%	100%

## Business Expenses

Description	Amount	Frequency
Annual Expense for Internet Business	\$0	Annual
Monthly Expense for Internet Business	\$500	Monthly
Annual Expense for Tina's Gift Shop	\$10,000	Annual
Monthly Expense for Tina's Gift Shop	\$2,000	Monthly

# Effects of Additional Planning

## Projected Growth of Assets

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. The growth of your assets until death considers your income as well as the portion of existing assets used to provide the spending patterns detailed in the assumptions.

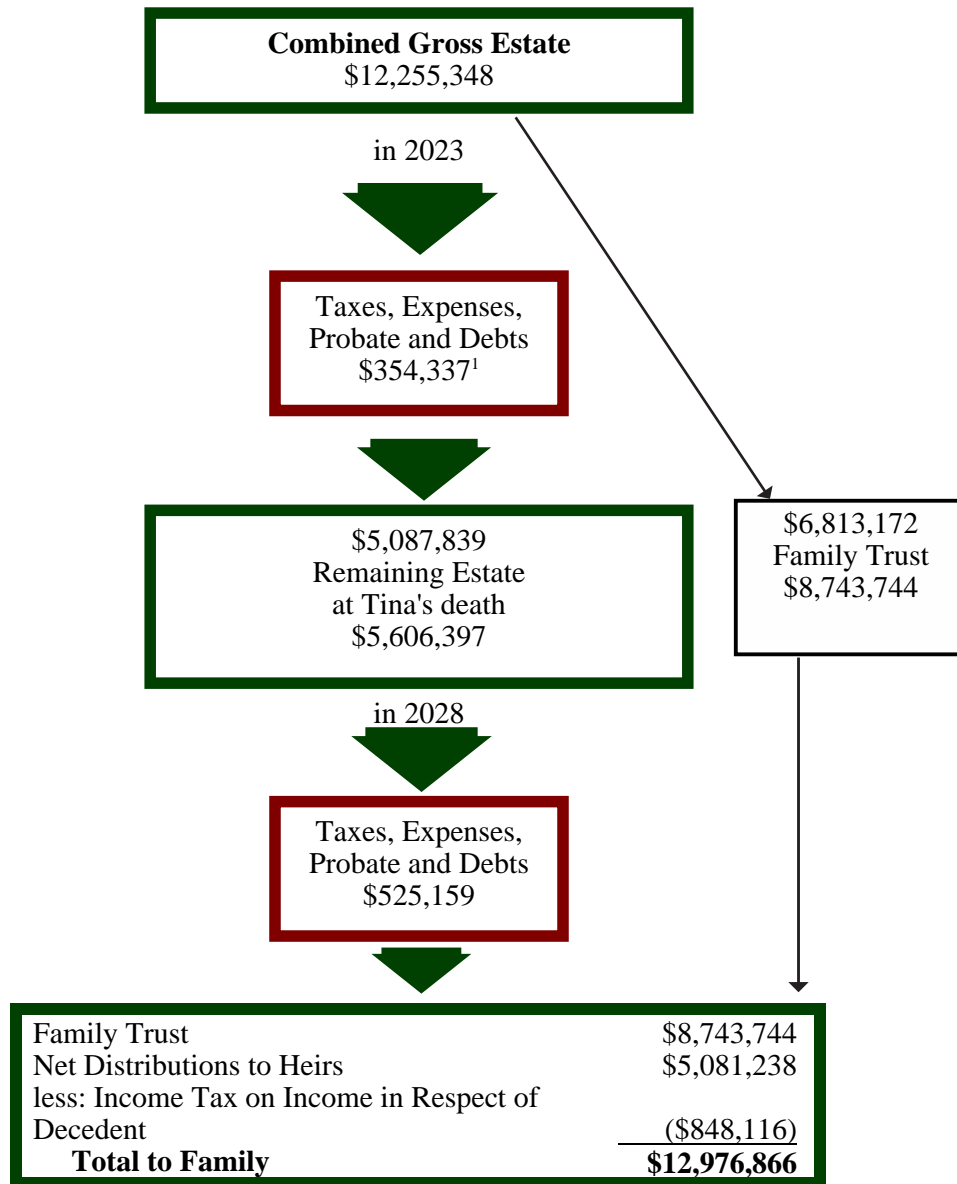
End of Year	Expected Income	Total Outgoing Payments	Change in Assets	End of Year Asset Values	Ed's Assets	Tina's Assets
			<b>Values Today</b>	<b>\$6,700,000</b>	<b>\$5,800,000</b>	<b>\$900,000</b>
2013	\$159,000	\$131,237	\$135,091	\$7,062,385	\$6,110,888	\$951,497
2014	638,880	490,864	556,867	7,767,269	6,698,827	1,068,442
2015	641,846	520,612	584,361	8,472,865	7,298,658	1,174,206
2016	644,902	525,453	613,378	9,205,691	7,924,289	1,281,402
2017	648,049	530,446	644,011	9,967,305	8,577,185	1,390,120
2018	171,290	205,505	396,975	10,364,280	8,938,781	1,425,500
2019	207,886	207,357	455,553	10,820,362	9,339,406	1,480,956
2020	215,436	224,512	472,383	11,292,745	9,758,290	1,534,455
2021	220,099	231,420	497,690	11,790,435	10,200,613	1,589,822
2022	194,902	222,528	510,697	12,301,132	10,660,948	1,640,184
			<b>Values at Ed's death after 10 years</b>		<b>\$10,660,948</b>	<b>\$1,640,184</b>

### Adjustments at Ed's Death

Cash Flow Adjustment		-\$22,892	-\$22,892
Estate Total in 2023		<b>\$10,638,056</b>	<b>\$1,617,292</b>
Combined Estate Total		<b>\$12,255,348</b>	

# Effects of Additional Planning

Ed Dies in 2023, Tina Dies in 2028



<sup>1</sup> Debts of \$1,129 are deductible for estate tax calculations even though some of these debts were not paid but transferred to the surviving spouse.

# Effects of Additional Planning

Explanation of Values on Flowchart

## At Ed's Death in 2023

### Combined Gross Estate

The Combined Gross Estate is \$12,255,348. Included are assets owned by Ed and Tina.

### Taxes, Expenses, Probate and Debts

Tentative Tax Base (after expenses, deductions and adjustments): \$6,813,172<sup>1</sup>

Federal Estate Tax before Credits	\$2,671,069	
Applicable Unified Credit <sup>2</sup>	\$2,765,800	
New Jersey State Tax	\$236,828	
<b>Total Net Taxes Due</b>		<b>\$236,828</b>

### Remaining Estate

Tina's Assets at Ed's death	\$1,617,292	
<i>plus</i> Other Funds (Net Inheritance)	\$3,470,547	
Remaining Estate at Ed's death		<b>\$5,087,839</b>
includes IRA Rollover of \$1,795,452		
<b>Remaining Estate at Tina's death in 2028</b>		<b>\$5,606,397</b>
<b>with growth at assumed rates</b>		
includes IRA Rollover of \$1,795,452		

### Family Trust

A Family Trust is established at Ed's death, using assets valued at \$6,813,172. With growth at assumed rates, the Family Trust is worth \$8,743,744 at Tina's death.

## At Tina's Death in 2028

### Taxes, Expenses, Probate and Debts<sup>1</sup>

Tentative Tax Base (after expenses, deductions and adjustments): \$5,081,238

Federal Estate Tax before Credits	\$1,978,295	
Applicable Unified Credit <sup>2</sup>	\$3,308,531	
New Jersey State Tax	\$455,169	
<b>Total Net Taxes Due</b>		<b>\$455,169</b>

## Summary of Total Distributions to Heirs and Others

<b>Values at Second Death</b>	
<b>Total Net Distributions to Family</b>	<b>\$12,976,866</b>
<b>Total Distributions to Family and Charity</b>	<b>\$12,976,866</b>

<sup>1</sup> See the Estate Calculations page for further details on expenses and deductions.

<sup>2</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

# A Solution

Your Proposed Plan

With a combination of careful planning to reduce future estate taxes and probate expenses, and a life insurance policy to address the remaining expenses, your estate can pass intact. Expenses are paid with discounted dollars.



Your Heirs Get Theirs  
\$13,820,319

The Tax Man Gets His!  
Taxes, Expenses, & Probate  
\$1,709,443

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Proposed New Life Insurance

## Additional Planning and New Life Insurance

This analysis of the proposed plans of Ed and Tina assumes that the following new life insurance is acquired.

### New Life Insurance

#### ILIT - New Life Insurance

Face Amount:	\$1,000,000	Insured:	Survivor
Monthly Premium:	\$1,000	Owner:	ILIT
		Beneficiary:	ILIT
Premium Gift:	Exclusion	Premium Payer:	Joint
		Eligible for Annual Exclusion?	Yes
		Number of Exclusions:	1.00

Insurance owned outside the estate usually refers to insurance not owned by a decedent and not payable to the decedent's estate, but other factors may have to be taken into consideration.

Insurance is included in the estate when the incidents of ownership or the beneficiary designation causes the death proceeds to be included in the taxable estate. A change in ownership or beneficiary designation may be needed to exclude the proceeds from estate taxation. Transfer of a policy by the policy owner within three years of death will cause the death proceeds to be included in the gross estate. When a policy is gifted or transferred, it may be necessary to file a gift tax return. Such gift taxes may not be illustrated in this report. You should consult with your attorney for specific advice.

If life insurance intended to address estate taxes is included in the estate, the insurance itself becomes a taxable item, reducing its value. Life insurance that is not included in the gross estate passes to the beneficiaries undiminished by estate taxes.

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Effects of Planning and New Life Insurance

## Projected Growth of Assets

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. The growth of your assets until death considers your income as well as the portion of existing assets used to provide the spending patterns detailed in the assumptions.

End of Year	Expected Income	Total Outgoing Payments	Change in Assets	End of Year Asset Values	Ed's Assets	Tina's Assets
			<b>Values Today</b>	<b>\$6,700,000</b>	<b>\$5,800,000</b>	<b>\$900,000</b>
2013	\$159,000	\$134,237	\$135,091	\$7,059,385	\$6,109,388	\$949,997
2014	638,880	502,864	556,867	7,752,269	6,691,327	1,060,942
2015	641,846	532,612	584,361	8,445,865	7,285,158	1,160,706
2016	644,902	537,453	613,378	9,166,691	7,904,789	1,261,902
2017	648,049	542,446	644,011	9,916,305	8,551,685	1,364,620
2018	171,290	217,505	384,975	10,301,280	8,907,281	1,394,000
2019	207,886	219,357	444,082	10,745,362	9,301,906	1,443,456
2020	215,436	236,512	460,383	11,205,745	9,714,790	1,490,955
2021	220,099	243,420	485,690	11,691,435	10,151,113	1,540,322
2022	194,902	234,528	498,697	12,190,132	10,605,448	1,584,684
			<b>Values at Ed's death after 10 years</b>		<b>\$10,605,448</b>	<b>\$1,584,684</b>

### Adjustments at Ed's Death

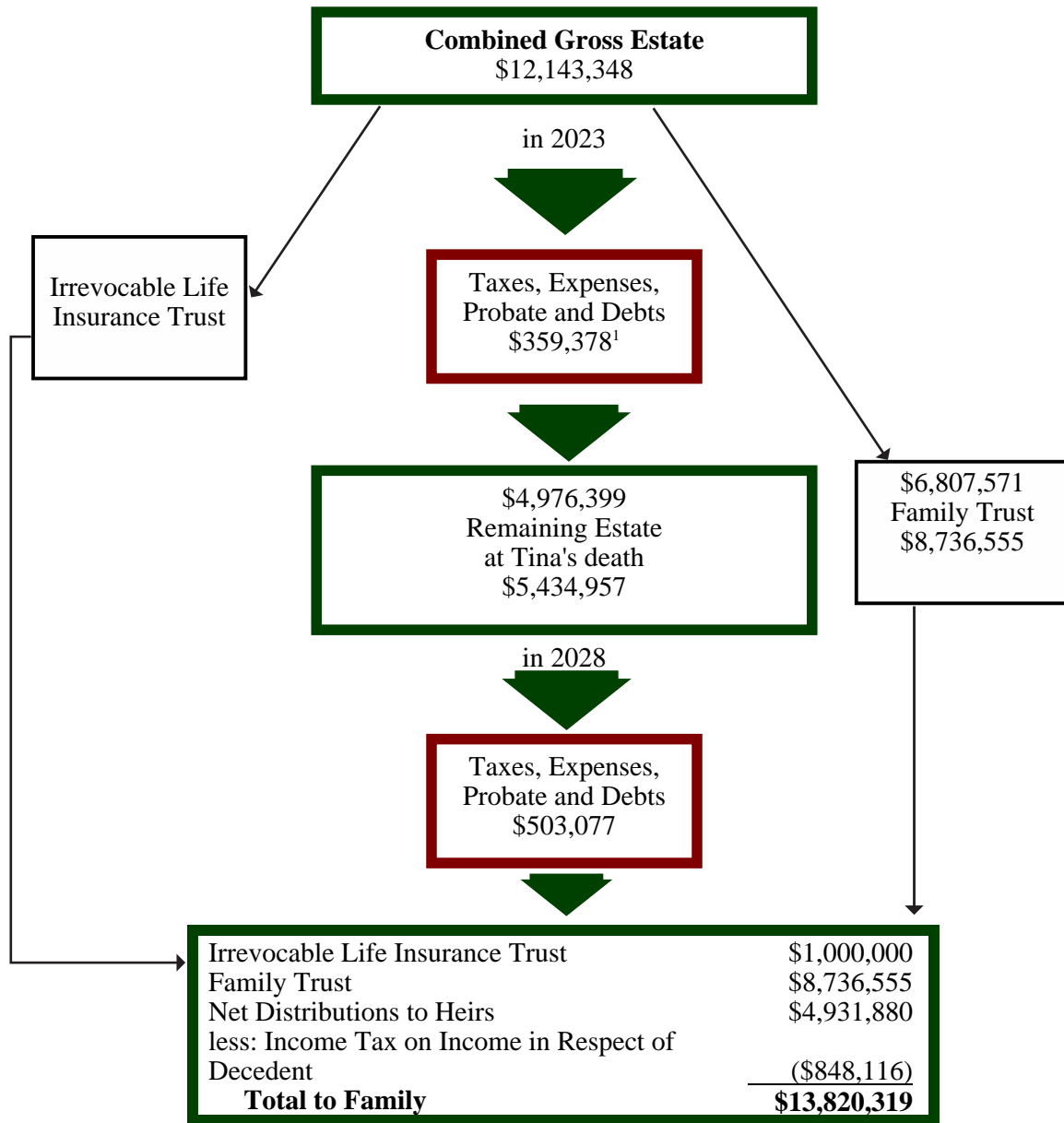
Cash Flow Adjustment	-\$23,392	-\$23,392
<b>Estate Total in 2023</b>	<b>\$10,582,056</b>	<b>\$1,561,292</b>
<b>Combined Estate Total</b>	<b>\$12,143,348</b>	

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.



# Effects of Planning and New Life Insurance

Ed Dies in 2023, Tina Dies in 2028



Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

<sup>1</sup> Debts of \$1,129 are deductible for estate tax calculations even though some of these debts were not paid but transferred to the surviving spouse.

# Effects of Planning and New Life Insurance

Explanation of Values on Flowchart

## At Ed's Death in 2023

### Combined Gross Estate

The Combined Gross Estate is \$12,143,348. Included are assets owned by Ed and Tina.

### Taxes, Expenses, Probate and Debts

Tentative Tax Base (after expenses, deductions and adjustments): \$6,807,571<sup>1</sup>

Federal Estate Tax before Credits	\$2,668,828	
Applicable Unified Credit <sup>2</sup>	\$2,765,800	
New Jersey State Tax	\$242,429	
<b>Total Net Taxes Due</b>		<b>\$242,429</b>

### Remaining Estate

Tina's Assets at Ed's death	\$1,561,292	
<i>plus</i> Other Funds (Net Inheritance)	\$3,415,107	
Remaining Estate at Ed's death		<b>\$4,976,399</b>
includes IRA Rollover of \$1,795,452		
<b>Remaining Estate at Tina's death in 2028</b>		<b>\$5,434,957</b>
<b>with growth at assumed rates</b>		
includes IRA Rollover of \$1,795,452		

### Family Trust

A Family Trust is established at Ed's death, using assets valued at \$6,807,571. With growth at assumed rates, the Family Trust is worth \$8,736,555 at Tina's death.

## At Tina's Death in 2028

### Taxes, Expenses, Probate and Debts<sup>1</sup>

Tentative Tax Base (after expenses, deductions and adjustments): \$4,931,880

Federal Estate Tax before Credits	\$1,918,552	
Applicable Unified Credit <sup>2</sup>	\$3,310,772	
New Jersey State Tax	\$434,802	
<b>Total Net Taxes Due</b>		<b>\$434,802</b>

### Value of Other Items at Second Death

Irrevocable Life Insurance Trust (ILIT)	\$1,000,000
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### Summary of Total Distributions to Heirs and Others

#### Values at Second Death

Irrevocable Life Insurance Trust (ILIT)	\$1,000,000	
<b>Total Net Distributions to Family</b>		<b>\$13,820,319</b>
<b>Total Distributions to Family and Charity</b>		<b>\$13,820,319</b>

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

<sup>1</sup> See the Estate Calculations page for further details on expenses and deductions.

<sup>2</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

# Effects of Planning and New Life Insurance

## Sources of Cash

To maintain cash flow each year it may be necessary to withdraw a portion of the earnings or even liquidate one or more assets. Based on the information you supplied, each of your assets has been prioritized as to which asset would be used first, which would be last, and with all others in between. This same priority list is used at Tina's death to determine which assets would be used for any additional liquidity needs. The following assets are utilized in your Proposed Plan with New Life Insurance:

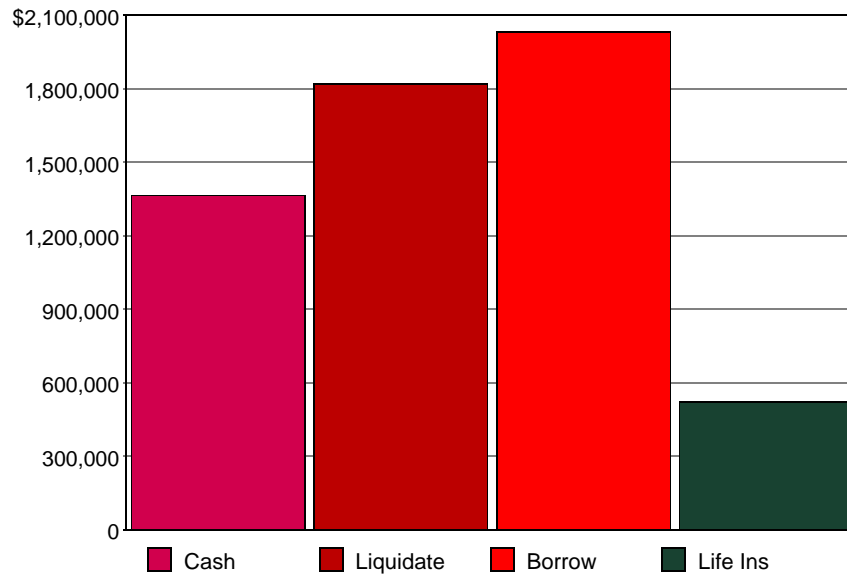
## Priority Ordering

<b>Asset</b>	<b>Limit Uses to</b>
Checking Account	Unrestricted
Mutual Fund 1	Unrestricted
Mutual Fund 2	Unrestricted
Mutual Fund 3	Unrestricted
Mutual Fund 4	Unrestricted
All Other Assets	Unrestricted
Tina's IRA	Retirement
Stocks	Unrestricted
Misc Stocks	Unrestricted
Ed 401(k)	Retirement
Mutual Fund 5	Unrestricted
Family Trust	Unrestricted
House	Do Not Use
Beach House	Do Not Use
Tina's Gift Shop	Do Not Use
Internet Business	Do Not Use

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# A Comparison of Funding Alternatives

## Your Proposed Plan with New Life Insurance



These values do not reflect the time value of money. Some numbers show the amount at death, some show the sum of payments that begin at death, and life insurance shows the sum of premiums beginning now. See the following page for the net present value of these amounts.

Cash	\$1,373,275
Liquidate Assets	At a liquidation ratio of 75%, \$1,831,033 of assets need to be sold to net \$1,373,275 cash.
Borrow	At 8.000%, 10 annual payments of \$204,658 would equal \$2,046,584.
Life Insurance plus Cash	Total premium payments of \$172,000 over the next 15 years plus additional cash of \$351,193 for a total of \$523,193.

Assumes that Ed dies in 10 years and Tina dies 5 years later.

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# A Comparison of Funding Alternatives

Net Present Value Calculated at 5.00% Over 15 Years

	Total Cost	Net Present Value	Cost of One Dollar
Cash	\$1,373,275	\$660,569	\$1.00
Liquidate Assets	\$1,831,033	\$880,758	\$1.33
Borrow	\$2,046,584	\$760,160	\$1.15
Life Insurance plus Cash	\$523,193	\$285,373	\$0.43

Total Cost does not reflect the time value of money. Some numbers show the amount at death, some show the sum of payments that begin at death, and life insurance shows the sum of premiums beginning. now. The Net Present Value shows the relative value in today's dollars.

Calculations are based on total taxes, expenses, and probate expenses of \$1,373,275. Assumes Ed dies in 2023 and Tina dies in 2028.

Life insurance illustrated is assumed to have incidents of ownership and beneficiary designations outside the estate of the insured(s).

**For Evaluation Purposes Only can provide a solution at a reduced cost!**

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Action Plan

## Putting Your Plan into Effect

Check When Completed	Action	Who Is Responsible	Target Date
_____	Establish and/or review life insurance trust(s)	Attorney, Ed and Tina	___ / ___ / ___
_____	Complete application for new life insurance policy	Trustee, Ed and Tina	___ / ___ / ___
_____	Medical exam	Ed	___ / ___ / ___
_____	Medical exam	Tina	___ / ___ / ___
_____	Schedule gifts to irrevocable life insurance trust	Ed and Tina	___ / ___ / ___
_____	Review and change ownership or beneficiaries to reflect will provisions	Attorney, Ed and Tina	___ / ___ / ___
_____	Deliver life insurance policies	Agent	___ / ___ / ___
_____	Annual review of the plan	Agent, Attorney, Ed and Tina	___ / ___ / ___

# Supporting Details

# Assets Before Death

Your Proposed Plan

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later. The growth of your assets until death considers your income as well as the portion of existing assets used to provide the spending patterns detailed in the assumptions.

End of Year	Expected Income	Total Outgoing Payments	Change in Assets	End of Year Asset Values	Ed's Assets	Tina's Assets
			<b>Values Today</b>	<b>\$6,700,000</b>	<b>\$5,800,000</b>	<b>\$900,000</b>
2013	\$159,000	\$134,237	\$135,091	\$7,059,385	\$6,109,388	\$949,997
2014	638,880	502,864	556,867	7,752,269	6,691,327	1,060,942
2015	641,846	532,612	584,361	8,445,865	7,285,158	1,160,706
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2020	215,436	236,512	460,383	11,205,745	9,714,790	1,490,955
2021	220,099	243,420	485,690	11,691,435	10,151,113	1,540,322
2022	194,902	234,528	498,697	12,190,132	10,605,448	1,584,684
			<b>Values at Ed's death after 10 years</b>		<b>\$10,605,448</b>	<b>\$1,584,684</b>

## Adjustments at Ed's Death

Cash Flow Adjustment	-\$23,392	-\$23,392
<b>Estate Total in 2023</b>	<b>\$10,582,056</b>	<b>\$1,561,292</b>
<b>Combined Estate Total</b>	<b>\$12,143,348</b>	

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.



# Estate Calculations

Calculations at First Death

## Ed Dies First in 2023

	Current Plan	Proposed Plan
<b>Ed's Gross Estate</b>	<b>\$9,680,896</b>	<b>\$10,582,056</b>
Liabilities	(\$2,258)	(\$1,129)
<b>A. Net Estate</b>	<b>\$9,678,638</b>	<b>\$10,580,927</b>
Estate Expenses		
Probate and Administrative Fees	\$96,809	\$105,821
Final Expenses	\$10,000	\$10,000
<b>B. Total Expenses</b>	<b>\$106,809</b>	<b>\$115,821</b>
<b>C. Adjusted Gross Estate (A-B)</b>	<b>\$9,571,829</b>	<b>\$10,465,107</b>
Deductions		
Marital Deduction	\$9,571,829	\$3,415,107
State Tax Deductions	\$0	\$242,429
<b>D. Total Deductions</b>	<b>\$9,571,829</b>	<b>\$3,657,536</b>
<b>E. Total Additions</b>	<b>\$0</b>	<b>\$0</b>
<b>F. Tentative Tax Base (C-D+E)</b>	<b>\$0</b>	<b>\$6,807,571</b>
Taxes and Credits		
Federal Estate Tax before Credits	\$0	\$2,668,828
Applicable Unified Credit <sup>1</sup>	(\$2,765,800)	(\$2,765,800)
State Tax	\$0	\$242,429
<b>G. Total Net Taxes Due</b>	<b>\$0</b>	<b>\$242,429</b>
<b>H. Distributions at Ed's Death (C-G)</b>	<b>\$9,571,829</b>	<b>\$10,222,678</b>

<sup>1</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

# Estate Transferred to Heirs

## Distributions Following First Death

### Ed Dies First in 2023

	Current Plan	Proposed Plan
<b>Ed's Gross Estate</b>	<b>\$9,680,896</b>	<b>\$10,582,056</b>
less Liabilities	(\$2,258)	(\$1,129)
less Total Expenses	(\$106,809)	(\$115,821)
less Total Net Taxes Due	(\$0)	(\$242,429)
<b>After Tax Estate</b>	<b>\$9,571,829</b>	<b>\$10,222,678</b>
<b>Reduction after Taxes and Expenses</b>	<b>1%</b>	<b>3%</b>
<b>Distributions of Estate Assets</b>		
Ed's Bequests	\$0	\$0
Marital Deduction	\$9,571,829	\$3,415,107
Family Trust		\$6,807,571

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Assets Between Deaths

Proposed Plan

The growth of your assets between Ed's death and Tina's death considers your income as well as the portion of existing assets used for the spending patterns detailed in the assumptions.

## Growth of Tina's Assets Between Deaths

End of Year	Expected Income	Total Outgoing Payments	Change in Assets	End of Year Asset Values
2023	\$123,269	\$577,803	-\$7,110,633	\$5,079,499
2024	141,723	205,010	94,783	5,174,282
2025	145,975	215,430	95,512	5,269,795
2026	150,354	221,929	100,605	5,370,399
2027	154,865	228,622	105,963	5,476,363
<b>Values at Tina's death in 5 years</b>				<b>\$5,476,363</b>
<b>Adjustments at Tina's Death</b>				
	Cash Flow Adjustments			-\$41,405
<b>Estate Total in 2028</b>				<b>\$5,434,957</b>

# Estate Calculations

Calculations at Second Death

## Tina Dies Second in 2028

	Current Plan	Proposed Plan
<b>Tina's Gross Estate</b>	<b>\$18,497,411</b>	<b>\$5,434,957</b>
Liabilities	\$5,235	\$3,926
<b>A. Net Estate</b>	<b>\$18,492,176</b>	<b>\$5,431,031</b>
<b>Estate Expenses</b>		
Probate and Administrative Fees	\$695,759	\$54,350
Final Expenses	\$10,000	\$10,000
<b>B. Total Expenses</b>	<b>\$705,759</b>	<b>\$64,350</b>
<b>C. Adjusted Gross Estate (A-B)</b>	<b>\$17,786,417</b>	<b>\$5,366,682</b>
<b>Deductions</b>		
State Tax Deduction	\$2,312,627	\$434,802
<b>D. Total Deductions</b>	<b>\$2,312,627</b>	<b>\$434,802</b>
<b>E. Total Additions</b>	<b>\$0</b>	<b>\$0</b>
<b>F. Tentative Tax Base (C-D+E)</b>	<b>\$15,473,790</b>	<b>\$4,931,880</b>
<b>Taxes and Credits</b>		
Federal Estate Tax before Credits	\$6,135,316	\$1,918,552
Applicable Unified Credit <sup>1</sup>	(\$6,033,800)	(\$3,310,772)
State Tax	\$2,312,627	\$434,802
<b>G. Total Net Taxes Due</b>	<b>\$2,414,143</b>	<b>\$434,802</b>
<b>H. Income Tax on Income in Respect of Decedent</b>	<b>\$1,969,192</b>	<b>\$848,116</b>
<b>I. Distributions at Tina's Death (C-G-H)</b>	<b>\$13,403,082</b>	<b>\$4,083,764</b>

<sup>1</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.

# Estate Transferred to Heirs

## Distributions Following Second Death

### Tina Dies Second in 2028

	Current Plan	Proposed Plan
<b>Tina's Gross Estate</b>	<b>\$18,497,411</b>	<b>\$5,434,957</b>
less Liabilities	(\$5,235)	(\$3,926)
less Total Expenses	(\$705,759)	(\$64,350)
less Total Net Taxes Due	(\$2,414,143)	(\$434,802)
less Income Tax on IRD	(\$1,969,192)	(\$848,116)
<b>After Tax Estate</b>	<b>\$13,403,082</b>	<b>\$4,083,764</b>
<b>Reduction after Taxes and Expenses</b>	<b>28%</b>	<b>25%</b>
<b>Distribution of Estate Assets</b>		
Tina's Bequests	\$7,675,303	\$1,660,576
Family Trust	\$0	\$8,736,555
<b>Other Distributions</b>		
Life Insurance Available		
Irrevocable Life Insurance Trust	\$0	\$1,000,000
Other Transfers to Heirs	\$5,727,779	\$2,423,188
<b>Total Estate Transferred</b>	<b>\$13,403,082</b>	<b>\$13,820,319</b>
<b>Increased Distributions to Heirs and Others from New Life Insurance and Additional Planning</b>		<b>\$417,237</b>

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Liquidity Needed

Amount to Preserve Estate Assets

## Ed Dies First in 2023

	Current Plan	Proposed Plan
<b>Estate Taxes and Expenses</b>		
Probate and Administrative Fees	\$96,809	\$105,821
Final Expenses	\$10,000	\$10,000
Liabilities	\$2,258	\$1,129
Estate Taxes	\$0	\$242,429
<b>Total Taxes, Expenses, Probate and Debts</b>	<b>\$109,067</b>	<b>\$359,378</b>
<b>Total Estate Settlement Costs</b>	<b>\$109,067</b>	<b>\$359,378</b>
<b>Additional Liquidity Outside Estate Needed to Preserve Estate Assets</b>	<b>\$109,067</b>	<b>\$359,378</b>
<b>Estimated Percentage of Liquid Assets in the Estate at Death<sup>1</sup></b>	<b>37%</b>	<b>45%</b>

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

<sup>1</sup> Estimated only, based on existing mix of assets and all other assumptions. Actual liquid assets will depend on a number of factors. Of course, even if liquid assets are available you may not want to use them to pay estate transfer costs.

# Liquidity Needed

Amount to Preserve Estate Assets

## Tina Dies Second in 2028

	Current Plan	Proposed Plan
<b>Estate Taxes and Expenses</b>		
Probate and Administrative Fees	\$695,759	\$54,350
Final Expenses	\$10,000	\$10,000
Liabilities	\$5,235	\$3,926
Estate Taxes	\$2,414,143	\$434,802
<b>Total Taxes, Expenses, Probate and Debts</b>	<b>\$3,125,137</b>	<b>\$503,077</b>
Income Tax on Income in Respect of Decedent	\$1,969,192	\$848,116
<b>Total Estate Settlement Costs</b>	<b>\$5,094,329</b>	<b>\$1,351,193</b>
<i>less</i> Life Insurance Available		
Irrevocable Life Insurance Trust	\$0	\$1,000,000
<b>Additional Liquidity Outside Estate Needed to Preserve Estate Assets</b>	<b>\$5,094,329</b>	<b>\$351,193</b>
<b>Estimated Percentage of Liquid Assets in the Estate at Death<sup>1</sup></b>	<b>37%</b>	<b>16%</b>

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

<sup>1</sup> Estimated only, based on existing mix of assets and all other assumptions. Actual liquid assets will depend on a number of factors. Of course, even if liquid assets are available you may not want to use them to pay estate transfer costs.

# IRD Calculations for Proposed Plan

IRD after Tina's Death in 2028

To calculate IRD (Income in Respect of a Decedent), first calculate estate taxes including the IRD Assets. Then calculate estate taxes without the IRD Assets. The difference in these two amounts can be used as a deduction for income tax purposes. Deduct this difference from the IRD Assets. Calculate income taxes on the remainder.

**Case Data: Assets**                    **\$3,011,769**  
**IRD Assets**                               **\$2,423,188**

## With IRD Assets

### Estate Calculations

Total Estate	\$5,434,957
Expenses - Liabilities	\$68,276
Adjusted Gross Estate	\$5,366,682
Total Deductions	\$434,802
Tentative Tax Base	\$4,931,880

### Estate Taxes and Credits

Federal Estate Tax	
before Tax Credits	\$1,918,552
Applicable Unified Credit <sup>1</sup>	\$3,310,772
Federal Tax with IRD Assets	\$0

## Without IRD Assets

### Estate Calculations

Total Estate	\$3,011,769
Expenses - Liabilities	\$44,044
Adjusted Gross Estate	\$2,967,725
Total Deductions	\$179,160
Tentative Tax Base	\$2,788,565

### Estate Taxes and Credits

Federal Estate Tax	
before Tax Credits	\$1,061,226
Applicable Unified Credit <sup>1</sup>	\$3,310,772
Federal Tax without IRD Assets	\$0

	Federal Estate Tax with IRD Assets	\$0
<i>less</i>	Federal Estate Tax without IRD Assets	(\$0)
	Federal Estate Tax attributed to IRD	\$0
	IRD Assets	\$2,423,188
<i>less</i>	Deduction for Estate Tax Attributed to IRD	(\$0)
	Taxable Income from IRD Assets	\$2,423,188
	Assumed Income Tax Rate	35%
	<b>Tax on Income in Respect of a Decedent</b>	<b>\$848,116</b>

<sup>1</sup> American Taxpayer Relief Act of 2012 provides for an Applicable Exclusion amount of \$5,000,000, indexed for inflation after 2011. The Basic Unified Credit is \$1,945,800, indexed for inflation after 2011. Unused Applicable Exclusion amounts may be passed to the surviving spouse ('portability'), provided an election is made on a timely filed estate tax return of the deceased spouse (DSUEA). The Applicable Unified Credit amount is the Basic Unified Credit plus 40% of the DSUEA used at death, if any.



# State Death Taxes

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## Calculating New Jersey Death Taxes

### **What Property Is Subject to State Death Taxes?**

In addition to the federal estate taxes paid on assets held in your estate at death, state death taxes may have to be paid on those same assets. New Jersey taxes all real estate, tangible and intangible property located in the state's boundaries and if you have assets in other states, the other states will tax property located within their boundaries as well.

### **How Do State Death Taxes Work?**

Before 2001, most states assessed their estate taxes based on that maximum allowable federal credit amount. These states are called "Pick-Up States". On the federal estate tax return, the estate received a credit for state death taxes paid up to a maximum amount (calculated by the federal government).

EGTRRA 2001 phased out the state death tax credit allowed against the federal estate tax in 25 percent increments between 2002 and 2005. For 2005 and later, the credit was replaced by a deduction for state death taxes paid. The Tax Acts of 2010 and 2012 extended this deduction; therefore, most "Pick-up States" will not assess state death taxes.

### **New Jersey Estate Tax**

Some states choose to have their own stand-alone state death tax calculations which are called "State Estate Taxes". New Jersey has an estate tax based on pre-EGTRRA 2001 tax laws. The estate tax is equal to what the federal credit would have been prior to EGTRRA 2001.

### **New Jersey Inheritance Tax**

New Jersey charges a State Inheritance Tax which is a tax on the right of an heir to receive property from the estate of the deceased. The value of the decedent's estate as a whole does not help to determine the inheritance tax, rather the relationship of the heir to the decedent and the value of the share received together determine the tax. This tax is levied to the heir, not the estate. This tax is in addition to the state estate tax.

Because state death taxes vary greatly from state-to-state and states may revise tax laws at any time, you and your advisor should review your state's laws carefully.

# Asset Summary

All Assets

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

End of Year	Beginning of Year Assets	Change in Asset Values	End of Year Asset Value <sup>1</sup>	Net Assets Used for Cash Flow <sup>2</sup>
2013	\$6,899,532	\$135,091	\$7,059,385	\$0
2014	7,059,385	556,867	7,752,269	0
2015	7,752,269	584,361	8,445,865	0
2016	8,445,865	613,378	9,166,691	0
2017	9,166,691	644,011	9,916,305	0
2018	9,916,305	384,975	10,301,280	46,215
2019	10,301,280	444,082	10,745,362	11,471
2020	10,745,362	460,383	11,205,745	21,075
2021	11,205,745	485,690	11,691,435	23,321
2022	11,691,435	498,697	12,190,132	39,626
2023	12,190,132	-7,110,633	5,079,499	453,405
2024	5,079,499	94,783	5,174,282	63,286
2025	5,174,282	95,512	5,269,795	69,455
2026	5,269,795	100,605	5,370,399	71,574
2027	5,370,399	105,963	5,476,363	73,757

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

<sup>1</sup> Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

<sup>2</sup> See Net Adjustments for Cash Flow page.

# Liability Summary

All Liabilities

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

<b>End of Year</b>	<b>Beginning of Year Total<sup>1</sup> Liabilities</b>	<b>New Loans Added</b>	<b>Interest Charges</b>	<b>Total Payments To Principal and Interest</b>	<b>End of Year Total Liabilities</b>
2013	\$0	\$0	\$0	\$0	\$0
2014	3,264	0	0	0	0
2015	29,181	0	0	0	0
2016	30,076	0	0	0	0
2017	31,003	0	0	0	0
2018	31,966	0	0	0	0
2019	29,504	0	0	0	0
2020	42,217	0	0	0	0
2021	44,551	0	0	0	0
2022	45,842	0	0	0	0
2023	47,171	1,129	0	0	0
2024	29,670	0	0	0	0
2025	35,190	0	0	0	0
2026	36,642	0	0	0	0
2027	38,137	0	0	0	0

<sup>1</sup> Beginning of Year Total Liabilities equal the total liabilities at the end of the prior year plus any tax liabilities from the prior year since taxes are generally due and payable in the following year.

# Income Summary

Total Income Received

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

End of Year	Salary	Other Income <sup>1</sup>	Social Security <sup>2</sup>	Earnings (Cash, Dividends)	Retirement Plan Distributions	Total Expected Income
2013	\$135,000	\$24,000	\$0	\$0	\$0	\$159,000
2014	540,000	98,880	0	0	0	638,880
2015	540,000	101,846	0	0	0	641,846
2016	540,000	104,902	0	0	0	644,902
2017	540,000	108,049	0	0	0	648,049
2018	60,000	111,290	0	0	0	171,290
2019	60,000	114,629	33,257	0	0	207,886
2020	60,000	118,068	37,368	0	0	215,436
2021	60,000	121,610	38,490	0	0	220,099
2022	30,000	125,258	39,644	0	0	194,902
2023	0	99,450	23,820	0	0	123,269
2024	0	99,665	42,059	0	0	141,723
2025	0	102,655	43,320	0	0	145,975
2026	0	105,734	44,620	0	0	150,354
2027	0	108,906	45,959	0	0	154,865

<sup>1</sup> Other Income includes any estimated tax refunds for the prior year.

<sup>2</sup> Benefits may be reduced for earnings from current work prior to full retirement age (FRA). FRA for Ed is age 66 and FRA for Tina is age 66 and 6 months.

# Net Adjustments for Cash Flow

Adjustments

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

End of Year	Expected Income	New Loan Proceeds	Net Assets Used for Cash Flow	Annual Shortfall	Total Outgoing Payments
2013	\$159,000	\$0	\$0	---	\$134,237
2014	638,880	0	0	---	502,864
2015	641,846	0	0	---	532,612
2016	644,902	0	0	---	537,453
2017	648,049	0	0	---	542,446
2018	171,290	0	46,215	---	217,505
2019	207,886	0	11,471	---	219,357
2020	215,436	0	21,075	---	236,512
2021	220,099	0	23,321	---	243,420
2022	194,902	0	39,626	---	234,528
2023	123,269	1,129	453,405	---	577,803
2024	141,723	0	63,286	---	205,010
2025	145,975	0	69,455	---	215,430
2026	150,354	0	71,574	---	221,929
2027	154,865	0	73,757	---	228,622

# Qualified Plan Summary

Effects on Cash Flow

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

<b>End of Year</b>	<b>Deposits</b>	<b>Growth</b>	<b>Required Minimum Distribution</b>	<b>Actual Distributions</b>	<b>Account Balance</b>
2013	\$60,000	\$4,957	\$0	\$0	\$477,121
2014	240,000	26,366	0	0	743,487
2015	240,000	37,147	0	0	1,020,634
2016	240,000	48,367	0	0	1,309,001
2017	240,000	60,044	0	0	1,609,045
2018	0	67,028	0	0	1,676,073
2019	0	69,869	0	0	1,745,943
2020	0	72,834	0	0	1,818,776
2021	0	75,927	0	0	1,894,703
2022	0	79,154	0	0	1,973,857
2023	0	82,522	0	0	2,056,380
2024	0	86,037	0	0	2,142,417
2025	0	89,706	0	0	2,232,123
2026	0	93,535	0	0	2,325,657
2027	0	97,531	0	0	2,423,188

# Gift Summary

Total Gifts

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

End of Year	Life Insurance Premium Gifts	Non Premium Gifts	Taxable Gifts	Exclusion Gifts	Charitable Gifts	All Gifts
2013	\$3,000	\$0	\$0	\$3,000	\$0	\$3,000
2014	12,000	0	0	12,000	0	12,000
2015	12,000	0	0	12,000	0	12,000
2016	12,000	0	0	12,000	0	12,000
2017	12,000	0	0	12,000	0	12,000
2018	12,000	0	0	12,000	0	12,000
2019	12,000	0	0	12,000	0	12,000
2020	12,000	0	0	12,000	0	12,000
2021	12,000	0	0	12,000	0	12,000
2022	12,000	0	0	12,000	0	12,000
2023	12,000	0	0	12,000	0	12,000
2024	12,000	0	0	12,000	0	12,000
2025	12,000	0	0	12,000	0	12,000
2026	12,000	0	0	12,000	0	12,000
2027	12,000	0	0	12,000	0	12,000

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Gift Details

Total Gifts

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

End of Year	Non-Premium Exclusion Gifts	Life Ins Premium Exclusion Gifts	Total Annual Exclusion Gifts	Non-Premium Taxable Gifts	Life Ins Premium Taxable Gifts	Total Annual Taxable Gifts	Charitable Gifts
2013	\$0	\$3,000	\$3,000	\$0	\$0	\$0	\$0
2014	0	12,000	12,000	0	0	0	0
2015	0	12,000	12,000	0	0	0	0
2016	0	12,000	12,000	0	0	0	0
2017	0	12,000	12,000	0	0	0	0
2018	0	12,000	12,000	0	0	0	0
2019	0	12,000	12,000	0	0	0	0
2020	0	12,000	12,000	0	0	0	0
2021	0	12,000	12,000	0	0	0	0
2022	0	12,000	12,000	0	0	0	0
2023	0	12,000	12,000	0	0	0	0
2024	0	12,000	12,000	0	0	0	0
2025	0	12,000	12,000	0	0	0	0
2026	0	12,000	12,000	0	0	0	0
2027	0	12,000	12,000	0	0	0	0

Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.



# Income and Gift Tax Summary

Annual Details

*Ed Dies in 2023, Tina Dies in 2028*

Ed Dies in 2023, Tina Dies in 2028

## Proposed Plan with New Life Insurance

End of Year	Income Taxes Due for Prior Year	Income Taxes Refund for Prior Year	Withholding for Year	FICA Withholding	Gift Taxes Due for Prior Year	Taxes Payments and Withholdings
2013	\$0	\$0	\$37,800	\$9,937	\$0	\$47,737
2014	3,264	0	151,200	28,679	0	183,144
2015	29,181	0	151,200	28,679	0	209,060
2016	30,076	0	151,200	28,679	0	209,955
2017	31,003	0	151,200	28,679	0	210,883
2018	31,966	0	25,200	4,590	0	61,756
2019	29,504	0	25,200	4,590	0	59,294
2020	42,217	0	25,200	4,590	0	72,007
2021	44,551	0	25,200	4,590	0	74,341
2022	45,842	0	12,600	2,295	0	60,737
2023	48,300	0	0	0	0	48,300
2024	29,670	0	0	0	0	29,670
2025	35,190	0	0	0	0	35,190
2026	36,642	0	0	0	0	36,642
2027	38,137	0	0	0	0	38,137

# Lifestyle Expenses Summary

Outgoing Payments

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

<b>End of Year</b>	<b>Living Expenses</b>	<b>Education</b>	<b>Other Specific Needs</b>	<b>Loan Payments</b>	<b>Retirement Plan Contributions</b>	<b>Lifestyle Expenses</b>
2013	\$38,500	\$0	\$0	\$0	\$45,000	\$83,500
2014	127,720	0	0	0	180,000	307,720
2015	131,552	0	0	0	180,000	311,552
2016	135,498	0	0	0	180,000	315,498
2017	139,563	0	0	0	180,000	319,563
2018	143,750	0	0	0	0	143,750
2019	148,062	0	0	0	0	148,062
2020	152,504	0	0	0	0	152,504
2021	157,079	0	0	0	0	157,079
2022	161,792	0	0	0	0	161,792
2023	517,504	0	0	0	0	517,504
2024	163,340	0	0	0	0	163,340
2025	168,240	0	0	0	0	168,240
2026	173,287	0	0	0	0	173,287
2027	178,486	0	0	0	0	178,486

# Outgoing Payments Summary

Outgoing Payments

*Ed Dies in 2023, Tina Dies in 2028*

## Proposed Plan with New Life Insurance

<b>End of Year</b>	<b>Lifestyle Expenses</b>	<b>Gifts Not Including Life Insurance</b>	<b>Life Insurance Premiums</b>	<b>Tax Payments and Withholdings</b>	<b>Discretionary Spending</b>	<b>Outgoing Payments</b>
2013	\$83,500	\$0	\$3,000	\$47,737	\$0	\$134,237
2014	307,720	0	12,000	183,144	0	502,864
2015	311,552	0	12,000	209,060	0	532,612
2016	315,498	0	12,000	209,955	0	537,453
2017	319,563	0	12,000	210,883	0	542,446
2018	143,750	0	12,000	61,756	0	217,505
2019	148,062	0	12,000	59,294	0	219,357
2020	152,504	0	12,000	72,007	0	236,512
2021	157,079	0	12,000	74,341	0	243,420
2022	161,792	0	12,000	60,737	0	234,528
2023	517,504	0	12,000	48,300	0	577,803
2024	163,340	0	12,000	29,670	0	205,010
2025	168,240	0	12,000	35,190	0	215,430
2026	173,287	0	12,000	36,642	0	221,929
2027	178,486	0	12,000	38,137	0	228,622

# Additional Details

# Assumptions

Current Plan

Assumptions as of October 24, 2013 for:

**Ed Allen**

**Tina Allen**

**Age: 60 Male Born:** Jan. 01, 1953

**Age: 56 Female Born:** Jul. 01, 1957

Ed and Tina are married.

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later.

State Inheritance Tax based on New Jersey

**Home Phone:** 222-555-4444

**Business Phone:** 222-555-3333

## Mailing Address

123 Main Street  
Princeton, NJ, 11250

## Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Karen	Jul. 15, 1982	Female	Child	Tina, Ed
Thomas	Jun. 28, 1987	Male	Child	Tina, Ed

## Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
Widget, Inc.	Ed	\$40,000	Monthly	0.000%
Tina's Gift Shop	Tina	\$5,000	Monthly	0.000%

## Checking, Savings, CDs

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
Checking Account	Tina, Ed	\$200,000	Jan. 01, 2013	0.000%
All Other Assets	Tina, Ed	\$500,000	Jan. 01, 2012	1.000%

This asset is the Cash Account

## Mutual Funds

Name/ Symbol	Owner	Account Balance	Balance As Of	Basis	Rates		
					Qual. Div.	Cap. Gains	App.
Mutual Fund 1	Tina, Ed	\$500,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	2.000% <sup>1</sup>	5.000%
Mutual Fund 2	Tina, Ed	\$100,000	Jan. 01, 2013	\$100,000	2.000% <sup>1</sup>	1.000% <sup>1</sup>	5.000%
Mutual Fund 3	Tina, Ed	\$500,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	2.000% <sup>1</sup>	5.000%
Mutual Fund 4	Tina, Ed	\$100,000	Jan. 01, 2013	\$100,000	0.000% <sup>1</sup>	3.000% <sup>1</sup>	5.000%
Mutual Fund 5	Tina, Ed	\$200,000	Jan. 01, 2013	\$150,000	1.000% <sup>1</sup>	1.000% <sup>1</sup>	3.000%

## Stocks

Name/ Symbol	Owner	Current Value	Balance As Of	Basis	Rates	
					Div. Rate	App. Rate
Stocks	Tina, Ed	\$300,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	3.000%
Misc Stocks	Tina, Ed	\$700,000	Jan. 01, 2013	\$650,000	1.000% <sup>1</sup>	3.000%

## Retirement Plans

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
Ed 401(k)	Ed	\$300,000	Jan. 01, 2013	4.000%	\$15,000	\$5,000

<sup>1</sup> Dividends are assumed to be reinvested in similar investments.

# Assumptions (Continued)

Current Plan

## Retirement Plans (Continued)

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
PMM	Ed	\$200,000	Jul. 03, 2013	5.000%	n/a	\$33,500

## IRAs

Name	Owner	Current Balance	Balance As Of	Growth Rate	Type
Tina's IRA	Tina	\$100,000	Jan. 01, 2013	6.000%	Deductible

## Business Property

### Tina's Gift Shop

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate	Business Form	% of Total Bus. Value	Income	Income Frequency	Monthly Expenses	Annual Expenses	Inflation Rate
Tina, Ed	\$700,000	Jan. 01, 2013	\$50,000	5.000%	Sole Proprietorship	100%	\$6,000	Monthly	\$2,000	\$10,000	3.000%

### Internet Business

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate	Business Form	% of Total Bus. Value	Income	Income Frequency	Monthly Expenses	Annual Expenses	Inflation Rate
Tina, Ed	\$1,000,000	Jan. 01, 2013	\$50,000	6.000%	Sole Proprietorship	100%	\$2,000	Monthly	\$500	\$0	3.000%

## Residences

### House

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Tina, Ed	\$1,000,000	Jan. 01, 2013	\$750,000	2.000%

### Beach House

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Tina, Ed	\$500,000	Jan. 01, 2013	\$450,000	2.000%

## Essential Living Expenses

Description	Amount	Frequency	Tax Deductible <sup>1</sup>	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Living Expenses	\$7,000	Monthly	No	100%	100%	100%

## Business Expenses

Description	Amount	Frequency
Monthly Expense for Internet Business	\$500	Monthly
Annual Expense for Tina's Gift Shop	\$10,000	Annual
Monthly Expense for Tina's Gift Shop	\$2,000	Monthly

<sup>1</sup> Deductions for charitable contributions and medical/prescriptions are subject to limitations.

# Assumptions

Proposed Plan

Assumptions as of October 24, 2013 for:

**Ed Allen**

**Tina Allen**

**Age: 60 Male Born:** Jan. 01, 1953

**Age: 56 Female Born:** Jul. 01, 1957

Ed and Tina are married.

This analysis assumes that Ed dies in 10 years and Tina dies 5 years later.

State Inheritance Tax based on New Jersey

**Home Phone:** 222-555-4444

**Business Phone:** 222-555-3333

## Mailing Address

123 Main Street  
Princeton, NJ, 11250

## Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Karen	Jul. 15, 1982	Female	Child	Tina, Ed
Thomas	Jun. 28, 1987	Male	Child	Tina, Ed

## Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
Widget, Inc.	Ed	\$40,000	Monthly	0.000%
Tina's Gift Shop	Tina	\$5,000	Monthly	0.000%

## Checking, Savings, CDs

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
Checking Account	Tina, Ed	\$200,000	Jan. 01, 2013	0.000%
All Other Assets	Ed	\$500,000	Jan. 01, 2012	1.000%

This asset is the Cash Account

## Mutual Funds

Name/ Symbol	Owner	Account Balance	Balance As Of	Basis	Rates		
					Qual. Div.	Cap. Gains	App.
Mutual Fund 1	Ed	\$500,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	2.000% <sup>1</sup>	5.000%
Mutual Fund 2	Ed	\$100,000	Jan. 01, 2013	\$100,000	2.000% <sup>1</sup>	1.000% <sup>1</sup>	5.000%
Mutual Fund 3	Ed	\$500,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	2.000% <sup>1</sup>	5.000%
Mutual Fund 4	Ed	\$100,000	Jan. 01, 2013	\$100,000	0.000% <sup>1</sup>	3.000% <sup>1</sup>	5.000%
Mutual Fund 5	Ed	\$200,000	Jan. 01, 2013	\$150,000	1.000% <sup>1</sup>	1.000% <sup>1</sup>	3.000%

## Stocks

Name/ Symbol	Owner	Current Value	Balance As Of	Basis	Rates	
					Div. Rate	App. Rate
Stocks	Ed	\$300,000	Jan. 01, 2013	\$450,000	1.000% <sup>1</sup>	3.000%
Misc Stocks	Ed	\$700,000	Jan. 01, 2013	\$650,000	1.000% <sup>1</sup>	3.000%

<sup>1</sup> Dividends are assumed to be reinvested in similar investments.

# Assumptions (Continued)

Proposed Plan

## Retirement Plans

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
Ed 401(k)	Ed <sup>1</sup>	\$300,000	Jan. 01, 2013	4.000%	\$15,000	\$5,000

## IRAs

Name	Owner	Current Balance	Balance As Of	Growth Rate	Type
Tina's IRA	Tina	\$100,000	Jan. 01, 2013	6.000%	Deductible

## Business Property

### Tina's Gift Shop

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate	Business Form	% of Total Bus. Value	Income	Income Frequency	Monthly Expenses	Annual Expenses	Inflation Rate
Tina	\$700,000	Jan. 01, 2013	\$50,000	5.000%	Sole Proprietorship	100%	\$6,000	Monthly	\$2,000	\$10,000	3.000%

### Internet Business

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate	Business Form	% of Total Bus. Value	Income	Income Frequency	Monthly Expenses	Annual Expenses	Inflation Rate
Ed	\$1,000,000	Jan. 01, 2013	\$50,000	6.000%	Sole Proprietorship	100%	\$2,000	Monthly	\$500	\$0	3.000%

## Residences

### House

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Ed	\$1,000,000	Jan. 01, 2013	\$750,000	2.000%

### Beach House

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Ed	\$500,000	Jan. 01, 2013	\$450,000	2.000%

## Life Insurance-Individual

Name	Insured	Owner	Beneficiary	Face Amount	Premium	Frequency	Cash Value
ILIT - New Life Insurance	Survivor	ILIT	ILIT	\$1,000,000	\$1,000	Monthly	\$0

## Essential Living Expenses

Description	Amount	Frequency	Tax Deductible <sup>2</sup>	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Living Expenses	\$7,000	Monthly	No	100%	100%	100%

<sup>1</sup> Participant qualifies to delay distributions past age 70 ½.

<sup>2</sup> Deductions for charitable contributions and medical/prescriptions are subject to limitations.



# Assumptions (Continued)

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Proposed Plan

## Business Expenses

Description	Amount	Frequency
Monthly Expense for Internet Business	\$500	Monthly
Annual Expense for Tina's Gift Shop	\$10,000	Annual
Monthly Expense for Tina's Gift Shop	\$2,000	Monthly

# Additional Details

Your Proposed Plan

Calculations assume that Ed dies in 10 years and Tina dies 5 years later.  
Ed is age 60 and Tina is age 56.

Ed is eligible for Social Security benefits. Ed's Social Security benefits are estimated based on a ratio of salary to maximum benefits. Ed plans to take Social Security retirement benefits starting at age 66.

Tina is eligible for Social Security benefits. Tina's Social Security benefits are estimated based on a ratio of salary to maximum benefits. Tina plans to take Social Security retirement benefits starting at age 66.

Ed is a U.S. Citizen and Tina is a U.S. Citizen.

## Tax Rates

The tax rates assumed for the proposed strategy are also used for the current situation so that the comparisons illustrate the effects of taxes on the estimated taxable income and the differences in the estate taxes. The objective of this presentation is to consider how the proposed strategy may affect the expenses and estate taxes at death.

## Income Tax Rates

Federal Income Tax Rate: 35%  
State Income Tax Rate: 7%

## Other Rates

Capital Gains Tax Rate: 0%  
Income Tax Rate for Income in Respect of a Decedent: 35%  
General Inflation Rate: 3%  
Inflation Rate for Federal Indexed Values: 3%  
(used for gift exclusions, Social Security and Applicable Exclusion Amount)  
An IRC Sec. 7520 rate of 3.0% is used to calculate the remainder interests for trusts, annuities and income in respect of decedent.  
Income designated as Capital Gains Income is assumed to qualify for long-term capital gains treatment.  
Calculations of short-term capital gains, adjusted net capital gain or qualified 5-year gain is beyond the scope of this analysis.

## Prior Taxable Gifts

### Ed:

Prior Taxable Gifts: \$0  
Gift Taxes Paid: \$0

### Tina:

Prior Taxable Gifts: \$0  
Gift Taxes Paid: \$0

## Growth Rates for Gifts, Bequests and Life Insurance Proceeds (Current Plan)

Growth Rates for Transfers to Others: 3.000%  
Growth Rates for Transfers to Charities: 5.000%  
Rates for Life Insurance Proceeds in Trust: 5.000%

## Growth Rates for Gifts, Bequests and Life Insurance Proceeds (Proposed Plan)

Growth Rates for Transfers to Others: 3.000%  
Growth Rates for Transfers to Charities: 5.000%  
Rates for Life Insurance Proceeds in Trust: 5.000%

# Additional Details (Continued)

Your Proposed Plan

## Probate and Expenses (Current Plan)

### Ed:

Final Expenses: \$10,000

Probate Fees (% Gross Estate): 4%

Administrative Fees (% Assets): 1%

### Tina:

Final Expenses: \$10,000

Probate Fees (% Gross Estate): 4%

Administrative Fees (% Assets): 1%

## Probate and Expenses (Proposed Plan)

### Ed:

Final Expenses: \$10,000

Probate Fees (% Gross Estate): 4%

Administrative Fees (% Assets): 1%

### Tina:

Final Expenses: \$10,000

Probate Fees (% Gross Estate): 4%

Administrative Fees (% Assets): 1%

## Tax Act of 2012

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 in this presentation. Tax Act of 2012 applies to deaths and gifts made in 2013 and later.

Tax Act of 2012 provides for 'portability' of a deceased spouse's unused Applicable Exclusion Amount. Unused exclusion amounts may be passed to the surviving spouse (election must be made on timely filed estate tax return of the deceased spouse.) Calculations for deaths or gifts reflect the rates, exemptions, and other provisions (portability) within the Tax Act of 2012.