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# **Financial Analysis**

**Richard and Rose Seniors**

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## Executive Summary

*Richard and Rose Seniors*

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### **The current scenario assumes the following:**

- \* Richard and Rose ages 70 / 63
- \* Assumed Death age = 85
- \* Living Expenses are \$160,000 per year
- \* Current Net Worth of over \$7,000,000.

### **Proposed scenario assumes the following:**

- \* Robert's IRA will be split into two separate IRAs to allow for the "stretch" benefits for Joel and Hope
- \* Start a Gifting Program to your children Joel and Hope
- \* Rose transfers \$250,000 to a Charitable Remainder Annuity Trust (CRAT) this year
- \* Transfer your LP shares of the Seniors FLP to a Grantor Retained Annuity Trust (GRAT)
- \* Purchase a life insurance policy inside an irrevocable life insurance trust (ILIT) to provide liquidity to the estate to pay estate costs and taxes

### **Benefits of estate planning for Ricard and Rose Seniors**

- \* Estate taxes could be reduced from over \$13 million to about \$6 million
- \* Trust gift could result in a potential income tax deduction of about \$100k in the year of the transfer.
- \* Charity receives \$650k at Susan's death in 2029
- \* Amount to heirs at Susan's death potentially increased from \$14M to \$20M
- \* A wealth replacement trust (ILIT) of \$6,000,000 could be created to replace the inheritance lost to charity and to provide liquidity to the estate to pay estate costs and taxes.

This is only an illustration. Actual results will vary. Consult your legal or tax advisor for more information.

# Disclosure

*Richard and Rose Seniors*

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The following report is a diagnostic tool intended to review your current financial situation and suggest possible planning concepts that might be helpful. This plan is based on information and assumptions provided by you (the client). Changes to laws are frequent and in and of themselves, may cause unforeseen results.

The preparer believes the information contained in the software is accurate, but it has not been independently verified. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review. Consult with your tax and/or legal advisor before implementing any tax or legal strategies which were referred to during the planning process.

The analysis performed in this plan may not reflect all holdings or transactions, their costs, or proceeds received by you. Prices that may be indicated in the plan are obtained from sources we consider reliable but are not guaranteed. Tax laws are subject to change without notice. **IMPORTANT: ALL ASSUMPTIONS OF GROWTH RATES DISCUSSED IN THIS PLAN AND/OR SHOWN ON ANY CHARTS ARE HYPOTHETICAL AND ARE NOT A GUARANTEE OF THE FUTURE PERFORMANCE OF ANY ASSET.** Past performance is no guarantee of future performance.

This report is to be used as a planning tool only and is not to be used to solicit the purchase of any particular investment product. Please also be advised that the hypothetical account calculations are not to be used to solicit the sale of any particular insurance or investment product.

By signing this document, I acknowledge that I have read the disclaimer, understand its content and realize that this report may be neither complete nor comprehensive in its analysis. I also affirm that this report should be used only in conjunction with tax, legal and accounting advice from qualified specialists.

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*Richard Seniors*

*Date*

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*Rose Seniors*

*Date*

The following reports provide financial analysis and planning information that will assist you and your advisors in the development of a comprehensive financial plan designed to help you achieve your personal financial goals. The reports are based on information you provided, which is included for your review. Each report deals with a specific financial topic corresponding to a goal you have established or issue of concern to you.

You have set the following financial goals:

**Richard's Distribution Planning**

- Evaluate-designate Rose Seniors or children as primary beneficiary(ies) after Richard Seniors's death.

**Estate Planning**

- Reduce effect of federal estate taxes.
- Provide for estate liquidity.
- Develop plan(s) for gifts.
- Develop plan(s) for charitable giving.
- Consult legal counsel to obtain or update Will.

Each of the following reports analyzes your present situation in relation to your stated goals and contains background information, discussion of key issues for you, and provides recommendations.

Your decision to seek professional financial advice and develop the analyses and recommendations contained in the following reports represents a critical step in the creation of an organized and systematic strategy for helping you reach your financial goals. The next step is to implement the recommendations.

Finally, you should monitor your progress and be prepared to make adjustments as changes in your personal situation, tax laws, investment climate and other factors occur. Be sure to review your analysis and consult with your financial professional on a regular basis.

# Financial Statement

Richard and Rose Seniors

## Net Worth 2007

Assets	Richard	Rose	Joint	Total
Cash Savings				
Cash Savings			\$50,000	
CDs	\$90,000			
<b>Total Cash Savings</b>	<b>\$90,000</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$140,000</b>
Investments				
Investment Savings			\$1,128,500	
UPS Stock		\$61,750		
IBM Stock		\$250,000		
Stock Portfolio				
Company C Stock	\$130,000			
Company A stock	\$160,000			
Company B Stock	\$210,000			
<b>Total Investments</b>	<b>\$500,000</b>	<b>\$311,750</b>	<b>\$1,128,500</b>	<b>\$1,940,250</b>
Retirement Plans				
Richard's IRA	\$2,322,284			
Rose's IRA		\$243,000		
<b>Total Retirement Plans</b>	<b>\$2,322,284</b>	<b>\$243,000</b>	<b>\$0</b>	<b>\$2,565,284</b>
Personal Property				
Real Estate			\$750,000	
<b>Total Personal Property</b>	<b>\$0</b>	<b>\$0</b>	<b>\$750,000</b>	<b>\$750,000</b>
Business Interests				
Seniors FLP	\$1,000,000	\$1,000,000		
<b>Total Business Interests</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>\$2,000,000</b>
<b>Cash Value of Life Insurance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$3,912,284</b>	<b>\$1,554,750</b>	<b>\$1,928,500</b>	<b>\$7,395,534</b>
Liabilities				
Debt Obligation			\$100,000	
<b>Total Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Total Net Worth</b>	<b>\$3,912,284</b>	<b>\$1,554,750</b>	<b>\$1,828,500</b>	<b>\$7,295,534</b>

# Personal Information and Assumptions

Richard and Rose Seniors

## Client & Co-client Information

Client Name	Richard Seniors	Rose Seniors
Birth Date	05/06/1937	09/09/1944
Sex	Male	Female
Social Security Number	- -	- -
US Citizen	Yes	Yes
Life Status	Married	Married

Address

-

Phone ( ) -

Fax ( ) -

E-mail Address

Calculation Start Year 2007  
 Methodology in Use Cash Flow Driven

## Beneficiary Information

Name	BirthDate	Relationship	Soc Sec #	Kinship
Joel Seniors	12/11/1967	Son	- -	Joint
Hope Ross	03/25/1970	Daughter	- -	Joint

## Income Information

Annual Wage	Richard	Rose
Annual Wage	\$165,000	\$85,000
Wage Adjustment in Prior Years	3 %	3 %
Wage Adjustment in Future Years	3 %	3 %
Last Wage Age	64	65

### Social Security

Evaluation Method	Calculated	Calculated
Start Age	SSRA	SSRA
Social Security Adjuster %	100 %	100 %
Pre-Retirement Social Security Inflation	1.5 %	1.5 %
Post-Retirement Social Security Inflation	1.5 %	1.5 %

## Rate Assumptions

### Tax Rates

Federal Income Tax Applied	Calculated
Legally Blind - Richard	No
Legally Blind - Rose	No

### Adjustments to Income

Other Adjustments	\$0
Other Itemized Deductions	\$0
Other Credits	\$0

### Alternative Minimum Tax

Total Adjustments	\$0
Operating Loss	\$0
Foreign Credits	\$0

### Entered State/Local Income Tax Rates

Pre-Retirement State/Local Income Tax	4 %
Post-Retirement State/Local Income Tax	4 %

### General Cost-of-Living Adjustment

Pre-Retirement Rate	3 %
Post-Retirement Rate	3 %

### Education Cost

Rate	6 %
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# Personal Information and Assumptions

Richard and Rose Seniors

## Asset Growth Rate Overrides

### Qualified Assets

#### Pre-Retirement

Override Entered Rate No

#### Post-Retirement

Override Entered Rate No

### Non-Qualified Assets in Depletion Order

#### Pre-Retirement

Override Entered Rate No

#### Post-Retirement

Override Entered Rate No

### Non-Qualified Assets Not in Depletion Order

#### Pre-Retirement

Override Entered Rate No

#### Post-Retirement

Override Entered Rate No

## Retirement Assumptions

### Retirement Ages

	Richard	Rose
Retirement Age	70	64
Retirement Death Age	85	85
Applicable Death Age	Entered	Entered

## Distribution Assumptions

### Elective Distributions from Qualified Assets

	Richard	Rose
Start Age	70	70
Method	Minimum	Annual Need
Premature Tax Exempt	No	No

### Minimum Required Distribution (MRD) Options

MRD at Age 70.5	Yes	Yes
Defer MRD to April 1st	No	No
Rollover to IRA by Spouse	Yes	Yes

### Lump Sum Distribution from Qualified Assets

Method	None	None
--------	------	------

### Distributions Before Age 59.5

Method	None	None
--------	------	------

### Beneficiaries for MRD

	Primary % / Rollover %	Primary % / Rollover %
Richard Seniors	---	100 / 100
Rose Seniors	100 / 100	---

# Personal Information and Assumptions

Richard and Rose Seniors

## Estate Planning Assumptions

<b>Estate Planning</b>	<b>Richard</b>	<b>Rose</b>
Estate Analysis Death Age	85	85
Type of Will	Simple	Simple
<b>Final Expenses</b>		
Amount	\$0	\$0
Gross Estate	1.5 %	1.5 %
Liabilities Deduction	\$0	\$0
Liabilities to be Paid	\$0	\$0
<b>State Death Tax</b>		
Sponge / Pickup Tax	Yes	
<b>Prior Taxable Gifts</b>		
Prior Taxable Gifts	\$0	\$0
<b>Annual Gifting Options</b>		
Split Gifts	No	
Annual Gift Amount	\$0	\$0
Annual Gift Start Year	2007	2007
Annual Gift Duration	0	0
Number of Donees	2	2
<b>One Time Gift Options</b>		
One Time Gift Amount	\$0	\$0
One Time Gift Calendar Year	2007	2007
<b>Inheritance / Gift</b>		
Net to Heirs Growth Rate	7 %	
State Gift Tax	0 %	0 %
<b>Gift to Co-client</b>		
Amount	\$0	\$0
Start Year	2007	2007
Duration	0	0
<b>Miscellaneous Rates</b>		
Section 7520 Rate*	6 %	

\* Section 7520 Rate - This rate is generated each month by the IRS and is used to determine the present value of an annuity, life interest, interest for a term of years, remainder interest, or reversionary interest created during a particular month for income, estate and gift tax purposes. The rate is utilized in gross estate and estate tax calculations to determine the present value of future annuity and pension benefits received.

# Personal Information and Assumptions

Richard and Rose Seniors

## Life Insurance

### General Information

Description	Permanent	Term
Policy Type	Permanent	Term
Policy Number		
Coverage Type	Single Life	Single Life
Insured	Richard Seniors	Rose Seniors
Owner	Richard Seniors	Richard Seniors
Beneficiary	Rose Seniors	Richard Seniors
Death Benefit (DB)	\$500,000	\$250,000
Annual Premium	\$0	\$0
Pay Premium From	Outside Resources	Outside Resources
Premium Payment Start Age	---	---
Premium Payment Duration	---	---
Pay Premium (Yrs)	---	---
Gift of Premium	---	---
Provide Liquidity to Estate	---	---
Cash Value (CV)		
Current	\$0	---
At Owners' Retirement	\$0	---
At Owner's Death	\$0	---
Age Coverage Ends	---	65

# Personal Information and Assumptions

Richard and Rose Seniors

## Cash Flow Income and Expenses

### ADDITIONAL INCOME SOURCES

Description	Additional Income From	Recipient	Amount Today's	Duration	Start Age	Yrs	COLA %
Inheritance from Aunt Millie	Inheritance	Rose	\$250,000	Period Certain	70	1	0

### ADDITIONAL INCOME SOURCES INCLUDED IN ANALYSIS

Description	Retirement	Cap. Needs Richard	Cap. Needs Rose	Disability Richard	Disability Rose	LTC Richard	LTC Rose
Inheritance from Aunt	No	No	Yes	Yes	Yes	Yes	Yes

### ADDITIONAL EXPENSES

Description	Additional Expenses	Recipient	Amount Today's \$	Duration	Start Age	Yrs	COLA %
Entertainment	Rec./Entertainment	Richard	\$20,000	Joint Life	70	22	4
Living Expenses	Household	Richard	\$130,00	Joint Life	70	22	3
Travel	Car/Travel	Richard	\$10,000	Joint Life	70	22	3

## Non Qualified Asset Information

### General Information

Description	Real Estate	Company C Stock	UPS Stock	IBM Stock
Type	Real Estate	Stock	Stock	Stock
Holding	No	Yes	No	No
Portfolio Name	---	Stock Portfolio	---	---
Portfolio Type	---	Portfolio-Inves. Sav	---	---
Owner	Joint w/ROS	Richard	Rose	Rose
Total Value	\$750,000	\$130,000	\$61,750	\$250,000
Client Value	\$375,000	\$130,000	\$0	\$0
Co-client Value	\$375,000	\$0	\$61,750	\$250,000
Value Date	01/01/2007	01/01/2007	01/01/2007	01/01/1988
Purchase Date	01/01/1983	06/16/1981	01/01/1995	01/01/2007
Book Value in Start Year	---	---	---	---
Tax Exempt	---	---	---	---
Basis	\$0	\$42,000	\$16,500	\$74,000
Bond Classification	---	---	---	---
Bond Maturity Date	---	---	---	---
Bond Coupon Rate	---	---	---	---
ROR Pre-Retirement	3 %	8 %	8 %	8 %
ROR Post-Retirement	3 %	8 %	8 %	8 %
Current Interest	---	---	---	---
% Interest Reinvested	---	---	---	---
Dividend Rate	---	0 %	0.5 %	1 %
% Dividend Reinvested	---	0 %	0 %	100 %
LT Cap Gain Realized	---	---	---	---
% LT Cap Gain Reinvested	---	---	---	---
Year Roth Established	---	---	---	---
Depletion Order	---	3	7	6
Apply QFOBI Deduction	---	---	---	---
Apply Special Use Valuation	No	---	---	---
Special Use Discount	---	---	---	---
Principal Residence Status	Yes	---	---	---
Net Rental Income	---	---	---	---
Rental Income Growth Rate	---	---	---	---
Depreciation Method	---	---	---	---
<b>Annual Additions</b>				
Maximum Contribution	---	---	---	---
Fixed Amount	---	\$0	\$0	\$0
% of Wage	---	0 %	0 %	0 %
% Match	---	---	---	---
Add's in All Pre-Ret Yrs	---	No	No	No
Start Year	---	2007	2007	2007
Duration (Yrs)	---	0	0	0
<b>Transfer To Trust</b>				
Type of Trust	---	---	---	---
Transfer Date	---	---	---	---
Transfer at Death	---	---	---	---

# Personal Information and Assumptions

Richard and Rose Seniors

## Non Qualified Asset Information

### General Information

Description	Investment Savings	Cash Savings	Company A stock	CDs
Type	Mutual Fund	Cash Savings	Stock	Cash Savings
Holding	No	No	Yes	No
Portfolio Name	---	---	Stock Portfolio	---
Portfolio Type	---	---	Portfolio-Inves. Sav	---
Owner	Joint w/ROS	Joint w/ROS	Richard	Richard
Total Value	\$1,128,500	\$50,000	\$160,000	\$90,000
Client Value	\$564,250	\$25,000	\$160,000	\$90,000
Co-client Value	\$564,250	\$25,000	\$0	\$0
Value Date	01/01/2007	01/01/2007	01/01/2007	01/01/2007
Purchase Date	01/01/2006	---	06/01/1996	---
Book Value in Start Year	---	---	---	---
Tax Exempt	No	No	---	No
Basis	\$0	---	\$61,000	---
Bond Classification	---	---	---	---
Bond Maturity Date	---	---	---	---
Bond Coupon Rate	---	---	---	---
ROR Pre-Retirement	7.5 %	2 %	8 %	5 %
ROR Post-Retirement	7.5 %	2 %	8 %	5 %
Current Interest	0.5 %	---	---	---
% Interest Reinvested	100 %	---	---	---
Dividend Rate	0.5 %	---	0 %	---
% Dividend Reinvested	100 %	---	0 %	---
LT Cap Gain Realized	0 %	---	---	---
% LT Cap Gain Reinvested	0 %	---	---	---
Year Roth Established	---	---	---	---
Depletion Order	2	1	4	8
Apply QFOBI Deduction	---	---	---	---
Apply Special Use Valuation	---	---	---	---
Special Use Discount	---	---	---	---
Principal Residence Status	---	---	---	---
Net Rental Income	---	---	---	---
Rental Income Growth Rate	---	---	---	---
Depreciation Method	---	---	---	---
<b>Annual Additions</b>				
Maximum Contribution	---	---	---	---
Fixed Amount	\$0	\$0	\$0	\$0
% of Wage	0 %	0 %	0 %	0 %
% Match	---	---	---	---
Add's in All Pre-Ret Yrs	Yes	Yes	No	No
Start Year	---	---	2007	2007
Duration (Yrs)	---	---	0	0
<b>Transfer To Trust</b>				
Type of Trust	---	---	No	No
Transfer Date	---	---	---	---
Transfer at Death	---	---	---	---

# Personal Information and Assumptions

Richard and Rose Seniors

## Non Qualified Asset Information

### General Information

Description	<b>Company B Stock</b>
Type	Stock
Holding	Yes
Portfolio Name	Stock Portfolio
Portfolio Type	Portfolio-Inves. Sav
Owner	Richard
Total Value	\$210,000
Client Value	\$210,000
Co-client Value	\$0
Value Date	01/01/2007
Purchase Date	01/01/2006
Book Value in Start Year	---
Tax Exempt	---
Basis	\$75,000
Bond Classification	---
Bond Maturity Date	---
Bond Coupon Rate	---
ROR Pre-Retirement	8 %
ROR Post-Retirement	8 %
Current Interest	---
% Interest Reinvested	---
Dividend Rate	0 %
% Dividend Reinvested	0 %
LT Cap Gain Realized	---
% LT Cap Gain Reinvested	---
Year Roth Established	---
Depletion Order	5
Apply QFOBI Deduction	---
Apply Special Use Valuation	---
Special Use Discount	---
Principal Residence Status	---
Net Rental Income	---
Rental Income Growth Rate	---
Depreciation Method	---

### Annual Additions

Maximum Contribution	---
Fixed Amount	\$0
% of Wage	0 %
% Match	---
Add's in All Pre-Ret Yrs	No
Start Year	2007
Duration (Yrs)	0

### Transfer To Trust

Transfer To Trust	No
Type of Trust	---
Transfer Date	---
Transfer at Death	---

## Qualified Retirement Plans and Traditional IRA

### General Information

Description	<b>Richard's IRA</b>	<b>Rose's IRA</b>
Type	Traditional IRA	Traditional IRA
Holding	No	No
Portfolio Name	---	---
Portfolio Type	---	---
Owner	Richard	Rose
Total Value	\$2,322,284	\$243,000
Value Date	01/01/2007	01/01/2007
Pre-Ret Growth Rate	8 %	9 %
Post-Ret Growth Rate	8 %	9 %

### Employment Contributions

Add's in all Pre-Ret Years	Yes	Yes
Start Year	---	---
Duration	---	---
Maximum Contribution	No	No
Fixed Amount	\$0	\$0
% of Wage	0 %	0 %
Self Employed	---	---
% of Portfolio Contribution	---	---

### Employer Contributions

Type of match	---	---
% EE contrib. to first \$ amount	---	---
% EE contrib. of next \$ amount	---	---
% EE contrib. of next \$ amount	---	---
% EE contrib. to first % amount	---	---
% EE contrib. of next % amount	---	---
% EE contrib. of next % amount	---	---

### Other Employer Contributions

% Wage	---	---
Start Year	---	---
Duration	---	---

# Personal Information and Assumptions

Richard and Rose Seniors

## Liabilities

### General Information

Description	<b>Debt Obligation</b>
Type	Debt Obligation
Owner	Joint w/ROS
Total Liability	\$100,000
Client Value	\$50,000
Co-client Value	\$50,000
Interest Rate	8 %

### Payment Information

Principle/Interest Payment	\$8,000
Mortgage Origination Year	2006
Payments Per Year	1
Original Duration	10
Balloon Payment	\$100,000

## FLP / LLC / C CORP. / S CORP. Information

### General Information

Description	<b>Seniors FLP</b>
Type	FLP Units
Total Value	\$2,000,000
Value Date	01/01/2007
Purchase Date	01/01/1985
Basis	\$350,000
ROR Pre-Retirement	7 %
ROR Post-Retirement	7 %
Apply QFOBI Deduction	No
Current Income %	2 %
Current Income Distribution	100 %

### Client Ownership

GP / VS Shares/Units	1
LP / Non-VS Shares/Units	49

### Co-client Ownership

GP / VS Shares/Units	1
LP / Non-VS Shares/Units	49

### Transfer To Trust

Type of Trust	---
Transfer Date	---
Transfer at Death	---

## Sale of Assets

Growth on Net Sales Proceeds from Date of Sale to End of Sale Year: 3%

Description	Depletion Order	Year of Sale	Client/Spouse Ages	Gross Value In Year of Sale	% Sold	Amount Sold	Transaction Cost %
CDs	Yes	2006	69/62	\$90,000	100	\$90,000	0

# Proposed Changes - Details

Richard and Rose Seniors

## Proposed Changes

The following data has been changed to reflect the implementation of the recommendations.

Topic	Item Changed	Current Value	Proposed Value
Client	Richard: Type of Will	Simple	Complex
Client	Richard: Annual Gift Amount	\$0	\$12,000
Client	Richard: Annual Gift Duration	0	10
Client	Richard: Override Rate	0 %	9 %
Client	Richard: Override Entered Rate	No	Yes
Co-client	Rose: Type of Will	Simple	Complex
Co-client	Rose: Annual Gift Amount	\$0	\$12,000
Co-client	Rose: Annual Gift Duration	0	20
Beneficiaries	Joel: Rollover Beneficiary Percentage	0 %	50 %
Beneficiaries	Hope: Rollover Beneficiary Percentage	0 %	50 %
Assets / Liabilities	IBM Stock: Transfer To Trust	No	Yes
Assets / Liabilities	Seniors FLP: Reversion	No	Yes
Assets / Liabilities	Seniors FLP: Transfer To Trust	No	Yes
Assets / Liabilities	Seniors FLP: Apply Rev. Rul. 77-454	No	Yes
Life Insurance	Proposed Survivorship	N/A	New

## Proposed Insurance

### General Information

Description	<b>Proposed Surv</b>
Policy Type	Permanent
Policy Number	
Coverage Type	Second to Die
Insured	
Owner	Trust
Beneficiary	Trust
Death Benefit (DB)	\$6,000,000
Annual Premium	\$80,000
Pay Premium From	All Resources
Premium Payment Start Age	70
Premium Payment Duration	Entered Years
Pay Premium (Yrs)	15
Gift of Premium	Yes
Provide Liquidity to Estate	Yes
Cash Value (CV)	
Current	\$0
At Owners' Retirement	\$0
At Owner's Death	\$260,000
Age Coverage Ends	---

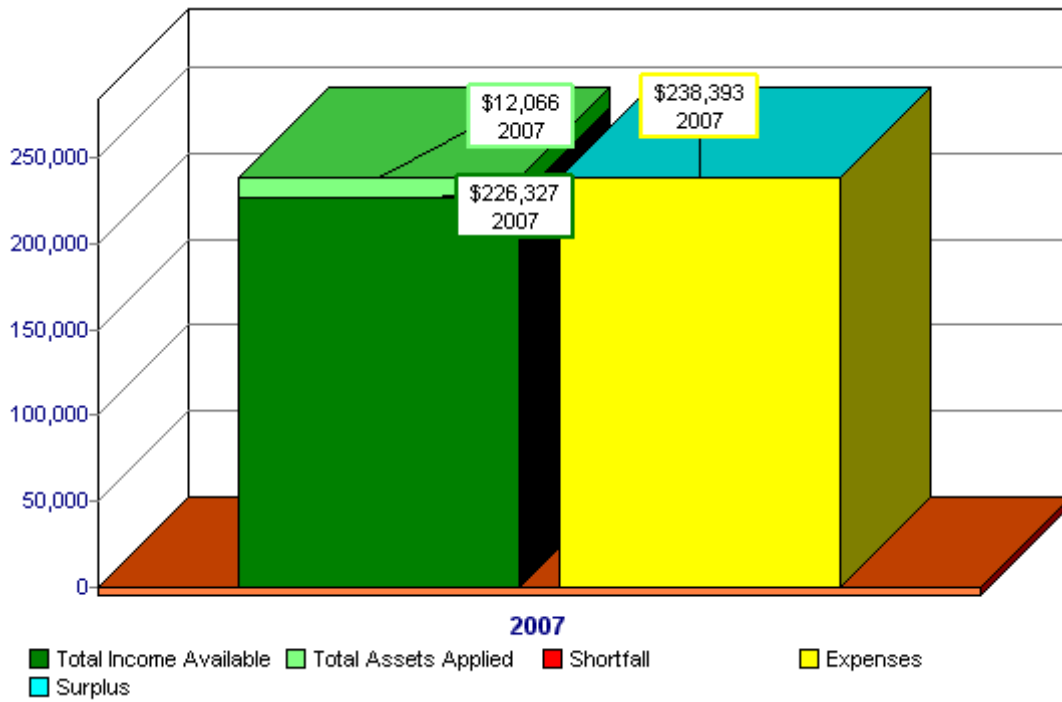
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## Cash Flow

**Richard and Rose Seniors**

Cash Flow

Current Cash Flow



Illustrates the income and assets available to meet expenses in the current year.

**Comment**

Richard and Rose, based on the income and expense data you provided, you should be able to save surplus income this year.

The spreadsheet that follows illustrates the detailed breakdown of income and expenses.

# Cash Flow

Richard and Rose Seniors

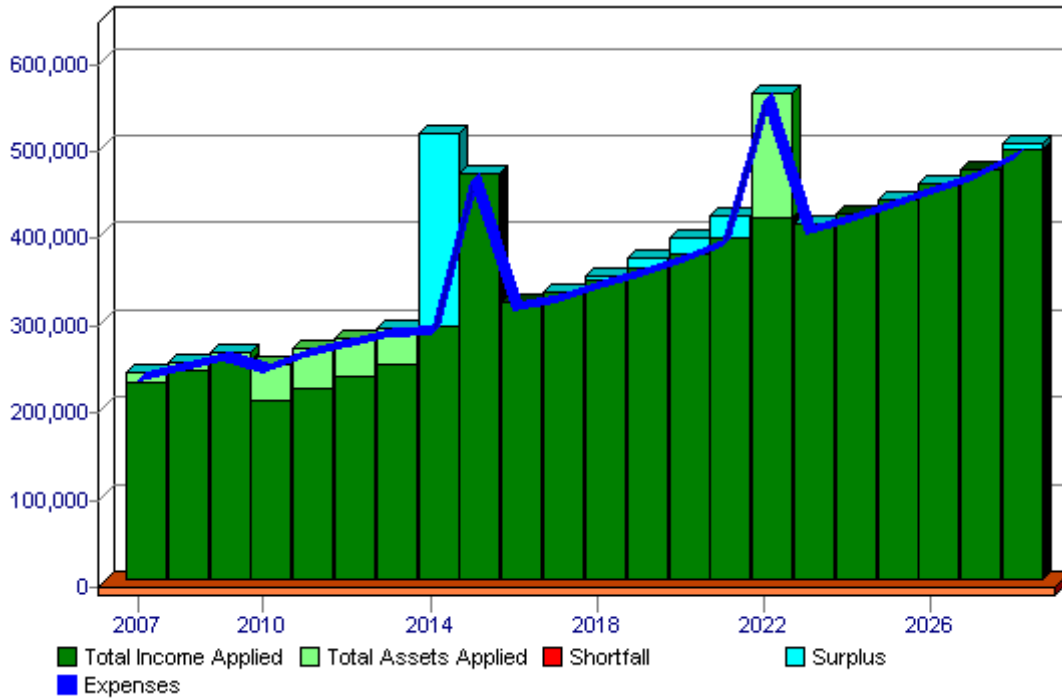
Cash Flow

## Current Cash Flow

Year	2007
Richard's Age	70
Rose's Age	63
Total Income	226,327
Total Assets Applied	12,066
Total Expenses	238,393
Surplus / Shortfall (-)	0
<b>TOTAL INCOME</b>	<b>226,327</b>
Alimony/Child Support	0
Annuity Income / Pension Benefits	0
Invest. Income Distributed	309
Income from Trusts	0
Distrib from FLP, LLC, C Corp, S Corp	40,000
IDGT Installment Note Payment	0
Inheritance/Life Insurance proceeds/Gifts	0
Loan Receipts / Rental Income	0
Qualified Distributions	84,755
Self-employment* / Part-Time Income* / Royalties	0
Stock Option Exercised	0
Wage* / Bonus* / Social Security	101,263
Other Taxable / Tax Exempt Income	0
Asset Sale Proceeds	0
New Debts	0
(*FICA withholding applied)	
<b>TOTAL EXPENSES</b>	<b>238,393</b>
Alimony/Child Support/Child Care	0
Food	0
Car / Travel	10,000
Education Expenses	0
Estate Bequests / Expenses	0
Dues and Memberships/Fees	0
Gifts / Gift Tax / Charity	0
Life Insurance Premiums	0
Other Insurance Premiums	0
Household / Rent / Util	130,000
Debts / Mortgage	8,000
Medical	0
Personal / Other Expenses	0
Rec / Entertainment	20,000
Stock Option Exercise	0
New Asset Purchases	0
Total Savings / Contributions	0
Investment / Savings / Education Savings	0
Retirement Contributions	0
Taxes	70,393
Income Tax	70,393
Property / Estate Tax	0
FICA	
Income Subject to FICA	85,000
FICA Withheld	6,503
Income Net of FICA	78,498

Cash Flow

## Projected Cash Flow



Illustrates the year by year shortfall or surplus of income and assets available to meet expenses.

### Comment

Richard and Rose, based on assets and income sources available, all of your expenses and needs will be fully funded throughout your lifetime.

There will be many years where you will have a surplus of income, which will be reinvested.

Assumptions include:

Richard's mortality age 85 and Rose's mortality age 85.

Taxes are calculated each year based on amount and type of income.

View the spreadsheet in the supporting data section to see the year by year cash flow details.

# Cash Flow

Richard and Rose Seniors

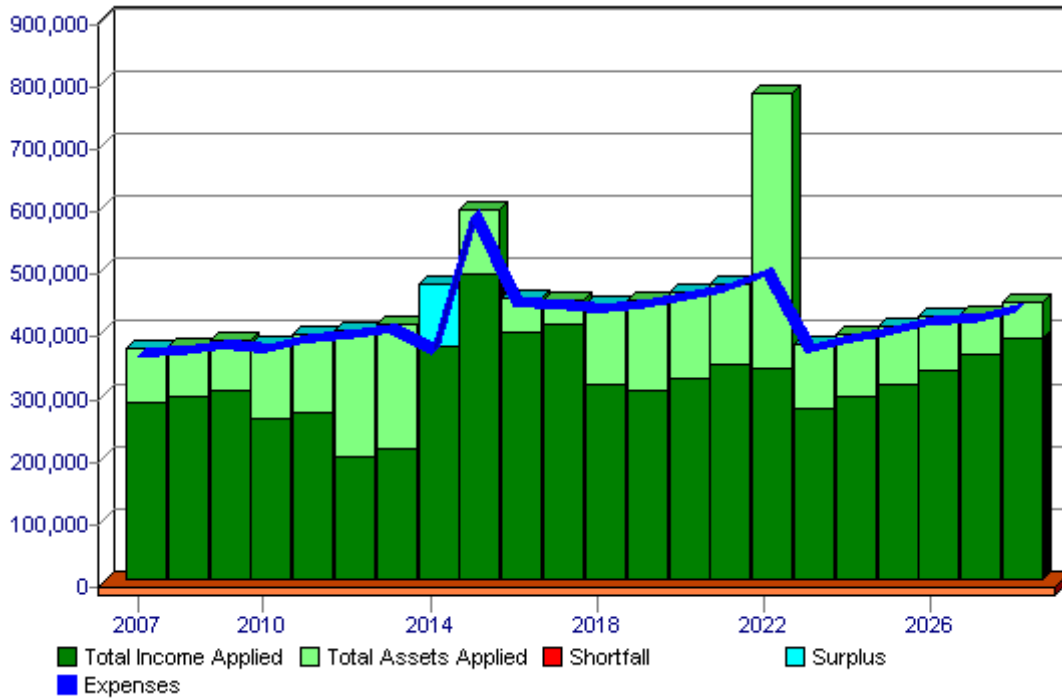
Cash Flow

## Projected Cash Flow

Year	Ages Client	Co-client	Total Income Applied	Total Assets Applied	Total Expenses	Surplus / Shortfall (-)
2007	70	63	226,327	12,066	238,393	0
2008	71	64	238,539	10,136	248,675	0
2009	72	65	251,549	7,936	259,486	0
2010	73	66	205,723	40,085	245,578	0
2011	74	67	218,323	47,035	265,357	0
2012	75	68	231,832	44,068	275,900	0
2013	76	69	246,319	40,627	286,946	0
2014	77	70	290,057	0	290,057	221,119
2015	78	71	466,284	0	466,284	0
2016	79	72	318,578	0	317,158	0
2017	80	73	329,378	0	327,988	0
2018	81	74	343,068	0	343,068	4,214
2019	82	75	358,173	0	358,173	11,016
2020	83	76	374,079	0	374,079	18,478
2021	84	77	390,804	0	390,804	26,576
2022	85	78	413,758	143,871	557,629	0
2023	--	79	408,265	0	406,387	0
2024	--	80	419,771	0	419,771	0
2025	--	81	434,603	0	434,603	0
2026	--	82	453,759	0	451,222	0
2027	--	83	470,681	0	467,548	0
2028	--	84	492,302	0	492,302	7,186

Cash Flow

Proposed - Projected Cash Flow



Illustrates the year by year shortfall or surplus of income and assets available to meet expenses.

**Comment**

Richard and Rose, based on assets and income sources available, all of your expenses and needs will be fully funded throughout your lifetime. There will be years where you will have a surplus of income, which will be reinvested.

Assumptions include:

Richard's dies at age 85 and Rose at age 85.

Taxes are calculated each year based on amount and type of income.

# Cash Flow

Richard and Rose Seniors

Cash Flow

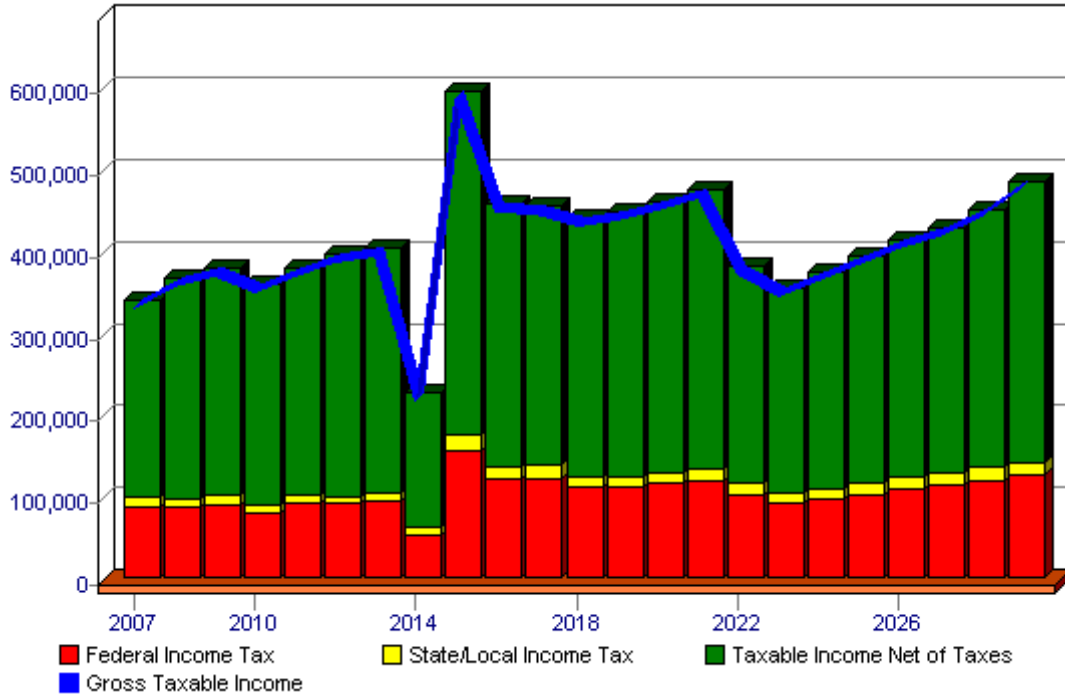
## Proposed - Projected Cash Flow

Year	Ages Client Co-client	Total Income Applied	Total Assets Applied	Total Expenses	Surplus / Shortfall (-)
2007	70 63	281,947	87,836	369,783	0
2008	71 64	292,291	80,503	372,794	0
2009	72 65	303,390	78,475	381,865	0
2010	73 66	255,614	119,434	375,048	0
2011	74 67	266,233	126,571	392,805	0
2012	75 68	195,418	202,380	397,798	0
2013	76 69	207,887	198,687	406,574	0
2014	77 70	372,022	0	372,022	98,654
2015	78 71	487,771	104,000	591,771	0
2016	79 72	396,501	54,228	450,729	0
2017	80 73	409,215	37,354	446,569	0
2018	81 74	310,104	128,837	438,941	0
2019	82 75	301,952	144,348	446,300	0
2020	83 76	321,876	136,715	458,591	0
2021	84 77	343,276	128,688	471,418	0
2022	85 78	335,818	441,334	497,409	0
2023	-- 79	271,795	104,064	375,859	0
2024	-- 80	291,165	100,248	390,627	0
2025	-- 81	312,036	93,985	405,209	0
2026	-- 82	334,514	87,257	420,927	0
2027	-- 83	358,706	65,779	423,605	0
2028	-- 84	384,724	56,924	440,720	0

Lifetime

## Proposed - Income Tax

In 2007, your estimated Adjusted Gross Income is \$338,316, total federal, state and local income taxes are \$97,783 and taxable income net of taxes is \$240,533.



Illustrates the impact of taxation on income.

# Cash Flow

Richard and Rose Seniors

Lifetime

## Proposed - Income Tax

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
Marginal Federal Tax Rate	33.0%	33.0%	33.0%	33.0%	36.0%	36.0%	36.0%	28.0%	36.0%	36.0%
Effective Federal Tax Rate	36.7%	25.4%	24.9%	23.4%	25.4%	24.4%	24.6%	26.0%	26.9%	27.2%
Effective Capital Gains	15.0%	15.0%	15.0%	15.0%	19.5%	19.7%	19.7%	0.0%	18.9%	18.6%
Effective State/Local Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Adjusted Gross Income	338,316	365,807	376,157	358,439	376,616	394,875	402,176	225,952	592,992	455,191
Gross Taxable Income	338,316	365,807	376,157	358,439	376,616	394,875	402,176	225,952	592,992	455,191
Ordinary Income	301,819	266,110	280,093	224,441	237,781	201,717	213,679	225,952	495,454	404,768
Dividends	5,951	6,271	6,400	6,550	6,508	6,426	5,958	5,469	6,424	6,447
Net Capital Gain/Loss	36,497	99,697	96,064	133,998	138,834	193,158	188,497	0	97,537	50,423
Short-Term Capital	0	0	0	0	0	0	0	0	0	0
Long-Term Capital	36,497	99,697	96,064	133,998	138,834	193,158	188,497	0	97,537	50,423
Collectible Capital	0	0	0	0	0	0	0	0	0	0
Section 1250 Capital	0	0	0	0	0	0	0	0	0	0
Less: Adjustments to	0	0	0	0	0	0	0	0	0	0
Less: Greater of	98,256	23,194	13,550	13,950	14,400	14,800	15,250	15,700	16,200	16,700
Standard Deduction	11,750	12,100	13,550	13,950	14,400	14,800	15,250	15,700	16,200	16,700
Itemized Deductions	98,256	23,194	7,191	5,893	6,371	4,501	4,990	8,030	7,972	8,657
State/Local Income Tax	12,073	10,644	11,204	8,978	9,511	8,069	8,547	9,038	19,818	16,191
Charitable Deduction	90,546	16,318	0	0	0	0	0	0	0	0
Donations in Current	0	0	0	0	0	0	0	0	0	0
Carryover from Prior	0	16,318	0	0	0	0	0	0	0	0
Carryforward to	0	0	0	0	0	0	0	0	0	0
Other Entered Itemized	0	0	0	0	0	0	0	0	0	0
Less: Phaseout	4,363	3,769	4,013	3,085	3,141	3,567	3,557	1,008	11,846	7,534
Less: Total Exemption	3,128	4,342	4,184	6,390	6,582	5,991	6,333	8,363	0	0
Federal Taxable Income	236,932	338,271	358,423	338,099	355,634	374,084	380,593	201,888	576,792	438,491
AMT Taxable Income	338,316	365,807	376,157	358,439	376,616	394,875	402,176	225,952	596,610	455,191
Less: AMT Exemption	0	0	0	0	0	0	0	26,012	0	0
AMT Taxable Excess	338,316	365,807	376,157	358,439	376,616	394,875	402,176	199,939	596,610	455,191
AMT Tentative Minimum	85,710	85,150	88,504	78,592	90,325	91,098	93,553	52,483	155,234	119,404
Alternative Minimum Tax	35,895	13,911	10,594	14,067	17,670	18,786	19,502	13,857	7,368	14,768
Federal Income Tax	85,710	85,150	88,504	78,592	90,325	91,098	93,553	52,483	155,234	119,404
Less: Total Tax Credits	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	85,710	85,150	88,504	78,592	90,325	91,098	93,553	52,483	155,234	119,404
Excise Tax On Qualified	0	0	0	0	0	0	0	0	0	0
Total Federal Taxes	85,710	85,150	88,504	78,592	90,325	91,098	93,553	52,483	155,234	119,404
State/Local Income Tax	12,073	10,644	11,204	8,978	9,511	8,069	8,547	9,038	19,818	16,191
Total Federal/State/Local	97,783	95,794	99,707	87,569	99,836	99,167	102,100	61,521	175,052	135,595
FICA	6,503	6,698	6,899	0	0	0	0	0	0	0
Total Taxes	104,286	102,492	106,606	87,569	99,836	99,167	102,100	61,521	175,052	135,595

# Cash Flow

Richard and Rose Seniors

Lifetime

## Proposed - Income Tax

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
Marginal Federal Tax Rate	36.0%	36.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
Effective Federal Tax Rate	27.5%	26.0%	26.4%	26.6%	26.8%	27.4%	26.6%	26.7%	26.7%	26.8%
Effective Capital Gains	17.6%	19.3%	19.4%	19.4%	19.4%	17.4%	18.2%	18.1%	18.0%	17.8%
Effective State/Local Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Adjusted Gross Income	453,105	439,607	445,704	458,526	472,208	380,333	352,175	372,114	391,833	412,614
Gross Taxable Income	453,105	439,607	445,704	458,526	472,208	380,333	352,175	372,114	391,833	412,614
Ordinary Income	418,607	320,880	313,308	333,698	355,225	352,070	293,830	314,021	335,809	359,331
Dividends	6,721	7,102	7,058	6,932	6,834	6,767	9,538	9,823	10,151	10,538
Net Capital Gain/Loss	34,498	118,728	132,396	124,828	116,983	28,263	58,345	58,093	56,024	53,283
Short-Term Capital	0	0	0	0	0	0	0	0	0	0
Long-Term Capital	34,498	118,728	132,396	124,828	116,983	28,263	58,345	58,093	56,024	53,283
Collectible Capital	0	0	0	0	0	0	0	0	0	0
Section 1250 Capital	0	0	0	0	0	0	0	0	0	0
Less: Adjustments to	0	0	0	0	0	0	0	0	0	0
Less: Greater of	17,200	17,700	18,200	18,750	19,350	12,350	10,650	10,950	11,346	11,821
Standard Deduction	17,200	17,700	18,200	18,750	19,350	12,350	10,650	10,950	11,300	11,650
Itemized Deductions	9,457	6,142	9,230	9,983	10,649	9,983	10,429	10,895	11,346	11,821
State/Local Income Tax	16,744	12,835	12,532	13,348	14,209	14,083	11,753	12,561	13,432	14,373
Charitable Deduction	0	0	0	0	0	0	0	0	0	0
Donations in Current	0	0	0	0	0	0	0	0	0	0
Carryover from Prior	0	0	0	0	0	0	0	0	0	0
Carryforward to	0	0	0	0	0	0	0	0	0	0
Other Entered Itemized	0	0	0	0	0	0	0	0	0	0
Less: Phaseout	7,287	6,693	3,302	3,365	3,560	4,100	1,325	1,665	2,086	2,552
Less: Total Exemption	0	753	9,695	9,986	10,080	0	3,492	3,035	2,547	1,789
Federal Taxable Income	435,905	421,154	417,808	429,790	442,778	367,983	338,034	358,129	377,941	399,004
AMT Taxable Income	453,105	439,607	445,704	458,526	472,208	382,065	353,279	373,724	391,833	412,614
Less: AMT Exemption	0	0	0	0	0	0	0	0	0	0
AMT Taxable Excess	453,105	439,607	445,704	458,526	472,208	382,065	353,279	373,724	391,833	412,614
AMT Tentative Minimum	120,072	109,524	110,141	114,347	118,813	100,676	89,987	95,710	100,919	106,926
Alternative Minimum Tax	15,272	19,377	23,328	23,792	24,208	10,119	12,916	13,019	12,523	12,385
Federal Income Tax	120,072	109,524	110,141	114,347	118,813	100,676	89,987	95,710	100,919	106,926
Less: Total Tax Credits	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	120,072	109,524	110,141	114,347	118,813	100,676	89,987	95,710	100,919	106,926
Excise Tax On Qualified	0	0	0	0	0	0	0	0	0	0
Total Federal Taxes	120,072	109,524	110,141	114,347	118,813	100,676	89,987	95,710	100,919	106,926
State/Local Income Tax	16,744	12,835	12,532	13,348	14,209	14,083	11,753	12,561	13,432	14,373
Total Federal/State/Local	136,816	122,359	122,673	127,694	133,022	114,759	101,741	108,270	114,352	121,299
FICA	0	0	0	0	0	0	0	0	0	0
Total Taxes	136,816	122,359	122,673	127,694	133,022	114,759	101,741	108,270	114,352	121,299

# Cash Flow

Richard and Rose Seniors

Lifetime

## Proposed - Income Tax

	2027	2028	2029
Richard's Age	--	--	--
Rose's Age	83	84	85
Marginal Federal Tax Rate	31.0%	31.0%	31.0%
Effective Federal Tax Rate	27.1%	27.2%	26.5%
Effective Capital Gains	17.1%	16.5%	18.4%
Effective State/Local Tax	4.0%	4.0%	4.0%
Adjusted Gross Income	425,707	448,325	483,698
Gross Taxable Income	425,707	448,325	483,698
Ordinary Income	384,709	412,215	397,506
Dividends	10,991	11,589	12,282
Net Capital Gain/Loss	40,998	36,110	86,192
Short-Term Capital	0	0	0
Long-Term Capital	40,998	36,110	86,192
Collectible Capital	0	0	0
Section 1250 Capital	0	0	0
Less: Adjustments to	0	0	0
Less: Greater of	12,321	12,851	12,700
Standard Deduction	12,000	12,350	12,700
Itemized Deductions	12,321	12,851	10,380
State/Local Income Tax	15,388	16,489	15,900
Charitable Deduction	0	0	0
Donations in Current	0	0	0
Carryover from Prior	0	0	0
Carryforward to	0	0	0
Other Entered Itemized	0	0	0
Less: Phaseout	3,067	3,638	5,521
Less: Total Exemption	1,105	127	0
Federal Taxable Income	412,281	435,348	470,998
AMT Taxable Income	425,707	448,325	486,898
Less: AMT Exemption	0	0	0
AMT Taxable Excess	425,707	448,325	486,898
AMT Tentative Minimum	111,539	118,215	124,954
Alternative Minimum Tax	12,245	11,982	13,964
Federal Income Tax	111,539	118,215	124,954
Less: Total Tax Credits	0	0	0
Federal Income Tax	111,539	118,215	124,954
Excise Tax On Qualified	0	0	0
Total Federal Taxes	111,539	118,215	124,954
State/Local Income Tax	15,388	16,489	15,900
Total Federal/State/Local	126,927	134,704	140,854
FICA	0	0	0
Total Taxes	126,927	134,704	140,854

**Supporting Data**

# Cash Flow

Richard and Rose Seniors

## CURRENT DATA

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
Total Income	226,327	238,539	251,549	205,723	218,323	231,832	246,319	511,176	466,284	318,578
Total Assets Applied	12,066	10,136	7,936	40,085	47,035	44,068	40,627	0	0	0
Total Expenses	238,393	248,675	259,486	245,578	265,357	275,900	286,946	290,057	466,284	317,158
Surplus / Shortfall (-)	0	0	0	0	0	0	0	221,119	0	0
<b>TOTAL INCOME</b>	<b>226,327</b>	<b>238,539</b>	<b>251,549</b>	<b>205,723</b>	<b>218,323</b>	<b>231,832</b>	<b>246,319</b>	<b>511,176</b>	<b>466,284</b>	<b>318,578</b>
Alimony/Child Support	0	0	0	0	0	0	0	0	0	0
Annuity Income /	0	0	0	0	0	0	0	0	0	0
Invest. Income	309	333	360	389	420	454	490	529	571	617
Income from Trusts	0	0	0	0	0	0	0	0	0	0
Distrib from FLP, LLC, C	40,000	42,800	45,796	49,002	52,432	56,102	60,029	64,231	68,727	73,538
IDGT Installment Note	0	0	0	0	0	0	0	0	0	0
Inheritance/Life	0	0	0	0	0	0	0	250,000	0	0
Loan Receipts / Rental	0	0	0	0	0	0	0	0	0	0
Qualified Distributions	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	343,240	189,871
Self-employment* / Part	0	0	0	0	0	0	0	0	0	0
Stock Option Exercised	0	0	0	0	0	0	0	0	0	0
Wage* / Bonus* / Social	101,263	103,960	106,732	49,890	50,638	51,398	52,169	52,951	53,745	54,552
Other Taxable / Tax	0	0	0	0	0	0	0	0	0	0
Asset Sale Proceeds	0	0	0	0	0	0	0	0	0	0
New Debts	0	0	0	0	0	0	0	0	0	0
(*FICA withholding										
<b>TOTAL EXPENSES</b>	<b>238,393</b>	<b>248,675</b>	<b>259,486</b>	<b>245,578</b>	<b>265,357</b>	<b>275,900</b>	<b>286,946</b>	<b>290,057</b>	<b>466,284</b>	<b>317,158</b>
Alimony/Child	0	0	0	0	0	0	0	0	0	0
Food	0	0	0	0	0	0	0	0	0	0
Car / Travel	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Education Expenses	0	0	0	0	0	0	0	0	0	0
Estate Bequests /	0	0	0	0	0	0	0	0	0	0
Dues and	0	0	0	0	0	0	0	0	0	0
Gifts / Gift Tax / Charity	0	0	0	0	0	0	0	0	0	0
Life Insurance Premiums	0	0	0	0	0	0	0	0	0	0
Other Insurance	0	0	0	0	0	0	0	0	0	0
Household / Rent / Util	130,000	133,900	137,917	142,055	146,316	150,706	155,227	159,884	164,680	169,621
Debts / Mortgage	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	108,000	0
Medical	0	0	0	0	0	0	0	0	0	0
Personal / Other	0	0	0	0	0	0	0	0	0	0
Rec / Entertainment	20,000	20,800	21,632	22,497	23,397	24,333	25,306	26,319	27,371	28,466
Stock Option Exercise	0	0	0	0	0	0	0	0	0	0
New Asset Purchases	0	0	0	0	0	0	0	0	0	0
Total Savings /	0	0	0	0	0	0	0	0	0	0
Investment / Savings /	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Taxes	70,393	75,675	81,328	62,099	76,389	81,269	86,472	83,556	153,565	106,023
Income Tax	70,393	75,675	81,328	62,099	76,389	81,269	86,472	83,556	153,565	106,023
Property / Estate Tax	0	0	0	0	0	0	0	0	0	0
FICA										
Income Subject to FICA	85,000	87,550	90,177	0	0	0	0	0	0	0

# Cash Flow

Richard and Rose Seniors

## CURRENT DATA

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
Total Income	329,378	347,281	369,189	392,557	417,380	413,758	408,265	419,771	434,603	453,759
Total Assets Applied	0	0	0	0	0	143,871	0	0	0	0
Total Expenses	327,988	343,068	358,173	374,079	390,804	557,629	406,387	419,771	434,603	451,222
Surplus / Shortfall (-)	0	4,214	11,016	18,478	26,576	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>329,378</b>	<b>347,281</b>	<b>369,189</b>	<b>392,557</b>	<b>417,380</b>	<b>913,758</b>	<b>408,265</b>	<b>419,771</b>	<b>434,603</b>	<b>453,759</b>
Alimony/Child Support	0	0	0	0	0	0	0	0	0	0
Annuity Income /	0	0	0	0	0	0	0	0	0	0
Invest. Income	667	720	777	840	907	979	1,058	1,142	1,234	1,332
Income from Trusts	0	0	0	0	0	0	0	0	0	0
Distrib from FLP, LLC, C	78,686	84,194	90,088	96,394	103,141	110,361	118,087	126,353	135,197	144,661
IDGT Installment Note	0	0	0	0	0	0	0	0	0	0
Inheritance/Life	0	0	0	0	0	500,000	0	0	0	0
Loan Receipts / Rental	0	0	0	0	0	0	0	0	0	0
Qualified Distributions	194,656	206,167	221,280	237,425	254,565	271,231	257,466	260,146	265,561	274,665
Self-employment* / Part	0	0	0	0	0	0	0	0	0	0
Stock Option Exercised	0	0	0	0	0	0	0	0	0	0
Wage* / Bonus* / Social	55,370	56,200	57,043	57,899	58,767	31,187	31,654	32,129	32,611	33,100
Other Taxable / Tax	0	0	0	0	0	0	0	0	0	0
Asset Sale Proceeds	0	0	0	0	0	0	0	0	0	0
New Debts	0	0	0	0	0	0	0	0	0	0
(*FICA withholding										
<b>TOTAL EXPENSES</b>	<b>327,988</b>	<b>343,068</b>	<b>358,173</b>	<b>374,079</b>	<b>390,804</b>	<b>557,629</b>	<b>406,387</b>	<b>419,771</b>	<b>434,603</b>	<b>451,222</b>
Alimony/Child	0	0	0	0	0	0	0	0	0	0
Food	0	0	0	0	0	0	0	0	0	0
Car / Travel	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
Education Expenses	0	0	0	0	0	0	0	0	0	0
Estate Bequests /	0	0	0	0	0	157,388	0	0	0	0
Dues and	0	0	0	0	0	0	0	0	0	0
Gifts / Gift Tax / Charity	0	0	0	0	0	0	0	0	0	0
Life Insurance Premiums	0	0	0	0	0	0	0	0	0	0
Other Insurance	0	0	0	0	0	0	0	0	0	0
Household / Rent / Util	174,709	179,950	185,349	190,909	196,637	202,536	208,612	214,870	221,316	227,956
Debts / Mortgage	0	0	0	0	0	0	0	0	0	0
Medical	0	0	0	0	0	0	0	0	0	0
Personal / Other	0	0	0	0	0	0	0	0	0	0
Rec / Entertainment	29,605	30,789	32,021	33,301	34,634	36,019	37,460	38,958	40,516	42,137
Stock Option Exercise	0	0	0	0	0	0	0	0	0	0
New Asset Purchases	0	0	0	0	0	0	0	0	0	0
Total Savings /	0	0	0	0	0	0	0	0	0	0
Investment / Savings /	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Taxes	110,235	118,486	126,546	135,183	144,408	146,106	144,268	149,414	155,746	163,594
Income Tax	110,235	118,486	126,546	135,183	144,408	146,106	144,268	149,414	155,746	163,594
Property / Estate Tax	0	0	0	0	0	0	0	0	0	0
FICA										
Income Subject to FICA	0	0	0	0	0	0	0	0	0	0

# Cash Flow

Richard and Rose Seniors

## CURRENT DATA

	2027	2028
Richard's Age	--	--
Rose's Age	83	84
Total Income	470,681	499,488
Total Assets Applied	0	0
Total Expenses	467,548	492,302
Surplus / Shortfall (-)	0	7,186
<b>TOTAL INCOME</b>	<b>470,681</b>	<b>499,488</b>
Alimony/Child Support	0	0
Annuity Income /	0	0
Invest. Income	1,439	1,554
Income from Trusts	0	0
Distrib from FLP, LLC, C	154,787	165,622
IDGT Installment Note	0	0
Inheritance/Life	0	0
Loan Receipts / Rental	0	0
Qualified Distributions	280,857	298,210
Self-employment* / Part	0	0
Stock Option Exercised	0	0
Wage* / Bonus* / Social	33,597	34,101
Other Taxable / Tax	0	0
Asset Sale Proceeds	0	0
New Debts	0	0
(*FICA withholding		
<b>TOTAL EXPENSES</b>	<b>467,548</b>	<b>492,302</b>
Alimony/Child	0	0
Food	0	0
Car / Travel	18,061	18,603
Education Expenses	0	0
Estate Bequests /	0	0
Dues and	0	0
Gifts / Gift Tax / Charity	0	0
Life Insurance Premiums	0	0
Other Insurance	0	0
Household / Rent / Util	234,794	241,838
Debts / Mortgage	0	0
Medical	0	0
Personal / Other	0	0
Rec / Entertainment	43,822	45,575
Stock Option Exercise	0	0
New Asset Purchases	0	0
Total Savings /	0	0
Investment / Savings /	0	0
Retirement	0	0
Taxes	170,870	186,286
Income Tax	170,870	186,286
Property / Estate Tax	0	0
FICA		
Income Subject to FICA	0	0

**Supporting Proposed Data**

# Cash Flow

Richard and Rose Seniors

PROPOSED DATA										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
Total Income	281,947	292,291	303,390	255,614	266,233	195,418	207,887	470,676	487,771	396,501
Total Assets Applied	87,836	80,503	78,475	119,434	126,571	202,380	198,687	0	104,000	54,228
Total Expenses	369,783	372,794	381,865	375,048	392,805	397,798	406,574	372,022	591,771	450,729
Surplus / Shortfall (-)	0	0	0	0	0	0	0	98,654	0	0
<b>TOTAL INCOME</b>	<b>281,947</b>	<b>292,291</b>	<b>303,390</b>	<b>255,614</b>	<b>266,233</b>	<b>195,418</b>	<b>207,887</b>	<b>470,676</b>	<b>487,771</b>	<b>396,501</b>
Alimony/Child Support	0	0	0	0	0	0	0	0	0	0
Annuity Income /	0	0	0	0	0	0	0	0	0	0
Invest. Income	309	333	360	389	420	454	490	529	571	617
Income from Trusts	94,820	94,820	94,820	94,820	94,820	12,500	12,500	12,500	12,500	12,500
Distrib from FLP, LLC, C	800	856	916	980	1,049	1,122	1,201	1,285	1,375	1,471
IDGT Installment Note	0	0	0	0	0	0	0	0	0	0
Inheritance/Life	0	0	0	0	0	0	0	250,000	0	0
Loan Receipts / Rental	0	0	0	0	0	0	0	0	0	0
Qualified Distributions	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	419,580	327,362
Self-employment* / Part	0	0	0	0	0	0	0	0	0	0
Stock Option Exercised	0	0	0	0	0	0	0	0	0	0
Wage* / Bonus* / Social	101,263	103,960	106,732	49,890	50,638	51,398	52,169	52,951	53,745	54,552
Other Taxable / Tax	0	0	0	0	0	0	0	0	0	0
Asset Sale Proceeds	0	0	0	0	0	0	0	0	0	0
New Debts	0	0	0	0	0	0	0	0	0	0
(*FICA withholding										
<b>TOTAL EXPENSES</b>	<b>369,783</b>	<b>372,794</b>	<b>381,865</b>	<b>375,048</b>	<b>392,805</b>	<b>397,798</b>	<b>406,574</b>	<b>372,022</b>	<b>591,771</b>	<b>450,729</b>
Alimony/Child	0	0	0	0	0	0	0	0	0	0
Food	0	0	0	0	0	0	0	0	0	0
Car / Travel	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Education Expenses	0	0	0	0	0	0	0	0	0	0
Estate Bequests /	0	0	0	0	0	0	0	0	0	0
Dues and	0	0	0	0	0	0	0	0	0	0
Gifts / Gift Tax / Charity	104,000	104,000	104,000	104,000	104,000	104,000	104,000	104,000	104,000	104,000
Life Insurance Premiums	0	0	0	0	0	0	0	0	0	0
Other Insurance	0	0	0	0	0	0	0	0	0	0
Household / Rent / Util	130,000	133,900	137,917	142,055	146,316	150,706	155,227	159,884	164,680	169,621
Debts / Mortgage	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	108,000	0
Medical	0	0	0	0	0	0	0	0	0	0
Personal / Other	0	0	0	0	0	0	0	0	0	0
Rec / Entertainment	20,000	20,800	21,632	22,497	23,397	24,333	25,306	26,319	27,371	28,466
Stock Option Exercise	0	0	0	0	0	0	0	0	0	0
New Asset Purchases	0	0	0	0	0	0	0	0	0	0
Total Savings /	0	0	0	0	0	0	0	0	0	0
Investment / Savings /	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Taxes	97,783	95,794	99,707	87,569	99,836	99,167	102,100	61,521	175,052	135,595
Income Tax	97,783	95,794	99,707	87,569	99,836	99,167	102,100	61,521	175,052	135,595
Property / Estate Tax	0	0	0	0	0	0	0	0	0	0
FICA										
Income Subject to FICA	85,000	87,550	90,177	0	0	0	0	0	0	0

# Cash Flow

Richard and Rose Seniors

PROPOSED DATA										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
Total Income	409,215	310,104	301,952	321,876	343,276	335,818	271,795	291,165	312,036	334,514
Total Assets Applied	37,354	128,837	144,348	136,715	128,688	441,334	104,064	100,248	93,985	87,257
Total Expenses	446,569	438,941	446,300	458,591	471,418	497,409	375,859	390,627	405,209	420,927
Surplus / Shortfall (-)	0	0	0	0	0	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>409,215</b>	<b>310,104</b>	<b>301,952</b>	<b>321,876</b>	<b>343,276</b>	<b>835,818</b>	<b>271,795</b>	<b>291,165</b>	<b>312,036</b>	<b>334,514</b>
Alimony/Child Support	0	0	0	0	0	0	0	0	0	0
Annuity Income /	0	0	0	0	0	0	0	0	0	0
Invest. Income	667	720	777	840	907	979	1,058	1,142	1,234	1,332
Income from Trusts	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Distrib from FLP, LLC, C	1,574	1,684	1,802	1,928	2,063	2,207	2,362	2,527	2,704	2,893
IDGT Installment Note	0	0	0	0	0	0	0	0	0	0
Inheritance/Life	0	0	0	0	0	500,000	0	0	0	0
Loan Receipts / Rental	0	0	0	0	0	0	0	0	0	0
Qualified Distributions	339,105	238,999	229,829	248,709	269,039	288,945	224,221	242,866	262,987	284,688
Self-employment* / Part	0	0	0	0	0	0	0	0	0	0
Stock Option Exercised	0	0	0	0	0	0	0	0	0	0
Wage* / Bonus* / Social	55,370	56,200	57,043	57,899	58,767	31,187	31,654	32,129	32,611	33,100
Other Taxable / Tax	0	0	0	0	0	0	0	0	0	0
Asset Sale Proceeds	0	0	0	0	0	0	0	0	0	0
New Debts	0	0	0	0	0	0	0	0	0	0
(*FICA withholding										
<b>TOTAL EXPENSES</b>	<b>446,569</b>	<b>438,941</b>	<b>446,300</b>	<b>458,591</b>	<b>471,418</b>	<b>777,151</b>	<b>375,859</b>	<b>390,627</b>	<b>405,209</b>	<b>420,927</b>
Alimony/Child	0	0	0	0	0	0	0	0	0	0
Food	0	0	0	0	0	0	0	0	0	0
Car / Travel	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
Education Expenses	0	0	0	0	0	0	0	0	0	0
Estate Bequests /	0	0	0	0	0	396,258	0	0	0	0
Dues and	0	0	0	0	0	0	0	0	0	0
Gifts / Gift Tax / Charity	92,000	92,000	92,000	92,000	92,000	12,000	12,000	12,000	12,000	12,000
Life Insurance Premiums	0	0	0	0	0	0	0	0	0	0
Other Insurance	0	0	0	0	0	0	0	0	0	0
Household / Rent / Util	174,709	179,950	185,349	190,909	196,637	202,536	208,612	214,870	221,316	227,956
Debts / Mortgage	0	0	0	0	0	0	0	0	0	0
Medical	0	0	0	0	0	0	0	0	0	0
Personal / Other	0	0	0	0	0	0	0	0	0	0
Rec / Entertainment	29,605	30,789	32,021	33,301	34,634	36,019	37,460	38,958	40,516	42,137
Stock Option Exercise	0	0	0	0	0	0	0	0	0	0
New Asset Purchases	0	0	0	0	0	0	0	0	0	0
Total Savings /	0	0	0	0	0	0	0	0	0	0
Investment / Savings /	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Taxes	136,816	122,359	122,673	127,694	133,022	114,759	101,741	108,270	114,352	121,299
Income Tax	136,816	122,359	122,673	127,694	133,022	114,759	101,741	108,270	114,352	121,299
Property / Estate Tax	0	0	0	0	0	0	0	0	0	0
FICA										
Income Subject to FICA	0	0	0	0	0	0	0	0	0	0

# Cash Flow

Richard and Rose Seniors

## PROPOSED DATA

	2027	2028
Richard's Age	--	--
Rose's Age	83	84
Total Income	358,706	384,724
Total Assets Applied	65,779	56,924
Total Expenses	423,605	440,720
Surplus / Shortfall (-)	0	0
<b>TOTAL INCOME</b>	<b>358,706</b>	<b>384,724</b>
Alimony/Child Support	0	0
Annuity Income /	0	0
Invest. Income	1,439	1,554
Income from Trusts	12,500	12,500
Distrib from FLP, LLC, C	3,096	3,312
IDGT Installment Note	0	0
Inheritance/Life	0	0
Loan Receipts / Rental	0	0
Qualified Distributions	308,074	333,256
Self-employment* / Part	0	0
Stock Option Exercised	0	0
Wage* / Bonus* / Social	33,597	34,101
Other Taxable / Tax	0	0
Asset Sale Proceeds	0	0
New Debts	0	0
(*FICA withholding		
<b>TOTAL EXPENSES</b>	<b>423,605</b>	<b>440,720</b>
Alimony/Child	0	0
Food	0	0
Car / Travel	18,061	18,603
Education Expenses	0	0
Estate Bequests /	0	0
Dues and	0	0
Gifts / Gift Tax / Charity	0	0
Life Insurance Premiums	0	0
Other Insurance	0	0
Household / Rent / Util	234,794	241,838
Debts / Mortgage	0	0
Medical	0	0
Personal / Other	0	0
Rec / Entertainment	43,822	45,575
Stock Option Exercise	0	0
New Asset Purchases	0	0
Total Savings /	0	0
Investment / Savings /	0	0
Retirement	0	0
Taxes	126,927	134,704
Income Tax	126,927	134,704
Property / Estate Tax	0	0
FICA		
Income Subject to FICA	0	0

## Graph Glossary

### Current Cash Flow

- **Total Income Available** - Total Income available for all needs and expenses.
- **Total Assets Applied** - Non-qualified provided to fund needs.
- **Shortfall** - Amount by which income and asset resources fall short of meeting all expenses in the specified year.
- **Expenses** - Total expenses, including taxes and desired savings.
- **Surplus** - Amount by which income and asset resources exceed all expenses in the specified year.

### Projected Cash Flow

- **Total Income Applied** - Total Income applied to all needs and expenses.
- **Total Assets Applied** - Non-qualified provided to fund needs.
- **Shortfall** - Amount by which income and asset resources fall short of meeting all expenses in the specified year.
- **Surplus** - Amount by which income and asset resources exceed all expenses in the specified year.
- **Expenses** - Total expenses, including taxes and desired savings.

### Income Tax (MFJ/S/D/W)

- **Federal Income Tax** - Federal income tax paid on all income received during the specified year.
- **State/Local Income Tax** - State and local income taxes paid on all income received during the specified year.
- **Taxable Income Net of Taxes** - All income received during the specified year, net of income taxes.
- **Gross Taxable Income** - All income received during the specified year.

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## **Distribution Planning for Richard**

**Richard and Rose Seniors**

## **Objectives**

Qualified retirement plans and IRAs are excellent vehicles that can help you accumulate funds for retirement but when you retire, many practical and tax planning issues come into play. Generally, decisions must be made about when to begin receiving retirement benefits or withdrawing funds from plans and IRAs along with how much to withdraw. Coordination is often necessary between amounts withdrawn from IRAs and other qualified retirement plans with amounts withdrawn from non-tax qualified savings and investments. Federal income and estate tax laws dealing with IRAs and other retirement plan distributions could have a significant economic impact on you and your heirs and remember that they are subject to change without notice.

The analysis which follows, evaluates the economic effect and taxation of distributions from your IRAs and/or other tax qualified retirement plans. Each graph and related data portrays a particular aspect of your distribution planning.

## Background Information

The tax laws governing the distribution of qualified plan and IRA assets are complex and may have a significant economic impact on you and your heirs. Your personal financial goals for retirement must consider these laws.

Distributions from qualified retirement plans and IRAs are usually taxed as ordinary income when received and are not eligible for capital gain treatment unless attributable to plan contributions made prior to 1974.

Distributions received in a lump sum may be eligible for special income averaging. Consult your tax advisor to determine if you may use income averaging in your particular situation.

Be aware that the taxable portion of a distribution received from a qualified plan or IRA before you attain age 59 1/2 generally will be subject to a 10% early withdrawal penalty. Distributions upon death, divorce or disability; for medical expenses; substantially equal periodic payments made over the participant's life; and distributions made to an employee after separation of service after age 55 may qualify for an exception to this penalty. Care must be taken if you intend to begin receiving benefits or distributions prior to age 59 1/2. Consult your tax advisor to determine if your benefits or distributions qualify for an exemption from this 10% penalty tax.

Distributions must also satisfy IRS minimum distribution requirements. As a general rule, an individual who has participated in a qualified retirement plan or Individual Retirement Account (IRA) must begin to withdraw minimum distributions by April 1st of the calendar year following the one in which he or she reaches age 70 1/2, or, if still employed, for other than IRAs, by a later retirement year. The date that minimum distributions must begin is called the required beginning date. In each calendar year, an additional withdrawal must be taken. The distribution for age 70 1/2 can be taken up to April 1 of the following year. An additional distribution would then be required by the end of that same year for the age 71 1/2 distribution. For all qualified plans and IRAs, an excise tax of 50% will be imposed on amounts that were required to be withdrawn as minimum distributions but were not.

Minimum required distributions are determined by dividing the account balance from the calendar year immediately preceding the distribution year (e.g. the December 31 or year-end account statement) by the applicable life expectancy in the distribution year. Life expectancy is determined by utilizing the Uniform Lifetime Table found in the Treasury Regulations under section 1.401(a)(9), which was updated in April 2002.

$$\text{Minimum Required Distribution} = \frac{\text{Qualified Plan(s) and IRA(s) Account Balance}}{\text{Applicable Life Expectancy or Divisor}}$$

The Uniform Lifetime Table is a uniform table that contains joint life expectancies based upon the participant's age each year of distribution assuming that the participant always has a beneficiary who is 10 years younger. For a spouse- beneficiary more than 10 years younger, the Uniform Lifetime Table is ignored and the Joint and Last Survivor Table is used.

A spouse who rolls over a distribution received from a participant to his or her own IRA is treated the same as a participant. In other words the Uniform Lifetime Table using the spouse's life expectancy is used to determine minimum required distributions.

Upon death of participant when there is a designated beneficiary, the account balance can be paid out over the remaining single life expectancy (reduced by one for each subsequent year) of the beneficiary, regardless of whether the participant died before or after his required distribution date. If the sole beneficiary is spouse who does not rollover, life expectancy is single life expectancy recalculated.

Upon death of participant after his required beginning date when there is no designated beneficiary, the account balance can be paid out over the remaining single life expectancy of the participant (reduced by one for each subsequent year).

Upon death of participant before his required beginning date when there is no designated beneficiary, the account balance must be paid out within 5 years after the participant's death.

The surviving spouse-beneficiary who rolls over a distribution received from a participant may fail to take advantage of the potential tax-deferral opportunity of the account if he or she does not name a beneficiary for the rolled over IRA. When the spouse dies and the IRA is cashed out, it is subject to income tax and will no longer accumulate tax-deferred interest. When the spouse dies having named a beneficiary, his or her IRA rolls over to the beneficiary and continues to grow tax-deferred. When the spouse dies, distributions will be based only upon the single life expectancy of the beneficiary, which will generally cause smaller distributions than the spouse received, resulting in potential to grow over a greater length of time.

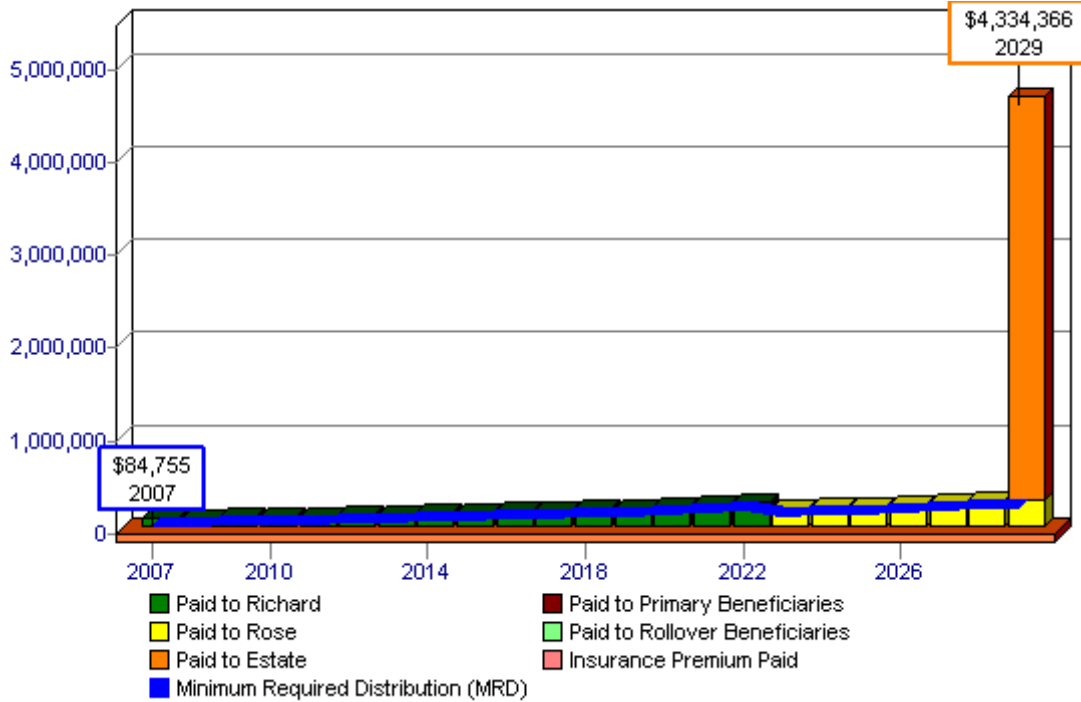
It is important to understand that qualified plans or IRAs transferred to a spouse are included in the deceased spouse's estate. However, when the IRA is transferred to the beneficiary, the tax-deferred growth that occurs over the life of the beneficiary may help compensate for the increased estate taxes. Unlike certain other assets that may have grown in value, however, there is no potential for stepped-up tax basis for income tax purposes.

# Distribution Planning for Richard

Distribution Planning Richard

## Pre-Tax Annual Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a pre-tax distribution of \$84,755. Overall, cumulative distributions from qualified assets to all recipients could be \$8,502,029.



Illustrates projected year by year pre-tax distributions from qualified plan and traditional IRA assets.

**Comment**

Richard, the above graph shows that the required distribution in 2007 is \$84,755.

$$\frac{\$2,322,284}{27.4} = \$84,755 \text{ Minimum Required Distribution in 2007}$$

This distribution is based on an account value of \$2,322,284 as of December 31, 2006, divided by the applicable divisor of 27.4. The remaining years of the graph and spreadsheet that follows show the distributions that will be distributed each year. This analysis shows the entire account balance of \$4,334,366 being withdrawn at Rose's assumed death in 2029.

This scenario assumes the following:

- Upon your death, Rose will rollover your IRAs and continues to take minimum distributions.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

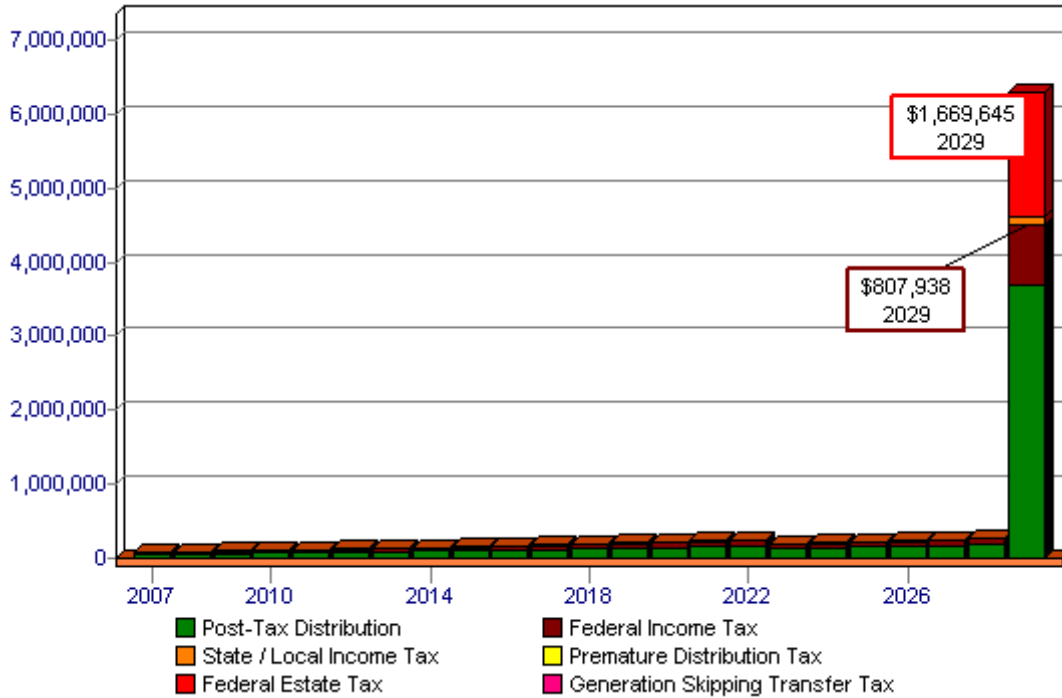
## Pre-Tax Annual Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client	Co-client	Assets Before Distribution	Qualified Distribution	Paid to Richard	Paid to Rose	Paid to Non- Spouse Beneficiaries	Insurance Premium Paid
2007	70	63	2,508,067	84,755	84,755	0	0	0
2008	71	64	2,617,177	91,446	91,446	0	0	0
2009	72	65	2,727,790	98,661	98,661	0	0	0
2010	73	66	2,839,459	106,442	106,442	0	0	0
2011	74	67	2,951,657	114,833	114,833	0	0	0
2012	75	68	3,063,771	123,879	123,879	0	0	0
2013	76	69	3,175,083	133,631	133,631	0	0	0
2014	77	70	3,284,768	143,465	143,465	0	0	0
2015	78	71	3,392,608	154,744	154,744	0	0	0
2016	79	72	3,496,893	166,044	166,044	0	0	0
2017	80	73	3,597,316	178,120	178,120	0	0	0
2018	81	74	3,692,732	191,017	191,017	0	0	0
2019	82	75	3,781,852	204,779	204,779	0	0	0
2020	83	76	3,863,240	219,452	219,452	0	0	0
2021	84	77	3,935,290	235,083	235,083	0	0	0
2022	85	78	3,996,224	250,014	250,014	0	0	0
2023	--	79	4,045,906	192,113	0	192,113	0	0
2024	--	80	4,162,097	206,085	0	206,085	0	0
2025	--	81	4,272,492	221,006	0	221,006	0	0
2026	--	82	4,375,605	236,929	0	236,929	0	0
2027	--	83	4,469,770	253,906	0	253,906	0	0
2028	--	84	4,553,133	271,991	0	271,991	0	0
2029	--	85	4,623,633	4,623,633	0	289,266	4,334,367	0

Distribution Planning Richard

## Taxation of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a pre-tax distribution of \$84,755. Taxes payable on the distribution could amount to \$25,931, resulting in a net distribution of \$58,824. Overall, total net distributions from qualified assets could be \$6,334,513.



Illustrates the year by year effect of federal and state income taxes and when applicable the federal estate tax and premature distribution tax on amounts distributed from all Qualified Assets.

### Comment

While no income taxes are due on the growth of IRAs and qualified plans, income taxes will be due on all distributions. By taking only the minimum required distribution, you will also be minimizing your tax liability while maximizing the potential growth due to tax-deferred compounding.

While income taxes will be deferred until the actual distribution of the IRAs, there will be estate taxes attributable to the IRAs due upon Rose's assumed death in 2029. This analysis assumes that potential estate taxes (shown in red) are paid from sources other than the IRAs.

The spreadsheet which follows shows the asset balance, distributions, taxation of distributions and the IRD Deduction available to the non-spouse beneficiaries. The Income with Respect to Decedent (IRD) deduction gives the non-spouse beneficiaries federal income tax deductions based on the portion of federal estate taxes attributable to the IRD assets.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

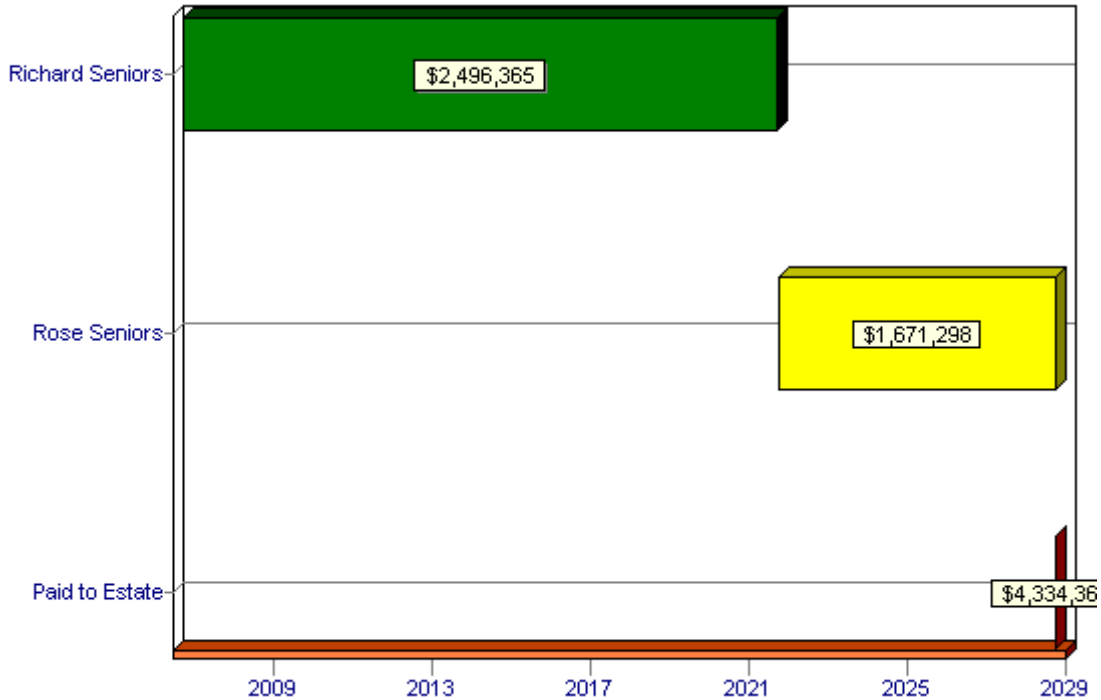
## Taxation of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client	Co-client	Assets Before Distribution	Qualified Distribution	IRD Deduction	Federal Income Tax / Prem Dist Tax	State / Local Income Tax	Post-Tax Distribution	Federal Estate and GST Tax
2007	70	63	2,508,067	84,755	0	22,540	3,390	58,824	0
2008	71	64	2,617,177	91,446	0	24,807	3,658	62,981	0
2009	72	65	2,727,790	98,661	0	27,385	3,946	67,330	0
2010	73	66	2,839,459	106,442	0	26,646	3,957	75,839	0
2011	74	67	2,951,657	114,833	0	29,776	3,853	81,204	0
2012	75	68	3,063,771	123,879	0	32,771	4,242	86,866	0
2013	76	69	3,175,083	133,631	0	36,044	4,669	92,919	0
2014	77	70	3,284,768	143,465	0	40,120	5,739	97,606	0
2015	78	71	3,392,608	154,744	0	43,550	6,190	105,004	0
2016	79	72	3,496,893	166,044	0	47,196	6,642	112,207	0
2017	80	73	3,597,316	178,120	0	50,579	7,125	120,417	0
2018	81	74	3,692,732	191,017	0	55,019	7,641	128,357	0
2019	82	75	3,781,852	204,779	0	58,797	8,191	137,791	0
2020	83	76	3,863,240	219,452	0	62,796	8,778	147,878	0
2021	84	77	3,935,290	235,083	0	67,059	9,403	158,620	0
2022	85	78	3,996,224	250,014	0	69,490	9,927	170,597	0
2023	--	79	4,045,906	192,113	0	52,601	7,685	131,828	0
2024	--	80	4,162,097	206,085	0	56,415	8,243	141,426	0
2025	--	81	4,272,492	221,006	0	60,495	8,840	151,671	0
2026	--	82	4,375,605	236,929	0	64,860	9,477	162,592	0
2027	--	83	4,469,770	253,906	0	69,495	10,156	174,255	0
2028	--	84	4,553,133	271,991	0	76,442	10,880	184,670	0
2029	--	85	4,623,633	4,623,633	1,669,645	807,938	132,063	3,683,632	1,669,645

Distribution Planning Richard

## Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a distribution before tax of \$84,755. Overall, cumulative distributions from qualified assets to all recipients could be \$8,502,029.



Illustrates the amount and timeline of cumulative pre-tax distributions to the participant, primary beneficiaries, and spousal rollover beneficiaries.

### Comment

The above graph illustrates the timeline and total distribution paid to you and your beneficiaries over their lifetimes on a pre-tax basis assuming an 8% growth rate on IRA and qualified plan assets. This is assuming taking only the minimum required distributions (MRD) each year from qualified assets, which total \$2,322,284, starting when you reach age 70.

This analysis illustrates naming Rose as the sole beneficiary of your IRA accounts. Utilizing the unlimited marital deduction, your estate will not owe any estate taxes on this money. Estate Taxes may be due at Rose's death.

The cumulative pre-tax distributions to you and your heirs from your IRAs and qualified plans are represented by each bar in the graph above.

The spreadsheet that follows shows the detail account values including account balances, applicable divisors used, minimum distributions, and growth of the IRAs.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
<b>QUALIFIED</b>										
Qualified Assets at Start	2,322,284	2,423,312	2,525,731	2,629,128	2,733,016	2,836,825	2,939,892	3,041,452	3,141,303	3,237,864
Investment Growth	185,783	193,865	202,058	210,330	218,641	226,946	235,191	243,316	251,304	259,029
Qualified Assets at Year	2,423,312	2,525,731	2,629,128	2,733,016	2,836,825	2,939,892	3,041,452	3,141,303	3,237,863	3,330,848
Total Qualified Distribution	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Paid to Richard	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
<b>Cumulative Distribution</b>										
Paid to Richard	84,755	176,201	274,862	381,304	496,137	620,016	753,647	897,112	1,051,856	1,217,900
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	2,322,284	2,423,312	2,525,731	2,629,128	2,733,016	2,836,825	2,939,892	3,041,452	3,141,303	3,237,863
Applicable Divisor	27.4	26.5	25.6	24.7	23.8	22.9	22.0	21.2	20.3	19.5
Minimum Required	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Investment Growth	185,783	193,865	202,058	210,330	218,641	226,946	235,191	243,316	251,304	259,029

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
<b>QUALIFIED</b>										
Qualified Assets at Start	3,330,848	3,419,196	3,501,715	3,577,074	3,643,787	3,700,207	3,746,210	3,853,793	3,956,011	4,051,486
Investment Growth	266,468	273,536	280,137	286,166	291,503	296,017	299,697	308,303	316,481	324,119
Qualified Assets at Year	3,419,196	3,501,715	3,577,074	3,643,787	3,700,207	3,746,210	3,853,793	3,956,011	4,051,486	4,138,676
Total Qualified Distribution	178,120	191,017	204,779	219,452	235,083	250,014	192,113	206,085	221,006	236,929
Paid to Richard	178,120	191,017	204,779	219,452	235,083	250,014	0	0	0	0
Paid to Rose	0	0	0	0	0	0	192,113	206,085	221,006	236,929
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
<b>Cumulative Distribution</b>										
Paid to Richard	1,396,020	1,587,037	1,791,816	2,011,268	2,246,351	2,496,365	2,496,365	2,496,365	2,496,365	2,496,365
Paid to Rose	0	0	0	0	0	0	192,113	398,199	619,205	856,134
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	3,330,848	3,419,196	3,501,715	3,577,074	3,643,787	3,700,207	3,746,210	3,853,793	3,956,011	4,051,486
Applicable Divisor	18.7	17.9	17.1	16.3	15.5	14.8	19.5	18.7	17.9	17.1
Minimum Required	178,120	191,017	204,779	219,452	235,083	250,014	192,113	206,085	221,006	236,929
Investment Growth	266,468	273,536	280,137	286,166	291,503	296,017	299,697	308,303	316,481	324,119

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2027	2028	2029
Richard's Age	--	--	--
Rose's Age	83	84	85
<b>QUALIFIED</b>			
Qualified Assets at Start	4,138,676	4,215,864	4,281,142
Investment Growth	331,094	337,269	342,491
Qualified Assets at Year	4,215,863	4,281,141	0
Total Qualified Distribution	253,906	271,991	4,623,633
Paid to Richard	0	0	0
Paid to Rose	253,906	271,991	289,266
Paid to Non-Spouse	0	0	4,334,367
Paid to Estate	0	0	4,334,367
<b>Cumulative Distribution</b>			
Paid to Richard	2,496,365	2,496,365	2,496,365
Paid to Rose	1,110,040	1,382,031	1,671,298
Paid to Non-Spouse	0	0	4,334,367
Paid to Estate	0	0	4,334,367
<b>FOR MRD CALCULATIONS</b>			
<b>Client / Spouse Portion</b>			
Qualified Assets at Start	4,138,676	4,215,863	4,281,141
Applicable Divisor	16.3	15.5	14.8
Minimum Required	253,906	271,991	289,266
Investment Growth	331,094	337,269	342,491

## Recommendations

Richard, you have stated that you wanted to determine if you could afford to take only the Minimum Required Distribution (MRD) from your qualified plans starting at age 70½ and evaluate whom you should name as the beneficiaries, Rose, children Joel and Hope and/or your grandchildren. By naming your children or grandchildren as beneficiaries you can provide annual distributions to them even after your death.

Based on assets and income sources available, all of your expenses and needs will be fully funded throughout your lifetime. This enables you to defer taking any distributions and take only the MRD from your IRAs and qualified plans starting at age 70½.

The current analysis illustrates your existing plan to name Rose as the sole beneficiary of your IRA and qualified accounts.

The recommendation, as illustrated in the Proposal, is for Rose to create 2 separate IRAs from the rollover IRA, naming Joel and Hope as individual beneficiaries of the IRAs.

By splitting the IRA into separate accounts, after your death each individual beneficiary will be able to use his/her own life expectancy to determine the MRD enabling them to "stretch out" distributions over their lifetimes while taking advantage of tax deferred growth for a longer period of time.

This approach could increase the total potential payout of your IRA from about \$9 million to over \$24 million.

This proposed analysis assumes an 9% annual growth on all IRA assets. If you and your beneficiaries averaged 9% annual growth, the total distributions would be over \$24 million.

In the event that Rose pre-deceases Richard, Richard can change the beneficiary designation and name Joel and Hope as the beneficiaries. They will still be able to stretch the distributions over their lifetimes.

While no income taxes are due on the growth in the IRAs, income taxes will be due on all distributions from the IRAs. By enabling the heirs to stretch distributions over their respective lifetimes, they will also be stretching out the income tax liability over this same time period, possibly reducing the overall effect of taxation. While income taxes will be deferred until the actual distribution of the IRAs, there will be estate taxes attributable to the IRAs due upon your death. This analysis assumes that all estate taxes are paid from sources other than the IRAs.

It is always a good idea to discuss these issues and possibilities with your estate and tax advisors.

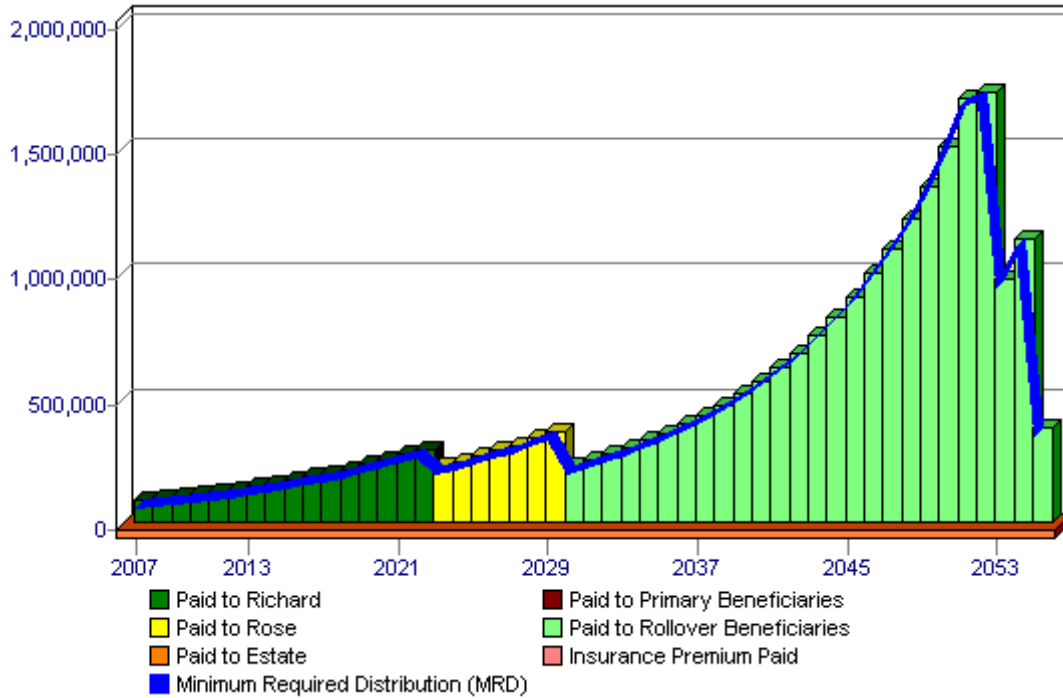
# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Pre-Tax Annual Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a pre-tax distribution of \$84,755. Overall, cumulative distributions from qualified assets to all recipients could be \$24,594,712.



Illustrates projected year by year pre-tax distributions from qualified plan and traditional IRA assets.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Pre-Tax Annual Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client	Co-client	Assets Before Distribution	Qualified Distribution	Paid to Richard	Paid to Rose	Paid to Non-Spouse Beneficiaries	Insurance Premium Paid
2007	70	63	2,531,290	84,755	84,755	0	0	0
2008	71	64	2,666,723	92,322	92,322	0	0	0
2009	72	65	2,806,097	100,563	100,563	0	0	0
2010	73	66	2,949,032	109,536	109,536	0	0	0
2011	74	67	3,095,051	119,307	119,307	0	0	0
2012	75	68	3,243,562	129,945	129,945	0	0	0
2013	76	69	3,393,842	141,528	141,528	0	0	0
2014	77	70	3,545,022	153,411	153,411	0	0	0
2015	78	71	3,696,856	167,074	167,074	0	0	0
2016	79	72	3,847,462	181,014	181,014	0	0	0
2017	80	73	3,996,428	196,067	196,067	0	0	0
2018	81	74	4,142,394	212,311	212,311	0	0	0
2019	82	75	4,283,791	229,829	229,829	0	0	0
2020	83	76	4,418,818	248,709	248,709	0	0	0
2021	84	77	4,545,418	269,039	269,039	0	0	0
2022	85	78	4,661,253	288,945	288,945	0	0	0
2023	--	79	4,765,817	224,221	0	224,221	0	0
2024	--	80	4,950,339	242,866	0	242,866	0	0
2025	--	81	5,131,145	262,987	0	262,987	0	0
2026	--	82	5,306,292	284,688	0	284,688	0	0
2027	--	83	5,473,549	308,074	0	308,074	0	0
2028	--	84	5,630,368	333,256	0	333,256	0	0
2029	--	85	5,773,852	357,913	0	357,913	0	0
2030	--	--	5,903,373	226,753	0	0	226,753	0
2031	--	--	6,187,516	248,055	0	0	248,055	0
2032	--	--	6,474,013	271,403	0	0	271,403	0
2033	--	--	6,760,844	297,004	0	0	297,004	0
2034	--	--	7,045,586	325,083	0	0	325,083	0
2035	--	--	7,325,347	355,897	0	0	355,897	0
2036	--	--	7,596,701	389,728	0	0	389,728	0
2037	--	--	7,855,601	426,892	0	0	426,892	0
2038	--	--	8,097,293	467,746	0	0	467,746	0
2039	--	--	8,316,206	512,692	0	0	512,692	0
2040	--	--	8,505,830	562,185	0	0	562,185	0
2041	--	--	8,658,573	616,747	0	0	616,747	0
2042	--	--	8,765,590	676,978	0	0	676,978	0
2043	--	--	8,816,588	743,580	0	0	743,580	0
2044	--	--	8,799,578	817,385	0	0	817,386	0
2045	--	--	8,700,590	899,402	0	0	899,402	0
2046	--	--	8,503,295	990,887	0	0	990,887	0
2047	--	--	8,188,525	1,093,474	0	0	1,093,474	0
2048	--	--	7,733,606	1,209,422	0	0	1,209,422	0

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

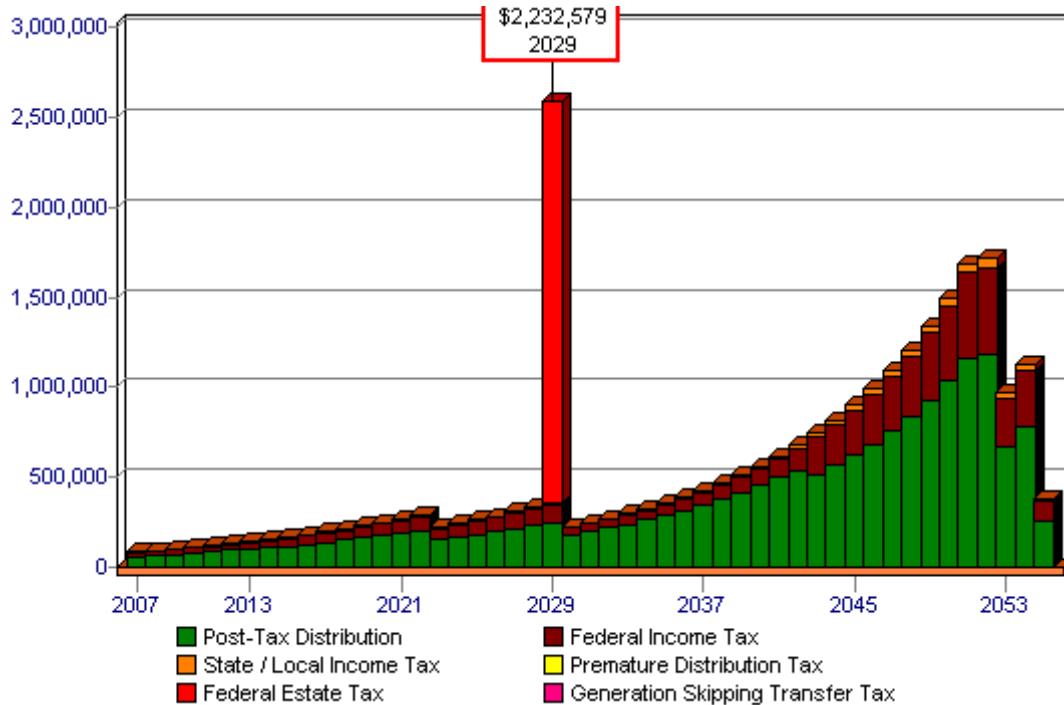
## Proposed - Pre-Tax Annual Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client	Co-client	Assets Before Distribution	Qualified Distribution	Paid to Richard	Paid to Rose	Paid to Non- Spouse Beneficiaries	Insurance Premium Paid
2049	--	--	7,111,360	1,342,154	0	0	1,342,154	0
2050	--	--	6,288,435	1,497,698	0	0	1,497,698	0
2051	--	--	5,221,903	1,690,031	0	0	1,690,031	0
2052	--	--	3,849,740	1,715,823	0	0	1,715,823	0
2053	--	--	2,325,970	969,963	0	0	969,963	0
2054	--	--	1,478,048	1,130,006	0	0	1,130,006	0
2055	--	--	379,366	379,366	0	0	379,366	0

Distribution Planning Richard

## Proposed - Taxation of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a pre-tax distribution of \$84,755. Taxes payable on the distribution could amount to \$34,147, resulting in a net distribution of \$50,608. Overall, total net distributions from qualified assets could be \$17,647,184.



Illustrates the year by year effect of federal and state income taxes and when applicable the federal estate tax and premature distribution tax on amounts distributed from all Qualified Assets.

### Comment

While no income taxes are due on the growth in the IRAs, income taxes will be due on all distributions from the IRAs. By enabling the heirs to stretch distributions over their respective lifetimes, they will also be stretching out the income tax liability over this same time period, possibly reducing the overall effect of taxation. While income taxes will be deferred until the actual distribution of the IRAs, there will be estate taxes attributable to the IRAs due upon Rose's assumed death in 2029. This analysis assumes that the estate taxes attributable to the IRA, \$2,232,579, are paid from sources other than the IRAs.

The spreadsheet which follows shows the asset balance, distributions, taxation of distributions and the IRD Deduction available to the non-spouse beneficiaries. The Income with Respect to Decedent (IRD) deduction gives the children and grandchildren a federal income tax deduction based on the portion of federal estate taxes attributable to the IRD assets.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Taxation of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client	Co-client	Assets Before Distribution	Qualified Distribution	IRD Deduction	Federal Income Tax / Prem Dist Tax	State / Local Income Tax	Post-Tax Distribution	Federal Estate and GST Tax
2007	70	63	2,531,290	84,755	0	31,123	3,024	50,608	0
2008	71	64	2,666,723	92,322	0	23,417	2,686	66,219	0
2009	72	65	2,806,097	100,563	0	25,009	2,995	72,559	0
2010	73	66	2,949,032	109,536	0	25,640	2,743	81,152	0
2011	74	67	3,095,051	119,307	0	30,302	3,013	85,992	0
2012	75	68	3,243,562	129,945	0	31,645	2,655	95,645	0
2013	76	69	3,393,842	141,528	0	34,789	3,008	103,731	0
2014	77	70	3,545,022	153,411	0	39,881	6,136	107,394	0
2015	78	71	3,696,856	167,074	0	44,965	5,584	116,525	0
2016	79	72	3,847,462	181,014	0	49,291	6,439	125,285	0
2017	80	73	3,996,428	196,067	0	54,007	7,246	134,814	0
2018	81	74	4,142,394	212,311	0	55,213	6,199	150,899	0
2019	82	75	4,283,791	229,829	0	60,587	6,462	162,781	0
2020	83	76	4,418,818	248,709	0	66,170	7,240	175,300	0
2021	84	77	4,545,418	269,039	0	72,193	8,096	188,751	0
2022	85	78	4,661,253	288,945	0	79,052	10,699	199,194	0
2023	--	79	4,765,817	224,221	0	59,689	7,483	157,048	0
2024	--	80	4,950,339	242,866	0	64,906	8,198	169,762	0
2025	--	81	5,131,145	262,987	0	70,224	9,015	183,748	0
2026	--	82	5,306,292	284,688	0	76,291	9,917	198,479	0
2027	--	83	5,473,549	308,074	0	83,347	11,136	213,591	0
2028	--	84	5,630,368	333,256	0	90,493	12,257	230,507	0
2029	--	85	5,773,852	357,913	0	94,953	11,765	251,195	2,232,579
2030	--	--	5,903,373	226,753	95,570	36,731	6,803	183,219	0
2031	--	--	6,187,516	248,055	104,548	40,182	7,442	200,431	0
2032	--	--	6,474,013	271,403	114,389	43,964	8,142	219,297	0
2033	--	--	6,760,844	297,004	125,178	48,111	8,910	239,982	0
2034	--	--	7,045,586	325,083	137,013	52,660	9,753	262,671	0
2035	--	--	7,325,347	355,897	150,000	57,651	10,677	287,569	0
2036	--	--	7,596,701	389,728	164,259	63,131	11,692	314,905	0
2037	--	--	7,855,601	426,892	179,923	69,151	12,807	344,934	0
2038	--	--	8,097,293	467,746	197,142	75,769	14,032	377,945	0
2039	--	--	8,316,206	512,692	216,085	83,050	15,381	414,261	0
2040	--	--	8,505,830	562,185	236,945	91,067	16,866	454,252	0
2041	--	--	8,658,573	616,747	259,941	99,906	18,502	498,339	0
2042	--	--	8,765,590	676,978	251,587	119,109	20,309	537,559	0
2043	--	--	8,816,588	743,580	0	208,202	22,307	513,070	0
2044	--	--	8,799,578	817,385	0	228,868	24,522	563,996	0
2045	--	--	8,700,590	899,402	0	251,833	26,982	620,587	0
2046	--	--	8,503,295	990,887	0	277,448	29,727	683,712	0
2047	--	--	8,188,525	1,093,474	0	306,173	32,804	754,497	0
2048	--	--	7,733,606	1,209,422	0	338,638	36,283	834,501	0

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

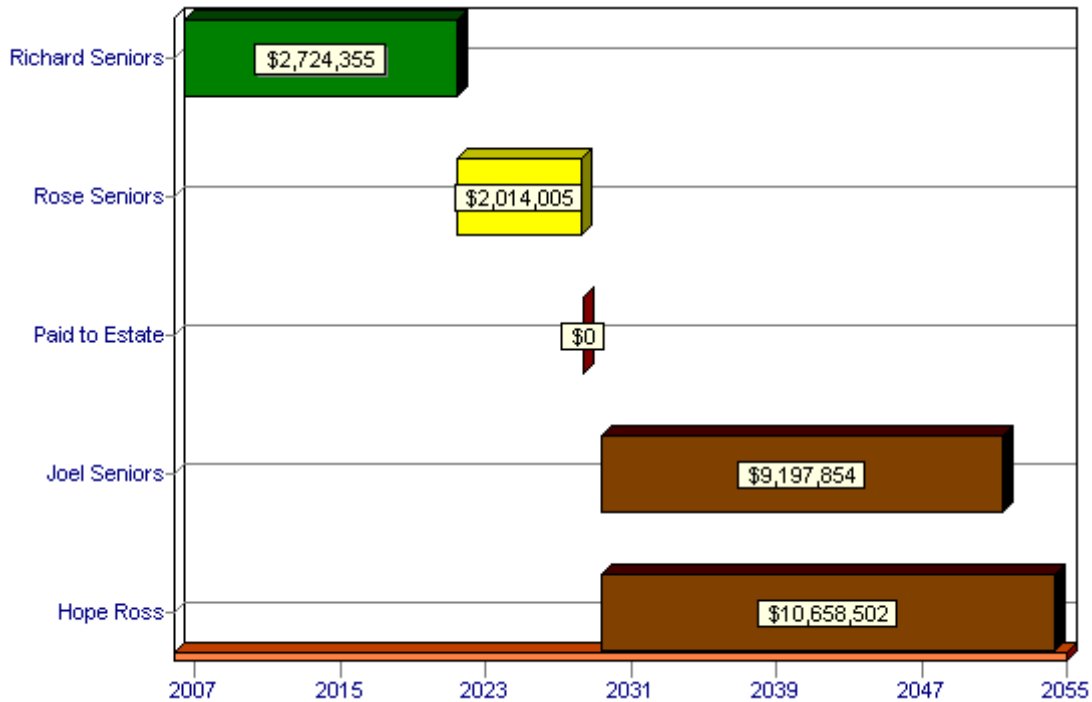
## Proposed - Taxation of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Year	Ages Client Co-client	Assets Before Distribution	Qualified Distribution	IRD Deduction	Federal Income Tax / Prem Dist Tax	State / Local Income Tax	Post-Tax Distribution	Federal Estate and GST Tax
2049	-- --	7,111,360	1,342,154	0	375,803	40,265	926,086	0
2050	-- --	6,288,435	1,497,698	0	419,355	44,931	1,033,411	0
2051	-- --	5,221,903	1,690,031	0	473,209	50,701	1,166,122	0
2052	-- --	3,849,740	1,715,823	0	480,430	51,475	1,183,918	0
2053	-- --	2,325,970	969,963	0	271,590	29,099	669,274	0
2054	-- --	1,478,048	1,130,006	0	316,402	33,900	779,704	0
2055	-- --	379,366	379,366	0	106,222	11,381	261,762	0

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

Distributions from Richard's qualified assets begin in 2007. In the first year you expect to receive a distribution before tax of \$84,755. Overall, cumulative distributions from qualified assets to all recipients could be \$24,594,712.



Illustrates the amount and timeline of cumulative pre-tax distributions to the participant, primary beneficiaries, and spousal rollover beneficiaries.

### Comment

The above graph illustrates the timeline and total distribution paid to you and your beneficiaries over their lifetimes on a pre-tax basis assuming a 9% growth rate on IRA and qualified plan assets. This is assuming taking only the minimum required distributions (MRD) each year from qualified assets, which will total \$2,322,284 when you reach age 70.

This analysis illustrates naming Rose as the beneficiary of Richard's IRA and dividing the Rollover IRA assets into 2 separate IRAs naming Joel (50%) and Hope (50%) as the beneficiaries of the individual IRAs. By splitting the IRA into separate accounts, upon the death of Rose, each individual beneficiary will be able to use their own life expectancy to determine the MRD enabling them to "stretch out" distributions over their lifetimes taking advantage of tax deferred growth for a longer period of time. The total value of the 2 IRA accounts upon Rose's death in 2029 is \$5,415,939.

The cumulative pre-tax distributions to you and your heirs from your IRAs and qualified plans, as illustrated in the graph would be as follows:

<b>Richard will receive</b>	<b>\$2,724,355</b>
<b>Rose will receive</b>	<b>\$2,014,005</b>
<b>Joel will receive</b>	<b>\$9,197,854</b>
<b>Hope will receive</b>	<b>\$10,658,502</b>
<b>Total Distributions</b>	<b>\$24,594,712</b>

The spreadsheet that follows shows the detail account values including account balances, applicable divisors used, minimum distributions, and growth of the IRAs.

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
<b>QUALIFIED</b>										
Qualified Assets at Start	2,322,284	2,446,535	2,574,401	2,705,534	2,839,497	2,975,745	3,113,617	3,252,314	3,391,611	3,529,782
Investment Growth	209,006	220,188	231,696	243,498	255,555	267,817	280,225	292,708	305,245	317,680
Qualified Assets at Year	2,446,535	2,574,401	2,705,534	2,839,497	2,975,745	3,113,616	3,252,314	3,391,611	3,529,782	3,666,448
Total Qualified Distribution	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Paid to Richard	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	0	0	0	0	0	0	0
Paid to Hope Ross	0	0	0	0	0	0	0	0	0	0
<b>Cumulative Distribution</b>										
Paid to Richard	84,755	177,077	277,639	387,175	506,482	636,427	777,955	931,366	1,098,441	1,279,455
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	0	0	0	0	0	0	0
Paid to Hope Ross	0	0	0	0	0	0	0	0	0	0
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	2,322,284	2,446,535	2,574,401	2,705,534	2,839,497	2,975,745	3,113,616	3,252,314	3,391,611	3,529,782
Applicable Divisor	27.4	26.5	25.6	24.7	23.8	22.9	22.0	21.2	20.3	19.5
Minimum Required	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Investment Growth	209,006	220,188	231,696	243,498	255,555	267,817	280,225	292,708	305,245	317,680
<b>Joel Seniors' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Hope Ross' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
<b>QUALIFIED</b>										
Qualified Assets at Start	3,666,448	3,800,361	3,930,083	4,053,961	4,170,108	4,276,379	4,372,309	4,541,595	4,707,473	4,868,158
Investment Growth	329,980	342,033	353,707	364,856	375,310	384,874	393,508	408,744	423,673	438,134
Qualified Assets at Year	3,800,361	3,930,083	4,053,961	4,170,108	4,276,379	4,372,308	4,541,595	4,707,473	4,868,158	5,021,605
Total Qualified Distribution	196,067	212,311	229,829	248,709	269,039	288,945	224,221	242,866	262,987	284,688
Paid to Richard	196,067	212,311	229,829	248,709	269,039	288,945	0	0	0	0
Paid to Rose	0	0	0	0	0	0	224,221	242,866	262,987	284,688
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	0	0	0	0	0	0	0
Paid to Hope Ross	0	0	0	0	0	0	0	0	0	0
<b>Cumulative Distribution</b>										
Paid to Richard	1,475,522	1,687,832	1,917,662	2,166,371	2,435,410	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	0	0	0	0	0	0	224,221	467,087	730,074	1,014,762
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	0	0	0	0	0	0	0
Paid to Hope Ross	0	0	0	0	0	0	0	0	0	0
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	3,666,448	3,800,361	3,930,083	4,053,961	4,170,108	4,276,379	0	0	0	0
Applicable Divisor	18.7	17.9	17.1	16.3	15.5	14.8	0.0	0.0	0.0	0.0
Minimum Required	196,067	212,311	229,829	248,709	269,039	288,945	0	0	0	0
Investment Growth	329,980	342,033	353,707	364,856	375,310	384,874	0	0	0	0
<b>Joel Seniors' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	0	0	0	0	0	0	19.5	18.7	17.9	17.1
Minimum Required	0	0	0	0	0	0	112,110	121,433	131,494	142,344
Investment Growth	0	0	0	0	0	0	196,754	204,372	211,836	219,067
<b>Hope Ross' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	0	0	0	0	0	0	19.5	18.7	17.9	17.1
Minimum Required	0	0	0	0	0	0	112,110	121,433	131,494	142,344

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Richard's Age	--	--	--	--	--	--	--	--	--	--
Rose's Age	83	84	85	--	--	--	--	--	--	--
<b>QUALIFIED</b>										
Qualified Assets at Start	5,021,605	5,165,475	5,297,112	5,415,939	5,676,620	5,939,461	6,202,609	6,463,840	6,720,502	6,969,451
Investment Growth	451,944	464,893	476,740	487,434	510,896	534,551	558,235	581,746	604,845	627,251
Qualified Assets at Year	5,165,475	5,297,111	5,415,939	5,676,620	5,939,461	6,202,609	6,463,840	6,720,502	6,969,450	7,206,973
Total Qualified Distribution	308,074	333,256	357,913	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Paid to Richard	0	0	0	0	0	0	0	0	0	0
Paid to Rose	308,074	333,256	357,913	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	119,294	130,525	142,840	156,348	171,172	187,448	205,328
Paid to Hope Ross	0	0	0	107,459	117,530	128,564	140,656	153,912	168,450	184,400
<b>Cumulative Distribution</b>										
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	1,322,836	1,656,092	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	0	0	0	226,753	474,808	746,211	1,043,215	1,368,299	1,724,196	2,113,923
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	0	0	0	119,294	249,819	392,659	549,007	720,178	907,626	1,112,954
Paid to Hope Ross	0	0	0	107,459	224,989	353,553	494,209	648,120	816,570	1,000,969
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Joel Seniors' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	16.3	15.5	14.8	22.7	21.7	20.7	19.7	18.7	17.7	16.7
Minimum Required	154,037	166,628	178,956	119,294	130,525	142,840	156,348	171,172	187,448	205,328
Investment Growth	225,972	232,446	238,370	243,717	254,915	266,110	277,205	288,082	298,604	308,608
<b>Hope Ross' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	16.3	15.5	14.8	25.2	24.2	23.2	22.2	21.2	20.2	19.2
Minimum Required	154,037	166,628	178,956	107,459	117,530	128,564	140,656	153,912	168,450	184,400

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Richard's Age	--	--	--	--	--	--	--	--	--	--
Rose's Age	--	--	--	--	--	--	--	--	--	--
<b>QUALIFIED</b>										
Qualified Assets at Start	7,206,974	7,428,709	7,629,547	7,803,514	7,943,645	8,041,826	8,088,613	8,073,008	7,982,193	7,801,188
Investment Growth	648,628	668,584	686,659	702,316	714,928	723,764	727,975	726,571	718,397	702,107
Qualified Assets at Year	7,428,709	7,629,546	7,803,514	7,943,645	8,041,826	8,088,612	8,073,007	7,982,193	7,801,188	7,512,408
Total Qualified Distribution	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Paid to Richard	0	0	0	0	0	0	0	0	0	0
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	224,985	246,611	270,426	296,680	325,664	357,713	393,226	432,684	476,683	525,988
Paid to Hope Ross	201,907	221,136	242,266	265,505	291,083	319,265	350,354	384,702	422,719	464,899
<b>Cumulative Distribution</b>										
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	2,540,815	3,008,562	3,521,254	4,083,439	4,700,186	5,377,164	6,120,744	6,938,129	7,837,531	8,828,418
Paid to Estate	0	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	1,337,938	1,584,549	1,854,974	2,151,655	2,477,319	2,835,031	3,228,257	3,660,941	4,137,624	4,663,612
Paid to Hope Ross	1,202,877	1,424,013	1,666,279	1,931,784	2,222,867	2,542,132	2,892,486	3,277,188	3,699,907	4,164,806
<b>FOR MRD CALCULATIONS</b>										
<b>Client / Spouse Portion</b>										
Qualified Assets at Start	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Joel Seniors' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Hope Ross' Age</b>										
Primary Bene Assets at	0	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>										
Applicable Divisor	15.7	14.7	13.7	12.7	11.7	10.7	9.7	8.7	7.7	6.7
Minimum Required	224,985	246,611	270,426	296,680	325,664	357,713	393,226	432,684	476,683	525,988
Investment Growth	317,903	326,266	333,435	339,106	342,924	344,477	343,286	338,792	330,341	317,171
<b>Minimum Required</b>										
Paid to Richard	3,674,716	3,803,533	3,924,715	4,035,673	4,133,379	4,214,300	4,274,322	4,308,657	4,311,735	4,277,072
Paid to Rose	18.2	17.2	16.2	15.2	14.2	13.2	12.2	11.2	10.2	9.2
Paid to Non-Spouse	201,907	221,136	242,266	265,505	291,083	319,265	350,354	384,702	422,719	464,899

# Distribution Planning for Richard

Richard and Rose Seniors

Distribution Planning Richard

## Proposed - Timeline of Distributions from Richard's Qualified Plan and Traditional IRA Assets

	2047	2048	2049	2050	2051	2052	2053	2054	2055
Richard's Age	--	--	--	--	--	--	--	--	--
Rose's Age	--	--	--	--	--	--	--	--	--
<b>QUALIFIED</b>									
Qualified Assets at Start	7,512,409	7,095,051	6,524,184	5,769,206	4,790,737	3,531,872	2,133,918	1,356,008	348,042
Investment Growth	676,117	638,555	587,176	519,229	431,166	317,868	192,053	122,041	31,324
Qualified Assets at Year	7,095,051	6,524,183	5,769,206	4,790,737	3,531,872	2,133,918	1,356,008	348,042	0
Total Qualified Distribution	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Paid to Richard	0	0	0	0	0	0	0	0	0
Paid to Rose	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Paid to Estate	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	581,632	645,116	718,868	807,529	922,958	858,139	0	0	0
Paid to Hope Ross	511,843	564,306	623,286	690,169	767,073	857,684	969,963	1,130,006	379,366
<b>Cumulative Distribution</b>									
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	9,921,892	11,131,314	12,473,468	13,971,166	15,661,197	17,377,020	18,346,982	19,476,988	19,856,354
Paid to Estate	0	0	0	0	0	0	0	0	0
Paid to Joel Seniors	5,245,243	5,890,359	6,609,228	7,416,756	8,339,714	9,197,853	9,197,853	9,197,853	9,197,853
Paid to Hope Ross	4,676,649	5,240,955	5,864,241	6,554,409	7,321,483	8,179,167	9,149,129	10,279,135	10,658,501
<b>FOR MRD CALCULATIONS</b>									
<b>Client / Spouse Portion</b>									
Qualified Assets at Start	0	0	0	0	0	0	0	0	0
Applicable Divisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minimum Required	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0
<b>Joel Seniors' Age</b>									
Primary Bene Assets at	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>									
Applicable Divisor	5.7	4.7	3.7	2.7	1.7	0.7	0	0	0
Minimum Required	581,632	645,116	718,868	807,529	922,958	858,139	0	0	0
Investment Growth	298,377	272,884	239,383	196,230	141,213	70,855	0	0	0
<b>Hope Ross' Age</b>									
Primary Bene Assets at	0	0	0	0	0	0	0	0	0
Applicable Divisor	0	0	0	0	0	0	0	0	0
Minimum Required	0	0	0	0	0	0	0	0	0
Investment Growth	0	0	0	0	0	0	0	0	0
<b>Rollover Bene Assets at</b>									
Applicable Divisor	8.2	7.2	6.2	5.2	4.2	3.2	2.2	1.2	0.2
Minimum Required	511,843	564,306	623,286	690,169	767,073	857,684	969,963	1,130,006	379,366

**Supporting Data**

# Distribution Planning for Richard

Richard and Rose Seniors

## CURRENT DATA

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
Qualified Assets at Start	2,322,284	2,423,312	2,525,731	2,629,128	2,733,016	2,836,825	2,939,892	3,041,452	3,141,303	3,237,864
Investment Growth	185,783	193,865	202,058	210,330	218,641	226,946	235,191	243,316	251,304	259,029
Total Pre-Tax Distribution	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Minimum Required	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	2,423,312	2,525,731	2,629,128	2,733,016	2,836,825	2,939,892	3,041,452	3,141,303	3,237,863	3,330,848
DISTRIBUTIONS PAID TO:										
Paid to Richard	84,755	91,446	98,661	106,442	114,833	123,879	133,631	143,465	154,744	166,044
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	22,540	24,807	27,385	26,646	29,776	32,771	36,044	40,120	43,550	47,196
State / Local Income Tax	3,390	3,658	3,946	3,957	3,853	4,242	4,669	5,739	6,190	6,642
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	58,824	62,981	67,330	75,839	81,204	86,866	92,919	97,606	105,004	112,207
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	84,755	176,201	274,862	381,304	496,137	620,016	753,647	897,112	1,051,856	1,217,900
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	22,540	47,347	74,732	101,379	131,154	163,925	199,969	240,089	283,639	330,835
State / Local Income Tax	3,390	7,048	10,994	14,951	18,805	23,046	27,715	33,453	39,643	46,285
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	58,824	121,806	189,136	264,974	346,178	433,044	525,963	623,570	728,574	840,780
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

## CURRENT DATA

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
Qualified Assets at Start	3,330,848	3,419,196	3,501,715	3,577,074	3,643,787	3,700,207	3,746,210	3,853,793	3,956,011	4,051,486
Investment Growth	266,468	273,536	280,137	286,166	291,503	296,017	299,697	308,303	316,481	324,119
Total Pre-Tax Distribution	178,120	191,017	204,779	219,452	235,083	250,014	192,113	206,085	221,006	236,929
Minimum Required	178,120	191,017	204,779	219,452	235,083	250,014	192,113	206,085	221,006	236,929
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	3,419,196	3,501,715	3,577,074	3,643,787	3,700,207	3,746,210	3,853,793	3,956,011	4,051,486	4,138,676
DISTRIBUTIONS PAID TO:										
Paid to Richard	178,120	191,017	204,779	219,452	235,083	250,014	0	0	0	0
Paid to Rose	0	0	0	0	0	0	192,113	206,085	221,006	236,929
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	50,579	55,019	58,797	62,796	67,059	69,490	52,601	56,415	60,495	64,860
State / Local Income Tax	7,125	7,641	8,191	8,778	9,403	9,927	7,685	8,243	8,840	9,477
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	120,417	128,357	137,791	147,878	158,620	170,597	131,828	141,426	151,671	162,592
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	1,396,020	1,587,037	1,791,816	2,011,268	2,246,351	2,496,365	2,496,365	2,496,365	2,496,365	2,496,365
Paid to Rose	0	0	0	0	0	0	192,113	398,199	619,205	856,134
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	381,414	436,433	495,229	558,026	625,085	694,576	747,177	803,592	864,087	928,947
State / Local Income Tax	53,410	61,050	69,242	78,020	87,423	97,349	105,034	113,277	122,118	131,595
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	961,197	1,089,554	1,227,345	1,375,223	1,533,843	1,704,440	1,836,267	1,977,694	2,129,365	2,291,957
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

## CURRENT DATA

	2027	2028	2029
Richard's Age	--	--	--
Rose's Age	83	84	85
Qualified Assets at Start	4,138,676	4,215,864	4,281,142
Investment Growth	331,094	337,269	342,491
Total Pre-Tax Distribution	253,906	271,991	4,623,633
Minimum Required	253,906	271,991	289,266
Insurance Premium Paid	0	0	0
Additional Amount	0	0	4,334,366
Qualified Assets at Year	4,215,863	4,281,141	0
<b>DISTRIBUTIONS PAID TO:</b>			
Paid to Richard	0	0	0
Paid to Rose	253,906	271,991	289,266
Paid to Non-Spouse	0	0	4,334,367
Paid to Primary	0	0	0
Paid to Rollover	0	0	0
Paid to Estate	0	0	4,334,367
IRD Deduction	0	0	1,669,645
Federal Income Tax	69,495	76,442	807,938
State / Local Income Tax	10,156	10,880	132,063
Premature Distribution	0	0	0
Post-Tax Distribution	174,255	184,670	3,683,632
Federal Estate Tax	0	0	1,669,645
GST Tax	0	0	0
<b>CUMULATIVE DETAILS</b>			
<b>DISTRIBUTIONS PAID TO:</b>			
Paid to Richard	2,496,365	2,496,365	2,496,365
Paid to Rose	1,110,040	1,382,031	1,671,298
Paid to Non-Spouse	0	0	4,334,367
IRD Deduction	0	0	1,669,645
Federal Income Tax	998,443	1,074,884	1,882,822
State / Local Income Tax	141,751	152,631	154,663
Premature Distribution	0	0	0
Post-Tax Distribution	2,466,211	2,650,881	6,334,513
Federal Estate Tax	0	0	1,669,645
GST Tax	0	0	0

**Supporting Proposed Data**

# Distribution Planning for Richard

Richard and Rose Seniors

## PROPOSED DATA

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
Qualified Assets at Start	2,322,284	2,446,535	2,574,401	2,705,534	2,839,497	2,975,745	3,113,617	3,252,314	3,391,611	3,529,782
Investment Growth	209,006	220,188	231,696	243,498	255,555	267,817	280,225	292,708	305,245	317,680
Total Pre-Tax Distribution	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Minimum Required	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	2,446,535	2,574,401	2,705,534	2,839,497	2,975,745	3,113,616	3,252,314	3,391,611	3,529,782	3,666,448
DISTRIBUTIONS PAID TO:										
Paid to Richard	84,755	92,322	100,563	109,536	119,307	129,945	141,528	153,411	167,074	181,014
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	31,123	23,417	25,009	25,640	30,302	31,645	34,789	39,881	44,965	49,291
State / Local Income Tax	3,024	2,686	2,995	2,743	3,013	2,655	3,008	6,136	5,584	6,439
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	50,608	66,219	72,559	81,152	85,992	95,645	103,731	107,394	116,525	125,285
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	84,755	177,077	277,639	387,175	506,482	636,427	777,955	931,366	1,098,441	1,279,455
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	31,123	54,539	79,548	105,188	135,490	167,135	201,924	241,804	286,770	336,061
State / Local Income Tax	3,024	5,711	8,706	11,450	14,463	17,118	20,126	26,262	31,846	38,284
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	50,608	116,827	189,385	270,537	356,529	452,174	555,906	663,300	779,825	905,110
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

PROPOSED DATA										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
Qualified Assets at Start	3,666,448	3,800,361	3,930,083	4,053,961	4,170,108	4,276,379	4,372,309	4,541,595	4,707,473	4,868,158
Investment Growth	329,980	342,033	353,707	364,856	375,310	384,874	393,508	408,744	423,673	438,134
Total Pre-Tax Distribution	196,067	212,311	229,829	248,709	269,039	288,945	224,221	242,866	262,987	284,688
Minimum Required	196,067	212,311	229,829	248,709	269,039	288,945	224,221	242,866	262,987	284,688
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	3,800,361	3,930,083	4,053,961	4,170,108	4,276,379	4,372,308	4,541,595	4,707,473	4,868,158	5,021,605
DISTRIBUTIONS PAID TO:										
Paid to Richard	196,067	212,311	229,829	248,709	269,039	288,945	0	0	0	0
Paid to Rose	0	0	0	0	0	0	224,221	242,866	262,987	284,688
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	0	0	0	0	0	0	0	0	0	0
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	54,007	55,213	60,587	66,170	72,193	79,052	59,689	64,906	70,224	76,291
State / Local Income Tax	7,246	6,199	6,462	7,240	8,096	10,699	7,483	8,198	9,015	9,917
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	134,814	150,899	162,781	175,300	188,751	199,194	157,048	169,762	183,748	198,479
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	1,475,522	1,687,832	1,917,662	2,166,371	2,435,410	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	0	0	0	0	0	0	224,221	467,087	730,074	1,014,762
Paid to Non-Spouse	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0	0
Federal Income Tax	390,069	445,281	505,868	572,037	644,230	723,282	782,971	847,877	918,101	994,392
State / Local Income Tax	45,530	51,729	58,191	65,431	73,527	84,226	91,709	99,907	108,922	118,839
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	1,039,923	1,190,822	1,353,603	1,528,903	1,717,654	1,916,847	2,073,896	2,243,658	2,427,406	2,625,885
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

PROPOSED DATA										
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Richard's Age	--	--	--	--	--	--	--	--	--	--
Rose's Age	83	84	85	--	--	--	--	--	--	--
Qualified Assets at Start	5,021,605	5,165,475	5,297,112	5,415,939	5,676,620	5,939,461	6,202,609	6,463,840	6,720,502	6,969,451
Investment Growth	451,944	464,893	476,740	487,434	510,896	534,551	558,235	581,746	604,845	627,251
Total Pre-Tax Distribution	308,074	333,256	357,913	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Minimum Required	308,074	333,256	357,913	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	5,165,475	5,297,111	5,415,939	5,676,620	5,939,461	6,202,609	6,463,840	6,720,502	6,969,450	7,206,973
DISTRIBUTIONS PAID TO:										
Paid to Richard	0	0	0	0	0	0	0	0	0	0
Paid to Rose	308,074	333,256	357,913	0	0	0	0	0	0	0
Paid to Non-Spouse	0	0	0	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	0	0	0	226,753	248,055	271,403	297,004	325,083	355,897	389,728
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	95,570	104,548	114,389	125,178	137,013	150,000	164,259
Federal Income Tax	83,347	90,493	94,953	36,731	40,182	43,964	48,111	52,660	57,651	63,131
State / Local Income Tax	11,136	12,257	11,765	6,803	7,442	8,142	8,910	9,753	10,677	11,692
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	213,591	230,507	251,195	183,219	200,431	219,297	239,982	262,671	287,569	314,905
Federal Estate Tax	0	0	2,232,579	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	1,322,836	1,656,092	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	0	0	0	226,753	474,808	746,211	1,043,215	1,368,299	1,724,196	2,113,923
IRD Deduction	0	0	0	95,570	200,118	314,507	439,685	576,698	726,699	890,957
Federal Income Tax	1,077,739	1,168,232	1,263,185	1,299,916	1,340,098	1,384,062	1,432,173	1,484,833	1,542,484	1,605,615
State / Local Income Tax	129,975	142,232	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	2,839,476	3,069,983	3,321,178	3,504,397	3,704,829	3,924,126	4,164,108	4,426,780	4,714,349	5,029,253
Federal Estate Tax	0	0	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

PROPOSED DATA										
	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Richard's Age	--	--	--	--	--	--	--	--	--	--
Rose's Age	--	--	--	--	--	--	--	--	--	--
Qualified Assets at Start	7,206,974	7,428,709	7,629,547	7,803,514	7,943,645	8,041,826	8,088,613	8,073,008	7,982,193	7,801,188
Investment Growth	648,628	668,584	686,659	702,316	714,928	723,764	727,975	726,571	718,397	702,107
Total Pre-Tax Distribution	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Minimum Required	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Insurance Premium Paid	0	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	7,428,709	7,629,546	7,803,514	7,943,645	8,041,826	8,088,612	8,073,007	7,982,193	7,801,188	7,512,408
DISTRIBUTIONS PAID TO:										
Paid to Richard	0	0	0	0	0	0	0	0	0	0
Paid to Rose	0	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Paid to Primary	0	0	0	0	0	0	0	0	0	0
Paid to Rollover	426,892	467,746	512,692	562,185	616,747	676,978	743,580	817,386	899,402	990,887
Paid to Estate	0	0	0	0	0	0	0	0	0	0
IRD Deduction	179,923	197,142	216,085	236,945	259,941	251,587	0	0	0	0
Federal Income Tax	69,151	75,769	83,050	91,067	99,906	119,109	208,202	228,868	251,833	277,448
State / Local Income Tax	12,807	14,032	15,381	16,866	18,502	20,309	22,307	24,522	26,982	29,727
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	344,934	377,945	414,261	454,252	498,339	537,559	513,070	563,996	620,587	683,712
Federal Estate Tax	0	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS										
DISTRIBUTIONS PAID TO:										
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	2,540,815	3,008,562	3,521,254	4,083,439	4,700,186	5,377,164	6,120,744	6,938,129	7,837,531	8,828,418
IRD Deduction	1,070,880	1,268,022	1,484,107	1,721,051	1,980,992	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579
Federal Income Tax	1,674,767	1,750,536	1,833,586	1,924,653	2,024,559	2,143,668	2,351,871	2,580,739	2,832,571	3,110,020
State / Local Income Tax	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997
Premature Distribution	0	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	5,374,187	5,752,132	6,166,393	6,620,645	7,118,984	7,656,543	8,169,613	8,733,609	9,354,196	10,037,908
Federal Estate Tax	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579
GST Tax	0	0	0	0	0	0	0	0	0	0

# Distribution Planning for Richard

Richard and Rose Seniors

PROPOSED DATA									
	2047	2048	2049	2050	2051	2052	2053	2054	2055
Richard's Age	--	--	--	--	--	--	--	--	--
Rose's Age	--	--	--	--	--	--	--	--	--
Qualified Assets at Start	7,512,409	7,095,051	6,524,184	5,769,206	4,790,737	3,531,872	2,133,918	1,356,008	348,042
Investment Growth	676,117	638,555	587,176	519,229	431,166	317,868	192,053	122,041	31,324
Total Pre-Tax Distribution	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Minimum Required	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Insurance Premium Paid	0	0	0	0	0	0	0	0	0
Additional Amount	0	0	0	0	0	0	0	0	0
Qualified Assets at Year	7,095,051	6,524,183	5,769,206	4,790,737	3,531,872	2,133,918	1,356,008	348,042	0
DISTRIBUTIONS PAID TO:									
Paid to Richard	0	0	0	0	0	0	0	0	0
Paid to Rose	0	0	0	0	0	0	0	0	0
Paid to Non-Spouse	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Paid to Primary	0	0	0	0	0	0	0	0	0
Paid to Rollover	1,093,474	1,209,422	1,342,154	1,497,698	1,690,031	1,715,823	969,963	1,130,006	379,366
Paid to Estate	0	0	0	0	0	0	0	0	0
IRD Deduction	0	0	0	0	0	0	0	0	0
Federal Income Tax	306,173	338,638	375,803	419,355	473,209	480,430	271,590	316,402	106,222
State / Local Income Tax	32,804	36,283	40,265	44,931	50,701	51,475	29,099	33,900	11,381
Premature Distribution	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	754,497	834,501	926,086	1,033,411	1,166,122	1,183,918	669,274	779,704	261,762
Federal Estate Tax	0	0	0	0	0	0	0	0	0
GST Tax	0	0	0	0	0	0	0	0	0
CUMULATIVE DETAILS									
DISTRIBUTIONS PAID TO:									
Paid to Richard	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355	2,724,355
Paid to Rose	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005	2,014,005
Paid to Non-Spouse	9,921,892	11,131,314	12,473,468	13,971,166	15,661,197	17,377,020	18,346,982	19,476,988	19,856,354
IRD Deduction	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579
Federal Income Tax	3,416,192	3,754,831	4,130,634	4,549,989	5,023,198	5,503,629	5,775,218	6,091,620	6,197,843
State / Local Income Tax	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997	153,997
Premature Distribution	0	0	0	0	0	0	0	0	0
Post-Tax Distribution	10,792,405	11,626,906	12,552,992	13,586,404	14,752,525	15,936,443	16,605,718	17,385,422	17,647,184
Federal Estate Tax	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579	2,232,579
GST Tax	0	0	0	0	0	0	0	0	0

## Graph Glossary

### Pre-Tax Annual Distributions

- **Paid to Richard**- Pre-tax distribution paid to plan participant during his or her lifetime.
- **Paid to Primary Beneficiaries** - Pre-tax distribution paid to non-spouse beneficiaries following participant's death.
- **Paid to Rose** - Pre-tax distribution paid to surviving spouse following a rollover to spouse's IRA after participant's death.
- **Paid to Rollover Beneficiaries** - Pre-tax distribution paid to non-spouse beneficiaries following surviving spouse's death.
- **Paid to Estate**- Pre-tax distributions paid to estate after the participant's or spouse's death.
- **Insurance Premium Paid** - Additional distribution used to pay life insurance premiums.
- **Minimum Required Distribution (MRD)** - Minimum required distribution from all qualified plan and traditional IRA assets.

### Taxation of Distributions

- **Post-Tax Distribution** - After-tax income from distributions received from all Qualified Assets.
- **Federal Income Tax** - Federal income tax payable on distributions received from all Qualified Assets, reduced by the itemized deduction for the estate tax liability (if any) attributable to IRD received by beneficiary(ies). Assume 28% FIT rate for non-spouse beneficiaries.
- **State / Local Income Tax** - State and local income tax payable on distributions received from all Qualified Assets. Assume 3% SLIT for non-spouse beneficiaries.
- **Premature Distribution Tax** - The 10% penalty tax on withdrawals taken prior to age 59½, when applicable.
- **Federal Estate Tax** - Federal estate tax payable on distributions.
- **Generation Skipping Transfer Tax** - Federal tax imposed on estate transfers to beneficiaries who are more than one generation below the decedent's generation (e.g. grandchildren).

### Distribution Using Multiple Beneficiaries

- **Paid to Richard**- Pre-tax distribution paid to plan participant during his or her lifetime.
- **Paid to Rose** - Pre-tax distribution paid to surviving spouse following a rollover to spouse's IRA after participant's death.
- **Paid to Estate**- Pre-tax distributions paid to estate after the participant's or spouse's death.

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## **Estate Planning**

**Richard and Rose Seniors**

## **Objectives**

Unlike other aspects of your financial strategy, which deal with the accumulation and use of your assets during your lifetime, estate planning concerns the conservation and distribution of those assets in a manner that efficiently accomplishes your personal goals.

The following evaluates your estate planning in terms of your estate's projected ability to meet these goals. Each graph and related data portray a particular aspect of your estate planning.

Consult with tax advisor to discuss tax issues.

## Background Information

Development of an estate plan that achieves your goals efficiently and effectively begins with an understanding of the potential effect of taxes and administrative costs.

Be aware that almost every estate will be subject to some administrative expenses, such as executor, attorney, accountant and probate fees. These expenses can often be as high as 10% of the value of your estate. Your estate may also be subject to state death taxes, which reduce the value of your estate. However, for individuals with more than \$2,000,000 in assets (or for couples with more than \$4,000,000), the federal estate tax may be the greatest burden for your estate, significantly reducing the amount you leave to your heirs.

The federal estate tax, which reaches a maximum rate of 45%, is imposed on the taxable estate of every citizen or resident of the United States. However, every person dying in 2007 can transfer \$2,000,000 in assets to heirs without federal estate tax. Furthermore, this amount, called the Applicable Credit Equivalent, will increase over the next several years. See chart below:

<b>Estate Tax</b>	<b>Applicable Credit Equivalent</b>	<b>Maximum Estate and Gift Tax Rates</b>
2007	\$2,000,000	45%
2008	\$2,000,000	45%
2009	\$3,500,000	45%
2010	Unlimited	Individual FIT Rate, i.e. 35%; Gift tax only.
2011*	\$1,000,000	55%

\* The tax law enacted in 2001 (EGTRRA) is scheduled to "sunset" in the year 2011. The effect of "sunset" will be to restore estate and gift taxes to their status in 2001.

## Using the Unlimited Marital Deduction

In addition to the tax break afforded by the Applicable Credit and its equivalent, the Unlimited Marital Deduction permits your estate to deduct the value of all assets that pass to your spouse at your death, provided your spouse is a U.S. citizen. The assets may pass either outright or in trust. For transfers to non-citizen spouses, a Qualified Domestic Trust must be established in order to take advantage of the marital deduction. Passing all of your assets to your surviving spouse may be simple but isn't always tax smart, especially when the value of your combined estates is greater than \$2,000,000, the Applicable Credit Equivalent. The marital deduction will allow your estate to transfer assets tax-free to your surviving spouse. However, when your spouse subsequently dies, the asset will be included in his or her estate for tax purposes.

## **Planning with Trusts**

Trusts are effective estate planning tools. They may be revocable (you reserve the right to revoke the trust, change its terms, or recover trust property at any time) or irrevocable (the trust's terms cannot be altered or amended by you and assets in the trust cannot be recovered during the trust's existence). Making trusts an integral part of your estate plan can provide significant savings and can help control the transfer of assets after death.

### **The Credit Shelter or Bypass Trust**

The credit shelter or bypass trust becomes irrevocable at your death. You can use this trust to take advantage of the \$2,000,000 Applicable Credit Equivalent. At your death, assets equal to the value of the equivalent (\$2,000,000 in 2007) pass to this trust, from which your surviving spouse may receive income for his or her life and distributions of principal at the trustee's discretion, usually based upon the ascertainable standards of health, education, maintenance and support. At the death of your surviving spouse, the remaining principal can pass to your children. Since your spouse does not control the trust, the assets held in the trust are not subject to estate taxes at his or her death.

### **The Marital Deduction Trust**

This trust is funded with any amounts in excess of the Applicable Credit Equivalent and is for the sole benefit of the surviving spouse during his or her lifetime. To qualify for the unlimited marital deduction, the trust must provide that all income must be paid to the surviving spouse and that the surviving spouse has the right to require any otherwise unproductive property to be converted to productive property. The trust may also allow the trustee to distribute principal to the surviving spouse. At the death of the surviving spouse, the value of the trust is taxed in the estate of that surviving spouse. Unlike the credit shelter trust, the marital deduction trust does not offer any estate tax benefits. However, it does allow the grantor to otherwise control the distribution of principal during the life of the surviving spouse.

### **Making Gifts to Reduce Estate Taxes**

You can make unlimited non-taxable lifetime gifts to your spouse, if your spouse is a citizen. If your spouse is not a citizen, an annual exclusion of \$125,000 applies to such gifts. Even though you can pass assets tax-free by gift to your surviving spouse, when your spouse dies, the assets will be included in his or her estate for tax purposes.

Gifts you make to others during your lifetime are subject to federal gift tax. However, you can exclude gifts of up to \$12,000 per donee per year. This exclusion increases to \$24,000 per donee if your spouse joins in the gift. Thus, if one spouse actually gifts \$24,000 to someone, both spouses can elect to split the gift and treat it as if they each gave \$12,000. You can make gifts to as many people as you like each year. To qualify for the annual exclusion, the gift must convey a present interest to the donee, such as cash or stock given outright to certain trusts.

You should consult with your tax advisor and consider the estate and income tax consequences as well as the economic aspects in selecting property for the gift. You should consider making gifts of property with the greatest potential for appreciation in order to minimize future estate taxes. You should not gift property that is expected to decline or has declined in value, since this will not save you estate taxes. Whenever possible, consider selling the property to take advantage of the income tax loss, and then make a gift of the proceeds of the sale.

## **Planning with Retained Interest Trusts**

Retained Interest Trusts are a compromise with the irrevocability of a gift. The law currently allows gifts to be split into two pieces, one that the trust grantor gives away forever and is treated as a gift and one that is retained and which is part of grantor's estate. The gift portion will impact annual gifting and the Applicable Credit.

### **There are seven retained interest trusts that divide into two broad categories:**

1. Family- Qualified Personal Residence Trust (QPRT), Grantor Retained Annuity Trust (GRAT) and Grantor Retained Unitrust (GRUT).
2. Charitable- Charitable Remainder Annuity Trust (CRAT), Charitable Remainder Unitrust (CRUT), Charitable Lead Annuity Trust (CLAT) and Charitable Lead Unitrust (CLUT).

### **The purpose of the Family trusts is threefold for Grantor:**

1. Pass assets to heirs via a gift that is valued at less than the fair market value of the asset passed.
2. Retain an income (GRAT and GRUT) or leasehold (QPRT) interest in the asset passed. This is why the gift is worth less than the fair market value.
3. Remove the asset and all future appreciation from the estate thereby reducing estate taxes.

### **The purpose of the Charitable trusts is threefold for Grantor (Donor):**

1. Pass assets to charity via a gift that is valued at less than the fair market value of the asset passed in return for an income AND/OR estate tax deduction for the value of the gift.
2. Retain an income (CRAT and CRUT) or remainder (CLAT and CLUT) interest in the asset passed. This is why the gift is worth less than the fair market value.
3. Remove the asset and all future appreciation from the estate thereby reducing estate taxes.

Unlimited non-taxable gifts to charity are allowed under the law.

## **GRANTOR RETAINED ANNUITY TRUST (GRAT)**

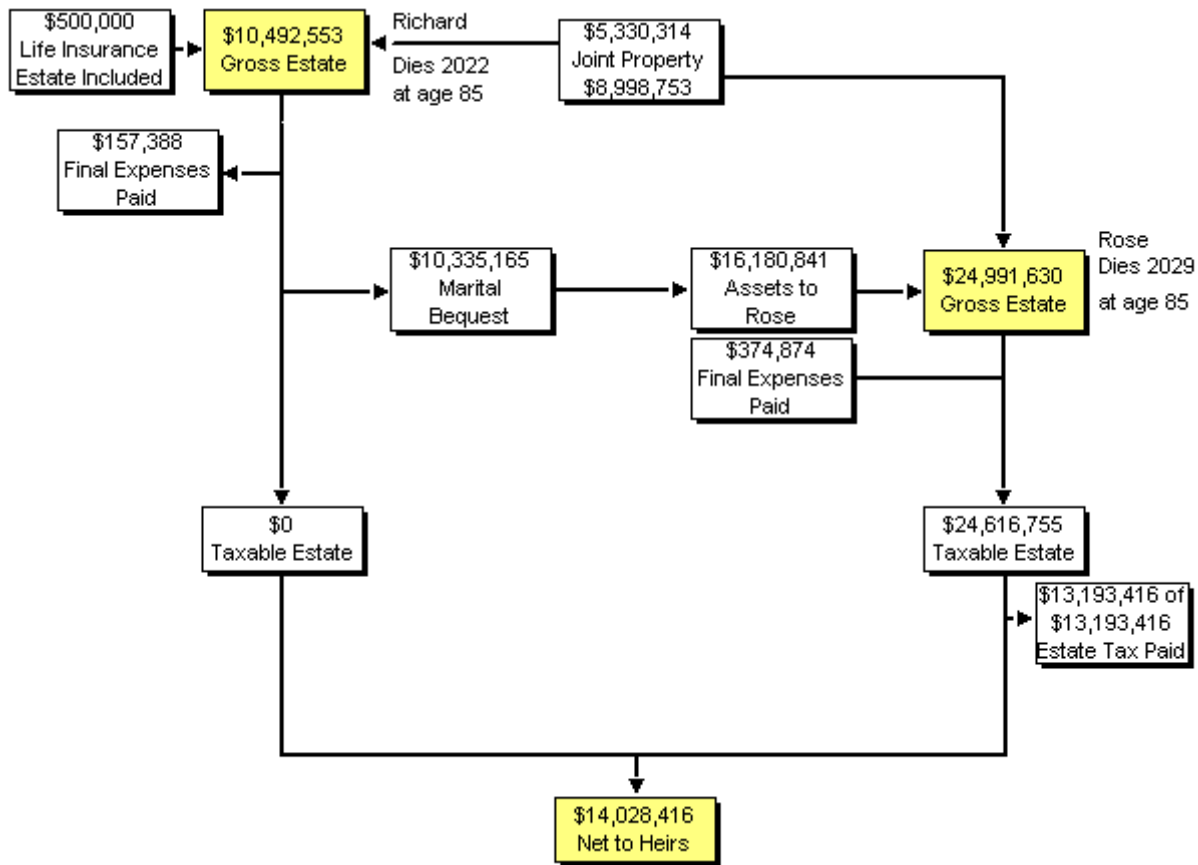
A Grantor Retained Annuity Trust is an irrevocable trust that allows the Grantor to retain all or most of the income from high yielding and rapidly appreciating property and to transfer the property through the trust to a child or other person with minimized taxation. The Grantor retains the right to an annual annuity payment of a fixed percentage of the original value of the trust. Payment is either for a specified term of years, for life, or for the shorter of a specified term or life. When the annuity payment period ends, any remainder in the trust goes to the trust beneficiaries. The fair market value of the gift plus appreciation is removed from the Grantor's estate, thereby saving estate taxes. The actuarial value of the remainder interest is the tax value of the gift. Other

interests may be included, such as the right to have the assets revert to the Grantor's estate for distribution when Grantor' dies prior to the end of the term of the trust. In the case of the Grantor's death prior to the end of the trust term, the value of the trust is included in the gross estate whether or not the assets revert to the estate for distribution or are distributed through the trust.

### **CHARITABLE REMAINDER ANNUITY TRUST (CRAT)**

An irrevocable Charitable Remainder Annuity Trust is a means for an individual (Donor) who wants or needs income to transfer cash or highly appreciated property with a low basis via a non-taxable gift to a trust benefiting a recognized charity. The Donor reserves the right to receive an annual annuity payment from the trust that is equal to a fixed percentage of the original value of the trust. Payment from the trust is for a specified term of years (20 or less) or for life. Life payments can be made over the life of the Donor and/or selected beneficiaries. At the end of the term or at the death of Donor or last beneficiary, the charity receives the property remaining in the trust. The Donor can receive a current income tax deduction for the actuarial value of the remainder left to charity. The fair market value of the gift is removed from the gross estate thereby saving estate taxes.

Estate Planning Flow Chart



Illustrates the current estate upon first and last death of client and co-client including: gross estate for federal estate tax purposes, net estate after amounts are transferred to heirs by credit shelter transfer and payment of liabilities, expenses, federal estate and state death taxes. Net to heirs must be adjusted for growth and income taxes on qualified plans and IRAs in the year of death.

**Comment**

Richard, this flowchart shows you dying at age 85 in 2022 with a projected \$10,492,553.

Assumptions used to calculate the Final Expenses of \$157,388 and \$374,874 are 1.5% of the gross estate.

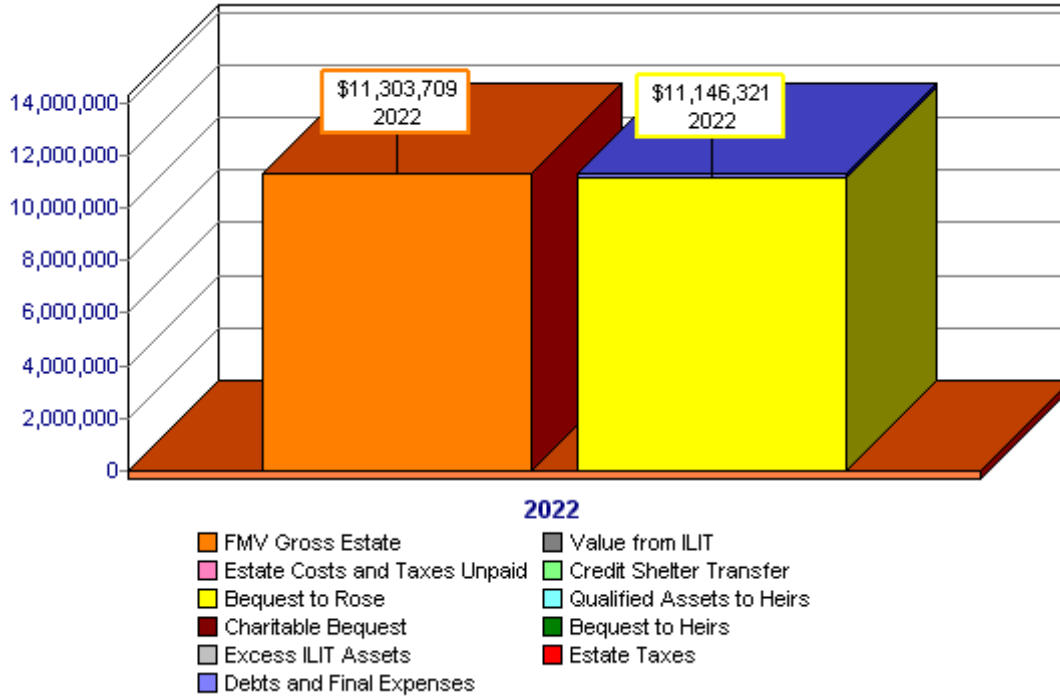
The Marital Bequest of \$10,335,165 is the wealth transferred estate tax free, utilizing the unlimited marital deduction, from your estate to Rose at your death.

The Assets to Spouse of \$16,108,841 is the projected amount of the marital bequest remaining at Rose's death after adjustments for growth and cash flow expenditures.

Assuming you die prior to Rose and your estate is passed to Rose utilizing the unlimited marital deduction, then **Rose's potential estate in 2029 could potentially be \$24,616,755 resulting in an estimated estate tax of \$13,193,416. Your children (heirs) may potentially receive \$14,028,416.**

Estate Plan Upon First Death

Upon Richard's death at 85 in 2022, the fair market value of your gross estate could be \$11,303,709 and you could owe \$157,388 in estate taxes and final expenses, leaving \$11,146,321 available for your beneficiaries.



Illustrates the taxation of the gross estate, including tax adjustments, allowable deductions, tax credits and taxes due federal and state governments and the distribution of the gross estate to final expenses, liabilities, taxes, survivors and charity.

**Comment**

Richard, you will have no federal estate tax liability at the first death because all assets are transferred to Rose and protected from the federal estate tax by the unlimited marital deduction.

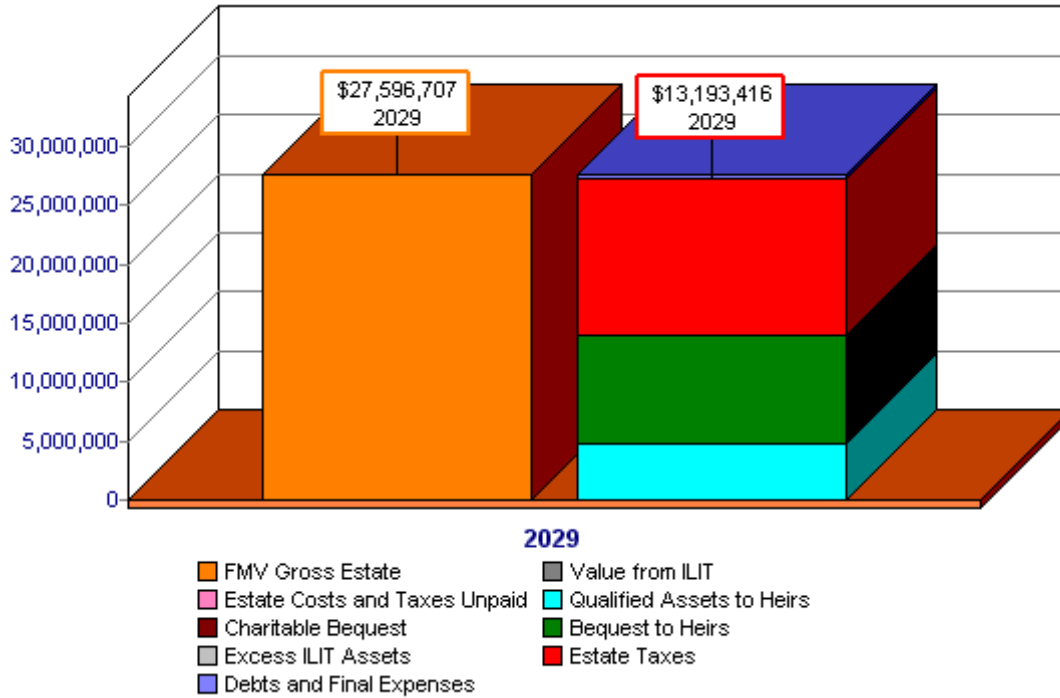
A breakdown of the factors used in the estate calculation factors and distribution of the estate can be found in the following spreadsheet.

## Estate Plan Upon First Death

Year	2022
Fair Market Value of Gross Estate	11,303,709
Qualified Assets	3,700,207
Non-Qualified Assets and Annuities (PV)	7,103,502
Life Insurance Proceeds in Estate	500,000
Adjustments to Gross Estate	0
Gift Tax Paid Last 3 Years	0
Life Ins Death Benefits/Cash Value for Tax Only	0
Less Special Use Discount	0
Adjusted Gross Estate	10,492,554
Total Allowable Deductions	10,492,554
Charitable Bequest	0
Debts and Final Expenses	157,388
Marital Trust and Bequests	10,335,165
Qualifying Family Owned Business Interests	0
State Estate Tax	0
Taxable Estate	0
Adjusted Taxable Gifts	0
Gross Federal Estate Tax	0
Estate Tax Credits	0
Credit for Gift Tax Paid	0
Applicable Credit	0
Credit for State Death Taxes	0
Net Federal Estate Tax	0
Estate Taxes	0
Net Federal Estate Tax	0
State Death Taxes	0
Generation Skipping Transfer Tax	0
Value from ILIT	0
Distribution of FMV of Estate	11,303,709
Estate Costs and Taxes Due	157,388
Estate Taxes	0
Final Expenses	157,388
Debts to be Paid	0
Estate Costs and Taxes Paid	157,388
With Estate Assets	157,388
With ILIT Liquidity	0
Estate Costs and Taxes Unpaid	0
Charitable Bequest	0
Bequest to Rose	11,146,321
Distribution to Heirs	0
Bequest to Heirs	0
Credit Shelter Transfer	0
Qualified Assets to Heirs	0
Excess ILIT Assets	0
Amount to Heirs Less Estate Costs & Taxes Unpaid	0
Credit Shelter Transfer Unfunded	0

Estate Plan Upon Last Death

Upon Rose's death at 85 in 2029, the fair market value of your gross estate could be \$27,596,707 and you could owe \$13,568,290 in estate taxes and final expenses, leaving \$14,028,416 available for your beneficiaries.



Illustrates the taxation of the gross estate, including tax adjustments, allowable deductions, tax credits and taxes due federal and state governments and the distribution of the gross estate to final expenses, liabilities, taxes, heirs and charity.

**Comment**

Rose, there is sufficient liquidity within your expected estate to pay the estate taxes.

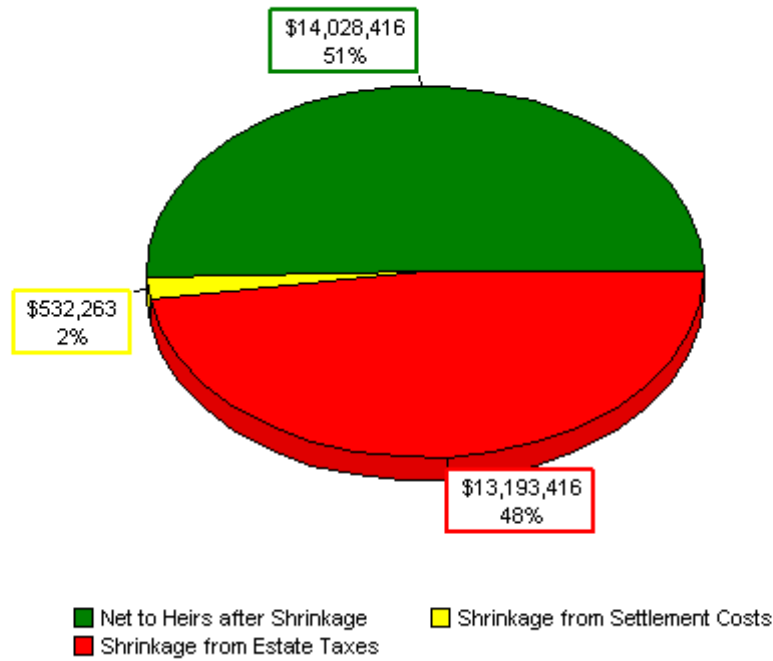
A breakdown of the factors used in the estate calculation factors and distribution of the estate can be found in the following spreadsheet.

Estate Plan Upon Last Death

Year	2029
Fair Market Value of Gross Estate	27,596,707
Qualified Assets	416,755
Non-Qualified Assets and Annuities (PV)	10,999,108
Total Assets from Spouse incl. Growth and Debits	16,180,842
Life Insurance Proceeds in Estate	0
Adjustments to Gross Estate	0
Gift Tax Paid Last 3 Years	0
Life Ins Death Benefits/Cash Value for Tax Only	0
Less Special Use Discount	0
Adjusted Gross Estate	24,991,630
Total Allowable Deductions	374,874
Charitable Bequest	0
Debts and Final Expenses	374,874
Qualifying Family Owned Business Interests	0
State Estate Tax	0
Taxable Estate	24,616,756
Adjusted Taxable Gifts	0
Gross Federal Estate Tax	13,539,216
Estate Tax Credits	3,751,281
Credit for Gift Tax Paid	0
Applicable Credit	345,800
Credit for State Death Taxes	3,405,481
Net Federal Estate Tax	9,787,935
Estate Taxes	13,193,416
Net Federal Estate Tax	9,787,935
State Death Taxes	3,405,481
Generation Skipping Transfer Tax	0
Value from ILIT	0
Distribution of FMV of Estate	27,596,706
Estate Costs and Taxes Due	13,568,290
Estate Taxes	13,193,416
Final Expenses	374,874
Debts to be Paid	0
Estate Costs and Taxes Paid	13,568,290
With Estate Assets	13,568,290
With ILIT Liquidity	0
Estate Costs and Taxes Unpaid	0
Charitable Bequest	0
Distribution to Heirs	14,028,416
Bequest to Heirs	9,330,520
Qualified Assets to Heirs	4,697,897
Excess ILIT Assets	0
Amount to Heirs Less Estate Costs & Taxes Unpaid	14,028,416

## Projected Estate Shrinkage from Taxes and Settlement Costs

The costs associated with estate settlement include federal and state taxes, and funeral expenses, medical bills, legal fees, administration costs and other debts. The projected value of your estate before settlement costs is \$27,754,094. Your projected estate taxes are (\$13,193,416) and other settlement costs are (\$532,263). As a result of the shrinkage caused by settlement costs, your heirs could receive only 50.5% or \$14,028,416 of your estate.



Illustrates the shrinkage of gross estate upon the first and last death from liabilities, expenses (including probate) and estate tax. This graph does not reflect any shrinkage from income taxes on distributions from qualified plans or IRAs in the year of death.

Estate Planning

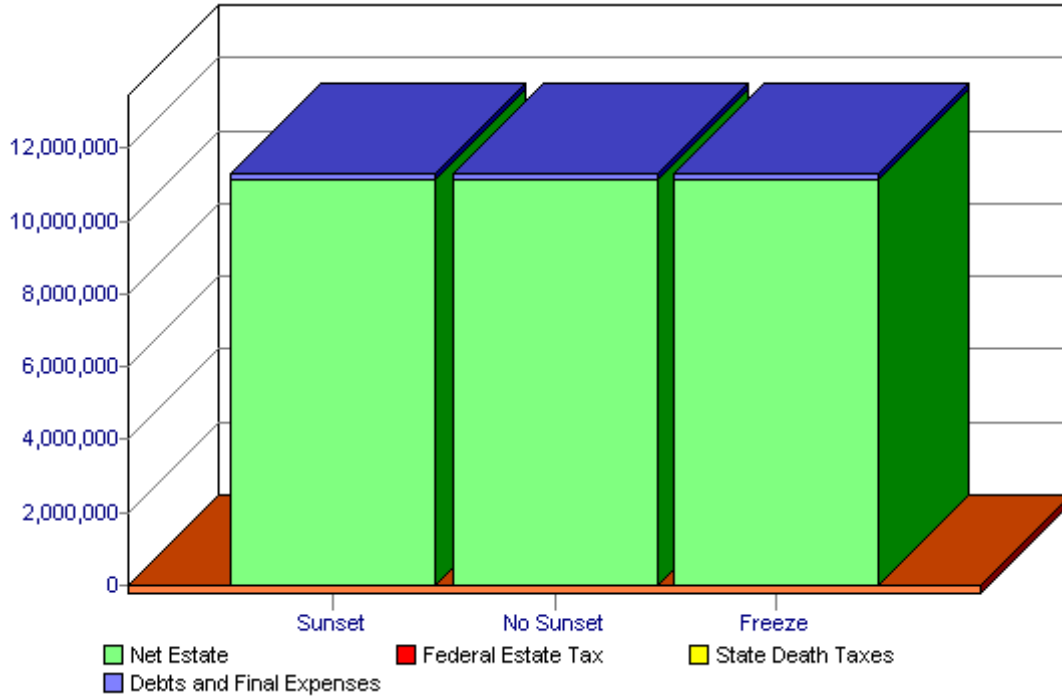
## Projected Estate Shrinkage from Taxes and Settlement Costs

Year	2029
Projected Value of Estate Before Shrinkage	27,754,094
Shrinkage from Settlement Costs	532,263
Shrinkage from Estate Taxes	13,193,416
Total Shrinkage	13,725,679
Net to Heirs After Shrinkage	14,028,416

Estate Planning

**Estate Tax Comparison for Richard Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates**

Assumes Richard dies first at age 85 in 2022



Estate Tax Comparison First Death - This graph illustrates a comparison of estate taxes at first death assuming reversion to old law in 2011, no estate tax after 2010 and estate tax in future based upon 2009 rates.

# Estate Planning

Richard and Rose Seniors

Estate Planning

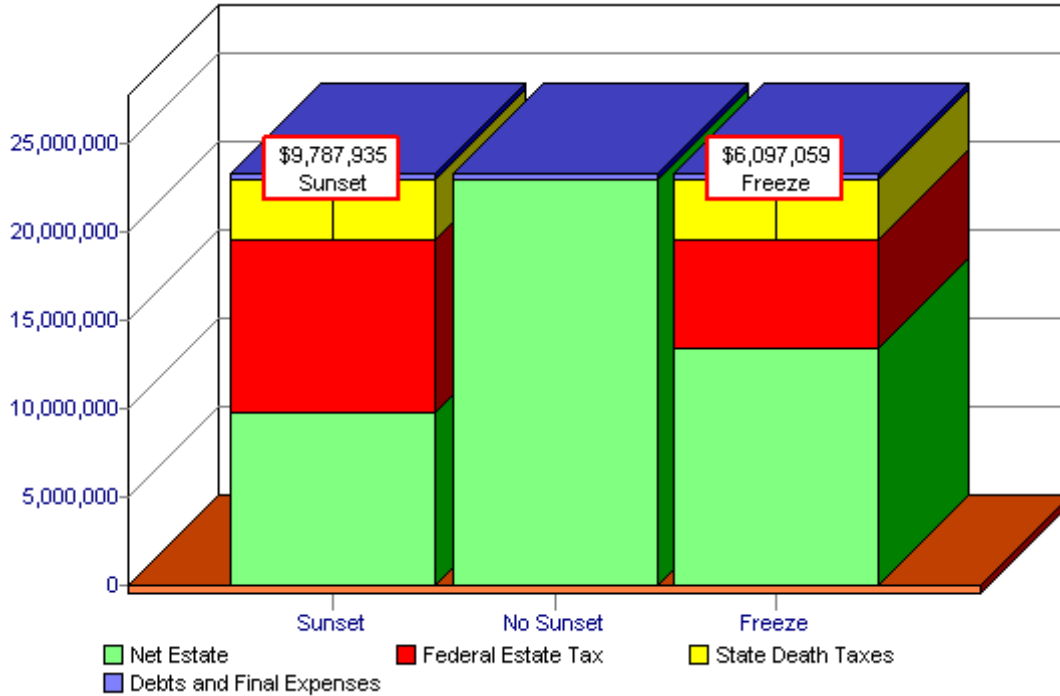
## Estate Tax Comparison for Richard Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates

Death Yr 2022	Sunset in 2011	No Sunset	Freeze at 2009
Fair Market Value of Gross Estate	11,303,709	11,303,709	11,303,709
Qualified Assets	3,700,207	3,700,207	3,700,207
Non-Qualified Assets and Annuities (PV)	7,103,502	7,103,502	7,103,502
Life Insurance Proceeds in Estate	500,000	500,000	500,000
Adjustments to Gross Estate	0	0	0
Gift Tax Paid Last 3 Years	0	0	0
Life Ins Death Benefits/Cash Value for Tax Only	0	0	0
Less Special Use Discount	0	0	0
Adjusted Gross Estate	10,492,554	10,492,554	10,492,554
Total Allowable Deductions	10,492,554	10,492,554	10,492,554
Charitable Bequest	0	0	0
Debts and Final Expenses	157,388	157,388	157,388
Marital Trust and Bequests	10,335,165	10,335,165	10,335,165
Qualifying Family Owned Business Interests	0	0	0
State Estate Tax	0	0	0
Taxable Estate	0	0	0
Adjusted Taxable Gifts	0	0	0
Gross Federal Estate Tax	0	0	0
Estate Tax Credits	0	0	0
Credit for Gift Tax Paid	0	0	0
Applicable Credit	0	0	0
Credit for State Death Taxes	0	0	0
Net Federal Estate Tax	0	0	0
Estate Taxes	0	0	0
Net Federal Estate Tax	0	0	0
State Death Taxes	0	0	0
Generation Skipping Transfer Tax	0	0	0
Value from ILIT	0	0	0
Distribution of FMV of Estate	11,303,709	11,303,709	11,303,709
Estate Costs and Taxes Due	157,388	157,388	157,388
Estate Taxes	0	0	0
Final Expenses	157,388	157,388	157,388
Debts to be Paid	0	0	0
Estate Costs and Taxes Paid	157,388	157,388	157,388
With Estate Assets	157,388	157,388	157,388
With ILIT Liquidity	0	0	0
Estate Costs and Taxes Unpaid	0	0	0
Charitable Bequest	0	0	0
Bequest to Rose	11,146,321	11,146,321	11,146,321
Distribution to Heirs	0	0	0
Bequest to Heirs	0	0	0
Credit Shelter Transfer	0	0	0
Qualified Assets to Heirs	0	0	0
Excess ILIT Assets	0	0	0
Amount to Heirs Less Estate Costs & Taxes Unpaid	0	0	0
Credit Shelter Transfer Unfunded	0	0	0

Estate Planning

**Estate Tax Comparison for Rose Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates**

Assumes Rose dies last at age 85 in 2029



Estate Tax Comparison Last Death - This graph illustrates a comparison of estate taxes at last death assuming reversion to old law in 2011, no estate tax after 2010 and estate tax in future based upon 2009 rates.

**Comment**

The tax law enacted in 2001 (EGTRRA) reduces the federal estate tax rates until 2010 when estates will not be subject to federal estate taxes. This tax law is scheduled to "sunset" in the year 2011. The effect of "sunset" will be to restore estate and gift taxes to their status in 2001. Many people believe Congress will alter the estate tax laws prior to 2010. This analysis illustrates three of the many possible changes to the current law.

Under current tax law, you will have a potential estate tax liability of \$10,169,329 upon your death in 2029. (Column 1)

If the tax law is amended to abolish the estate tax permanently, you will not have an estate tax liability. (Column 2)

If the tax law is amended and the federal estate tax rates are frozen at the rates in effect in 2009, your estate tax liability will be \$6,380,660. (Column 3)

Estate Planning

**Estate Tax Comparison for Rose Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates**

Death Yr 2029	Sunset in 2011	No Sunset	Freeze at 2009
Fair Market Value of Gross Estate	27,596,707	27,596,707	27,596,707
Qualified Assets	416,755	416,755	416,755
Non-Qualified Assets and Annuities (PV)	10,999,108	10,999,108	10,999,108
Total Assets from Spouse incl. Growth and Debits	16,180,842	16,180,842	16,180,842
Life Insurance Proceeds in Estate	0	0	0
Adjustments to Gross Estate	0	0	0
Gift Tax Paid Last 3 Years	0	0	0
Life Ins Death Benefits/Cash Value for Tax Only	0	0	0
Less Special Use Discount	0	0	0
Adjusted Gross Estate	24,991,630	24,991,630	24,991,630
Total Allowable Deductions	374,874	374,874	374,874
Charitable Bequest	0	0	0
Debts and Final Expenses	374,874	374,874	374,874
Qualifying Family Owned Business Interests	0	0	0
State Estate Tax	0	0	0
Taxable Estate	24,616,756	24,616,756	24,616,756
Adjusted Taxable Gifts	0	0	0
Gross Federal Estate Tax	13,539,216	0	10,958,340
Estate Tax Credits	3,751,281	0	4,861,281
Credit for Gift Tax Paid	0	0	0
Applicable Credit	345,800	0	1,455,800
Credit for State Death Taxes	3,405,481	0	3,405,481
Net Federal Estate Tax	9,787,935	0	6,097,059
Estate Taxes	13,193,416	0	9,502,540
Net Federal Estate Tax	9,787,935	0	6,097,059
State Death Taxes	3,405,481	0	3,405,481
Generation Skipping Transfer Tax	0	0	0
Value from ILIT	0	0	0
Distribution of FMV of Estate	27,596,706	27,596,706	27,596,706
Estate Costs and Taxes Due	13,568,290	374,874	9,877,414
Estate Taxes	13,193,416	0	9,502,540
Final Expenses	374,874	374,874	374,874
Debts to be Paid	0	0	0
Estate Costs and Taxes Paid	13,568,290	374,874	9,877,414
With Estate Assets	13,568,290	374,874	9,877,414
With ILIT Liquidity	0	0	0
Estate Costs and Taxes Unpaid	0	0	0
Charitable Bequest	0	0	0
Distribution to Heirs	14,028,416	27,221,834	17,719,292
Bequest to Heirs	9,330,520	22,523,936	13,021,396
Qualified Assets to Heirs	4,697,897	4,697,897	4,697,897
Excess ILIT Assets	0	0	0
Amount to Heirs Less Estate Costs & Taxes Unpaid	14,028,416	27,221,834	17,719,292

## Recommendations

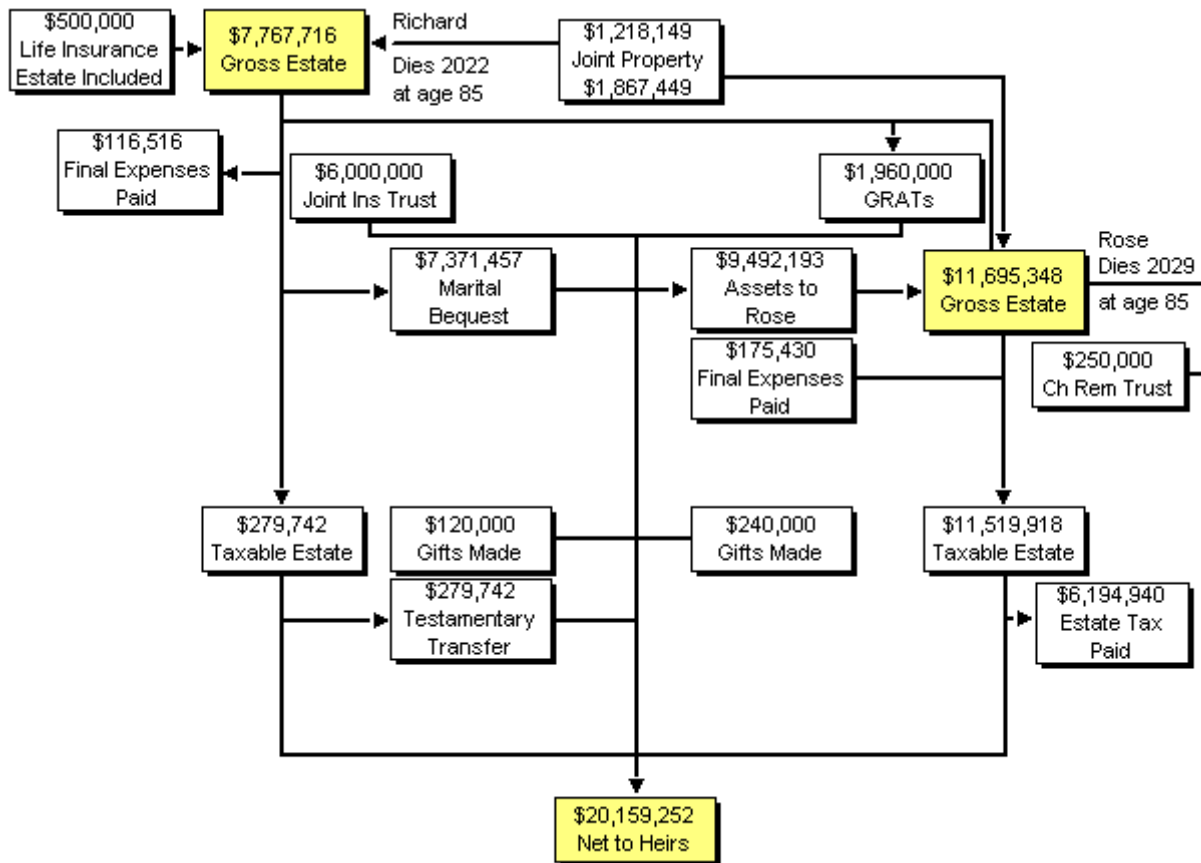
Your objectives include evaluating ways to minimize the effect of estate taxes on your estate, to increase the amount of wealth transferred to heirs, and expand your plan for charitable giving. The Proposal Plan that follows in this analysis illustrates your plan assuming the recommendations are implemented.

Please note that these recommendations help meet your estate-planning objective and are attainable within your retirement and cash flow objectives.

We are recommending the following actions to help meet your goals.

- Review your wills and consider adding provisions to utilize the available applicable credit at your respective deaths. The applicable credit allows each individual to transfer assets (\$2,000,000 in 2007) to heirs without federal estate taxes. This transfer and all subsequent growth will also be removed from the survivor's estate.
- Consider changing the ownership of some of your jointly held property to ensure there are sufficient assets in each person's name to fully utilize the applicable credit upon death.
- Start to gift \$12,000 per year to your children Joel and Hope. This is the maximum allowable tax-free gift amount in 2007. Gifting will reduce the size of your estate, including all future growth of the gifted assets, and will help your children today.
- Gift your IBM Stock to a Charitable Remainder Annuity Trust (CRAT). You will be entitled to an income tax deduction in the year of the gift, receive an annual income of approximately \$12,500, and leave the charity of your choice the potentially remaining value of over \$650,000 at your death.
- Gift your limited partnership shares of the Seniors FLP to a Grantor Retained Annuity Trust (GRAT).
- Purchase a 2nd-to-Die life insurance policy in the amount of \$6 million. This benefit will be payable at the last death and will provide liquidity to help pay estate taxes, resulting in a larger portion of your accumulated wealth passing to your children and grandchildren.

Proposed - Estate Planning Flow Chart



Illustrates the current estate upon first and last death of client and co-client including: gross estate for federal estate tax purposes, net estate after amounts are transferred to heirs by credit shelter transfer and payment of liabilities, expenses, federal estate and state death taxes. Net to heirs must be adjusted for growth and income taxes on qualified plans and IRAs in the year of death.

**Comment**

Richard, this flowchart shows you dying at age 85 in 2022 with \$7,767,716 having made \$120,000 of gifts over your lifetime.

Assumptions used to calculate the Final Expenses of \$116,516 and \$175,430 are \$1.5% of the gross estate.

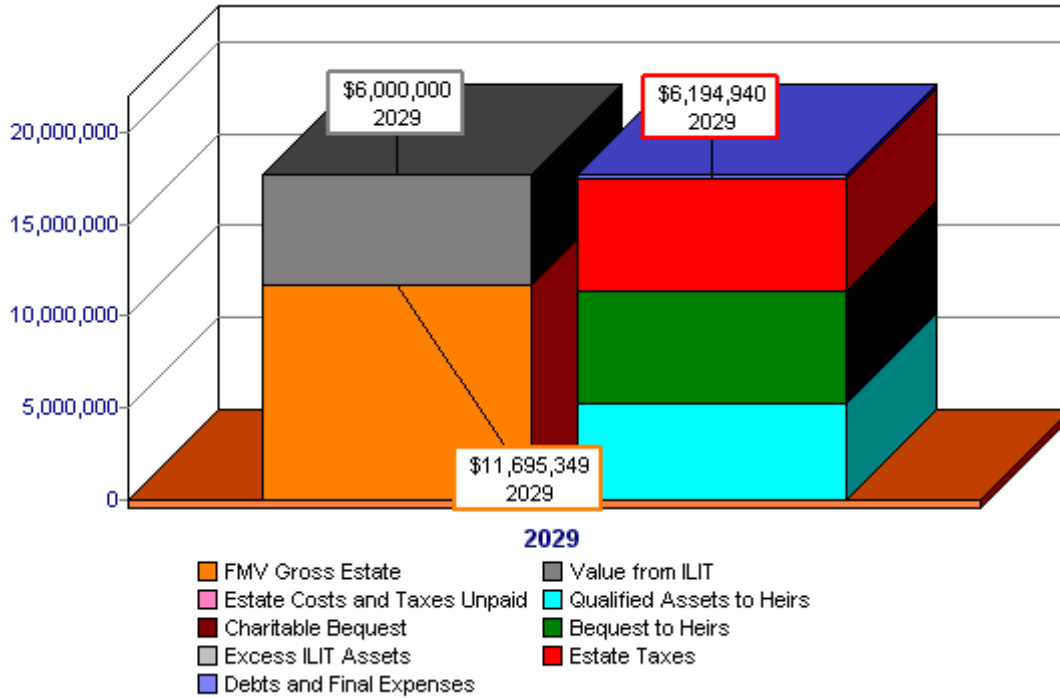
The Marital Bequest of \$7,371,457 is the wealth transferred estate tax free, utilizing the unlimited marital deduction, from your estate to Rose at your death.

The Assets to Spouse of \$9,492,193 is the amount of the marital bequest remaining at Rose's death after adjustments for growth and cash flow expenditures.

Assuming you die prior to Rose and your estate is passed to Rose, then **Rose's estate in 2029 could be \$11,695,348, resulting in an estate tax of \$6,194,940. Your children (heirs) will receive \$20,159,252.**

**Proposed - Estate Plan Upon Last Death**

**Upon Rose's death at 85 in 2029, the fair market value of your gross estate could be \$11,695,349 and you could owe \$6,370,370 in estate taxes and final expenses, leaving \$5,324,979 available for your beneficiaries.**



Illustrates the taxation of the gross estate, including tax adjustments, allowable deductions, tax credits and taxes due federal and state governments and the distribution of the gross estate to final expenses, liabilities, taxes, heirs and charity.

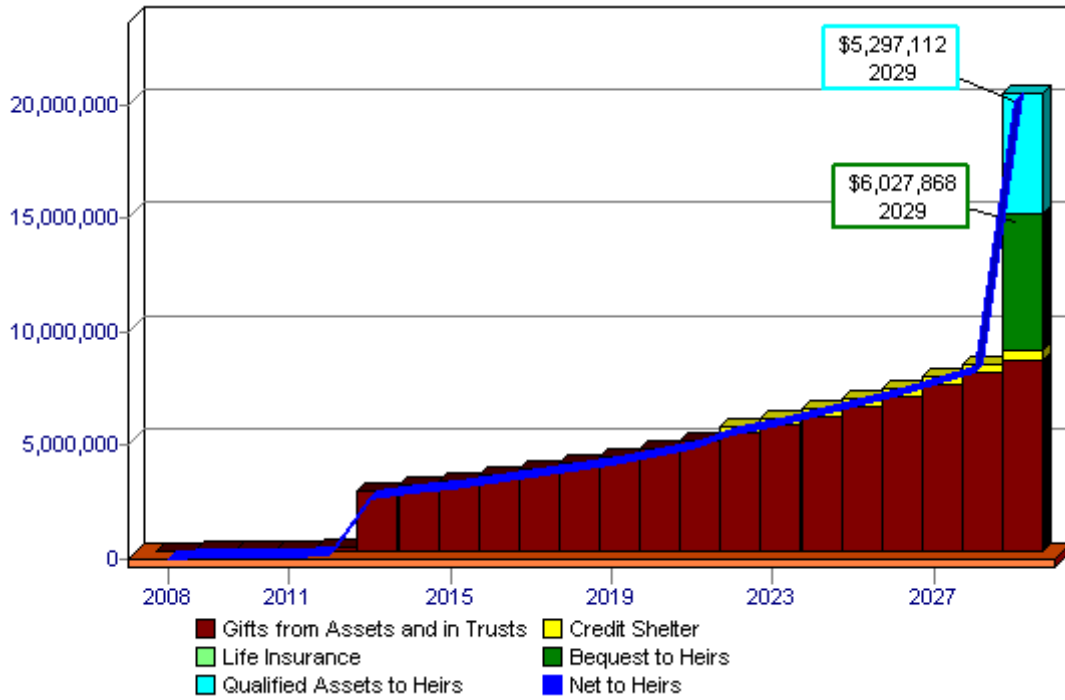
**Comment**

A breakdown of the factors used in the estate calculation factors and distribution of the estate can be found in the following spreadsheet.

Proposed - Estate Plan Upon Last Death

Year	Actual 2029	Proposed 2029
Fair Market Value of Gross Estate	27,596,707	11,695,349
Qualified Assets	416,755	0
Non-Qualified Assets and Annuities (PV)	10,999,108	2,203,156
Total Assets from Spouse incl. Growth and Debits	16,180,842	9,492,193
Life Insurance Proceeds in Estate	0	0
Adjustments to Gross Estate	0	0
Gift Tax Paid Last 3 Years	0	0
Life Ins Death Benefits/Cash Value for Tax Only	0	0
Less Special Use Discount	0	0
Adjusted Gross Estate	24,991,630	11,695,349
Total Allowable Deductions	374,874	175,430
Charitable Bequest	0	0
Debts and Final Expenses	374,874	175,430
Qualifying Family Owned Business Interests	0	0
State Estate Tax	0	0
Taxable Estate	24,616,756	11,519,919
Adjusted Taxable Gifts	0	813,314
Gross Federal Estate Tax	13,539,216	6,540,740
Estate Tax Credits	3,751,281	1,785,917
Credit for Gift Tax Paid	0	0
Applicable Credit	345,800	345,800
Credit for State Death Taxes	3,405,481	1,440,117
Net Federal Estate Tax	9,787,935	4,754,823
Estate Taxes	13,193,416	6,194,940
Net Federal Estate Tax	9,787,935	4,754,823
State Death Taxes	3,405,481	1,440,117
Generation Skipping Transfer Tax	0	0
Value from ILIT	0	6,000,000
Distribution of FMV of Estate	27,596,706	11,695,349
Estate Costs and Taxes Due	13,568,290	6,370,370
Estate Taxes	13,193,416	6,194,940
Final Expenses	374,874	175,430
Debts to be Paid	0	0
Estate Costs and Taxes Paid	13,568,290	6,370,370
With Estate Assets	13,568,290	370,370
With ILIT Liquidity	0	6,000,000
Estate Costs and Taxes Unpaid	0	0
Charitable Bequest	0	0
Distribution to Heirs	14,028,416	11,324,979
Bequest to Heirs	9,330,520	6,027,868
Qualified Assets to Heirs	4,697,897	5,297,112
Excess ILIT Assets	0	0
Amount to Heirs Less Estate Costs & Taxes Unpaid	14,028,416	11,324,979

Proposed - Amount to Heirs from All Sources



Illustrates the economic benefit received by heirs from gifts, remainders from trusts, transfers to heirs equal to the applicable credit equivalent, qualified assets, bequests and life insurance death benefits, adjusted for taxable growth.

# Estate Planning

Richard and Rose Seniors

Estate Planning

## Proposed - Amount to Heirs from All Sources

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Richard's Age	71	72	73	74	75	76	77	78	79	80
Rose's Age	64	65	66	67	68	69	70	71	72	73
Non-Qual Assets to Heirs	24,000	49,680	77,158	106,559	138,018	2,694,721	2,907,351	3,134,866	3,378,306	3,638,788
Qual Assets to Heirs at	0	0	0	0	0	0	0	0	0	0
Unpaid Estate Costs and	0	0	0	0	0	0	0	0	0	0
Net to Heirs Less	24,000	49,680	77,158	106,559	138,018	2,694,721	2,907,351	3,134,866	3,378,306	3,638,788
Non-Qual Assets to Heirs	24,000	49,680	77,158	106,559	138,018	2,694,721	2,907,351	3,134,866	3,378,306	3,638,788
Gifts from Assets at	24,000	49,680	77,158	106,559	138,018	171,679	207,697	246,235	287,472	331,595
Growth during Year	1,680	3,478	5,401	7,459	9,661	12,018	14,539	17,236	20,123	23,212
Gifts Received during	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	12,000
Remainder from Trusts at	0	0	0	0	0	2,523,042	2,699,655	2,888,630	3,090,835	3,307,193
Growth during Year	0	0	0	0	0	176,613	188,976	202,204	216,358	231,504
Amount Received in Yr	0	0	0	0	2,523,042	0	0	0	0	0
Life Insurance	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
Amount Received in Yr	0	0	0	0	0	0	0	0	0	0
Less: ILIT for Liquidity to	0	0	0	0	0	0	0	0	0	0
Credit Shelter	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
Estate Bequest to Heirs	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
Amount Received in Yr	0	0	0	0	0	0	0	0	0	0
Proceeds from Qual	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
After Tax Amount	0	0	0	0	0	0	0	0	0	0
Qual Assets to Heirs at	0	0	0	0	0	0	0	0	0	0
Plus: Growth during Year	0	0	0	0	0	0	0	0	0	0
Less: Distributions this	0	0	0	0	0	0	0	0	0	0
Income Taxes on Qual	0	0	0	0	0	0	0	0	0	0
Amt to Heirs after Last	0	0	0	0	0	0	0	0	0	0

# Estate Planning

Richard and Rose Seniors

Estate Planning

## Proposed - Amount to Heirs from All Sources

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Richard's Age	81	82	83	84	85	--	--	--	--	--
Rose's Age	74	75	76	77	78	79	80	81	82	83
Non-Qual Assets to Heirs	3,905,503	4,190,888	4,496,250	4,822,988	5,452,340	5,846,003	6,267,223	6,717,929	7,200,184	7,716,197
Qual Assets to Heirs at	0	0	0	0	0	0	0	0	0	0
Unpaid Estate Costs and	0	0	0	0	0	0	0	0	0	0
Net to Heirs Less	3,905,503	4,190,888	4,496,250	4,822,988	5,452,340	5,846,003	6,267,223	6,717,929	7,200,184	7,716,197
Non-Qual Assets to Heirs	3,905,503	4,190,888	4,496,250	4,822,988	5,452,340	5,846,003	6,267,223	6,717,929	7,200,184	7,716,197
Gifts from Assets at	366,806	404,483	444,797	487,932	534,088	583,474	636,317	692,859	753,359	818,094
Growth during Year	25,676	28,314	31,136	34,155	37,386	40,843	44,542	48,500	52,735	57,267
Gifts Received during	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	0
Remainder from Trusts at	3,538,696	3,786,405	4,051,454	4,335,055	4,638,509	4,963,205	5,310,629	5,682,373	6,080,139	6,505,749
Growth during Year	247,709	265,048	283,602	303,454	324,696	347,424	371,744	397,766	425,610	455,402
Amount Received in Yr	0	0	0	0	0	0	0	0	0	0
Life Insurance	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
Amount Received in Yr	0	0	0	0	0	0	0	0	0	0
Less: ILIT for Liquidity to	0	0	0	0	0	0	0	0	0	0
Credit Shelter	0	0	0	0	279,743	299,324	320,277	342,697	366,685	392,353
Growth during Year	0	0	0	0	19,582	20,953	22,419	23,989	25,668	27,465
Estate Bequest to Heirs	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
Amount Received in Yr	0	0	0	0	0	0	0	0	0	0
Proceeds from Qual	0	0	0	0	0	0	0	0	0	0
Growth during Year	0	0	0	0	0	0	0	0	0	0
After Tax Amount	0	0	0	0	0	0	0	0	0	0
Qual Assets to Heirs at	0	0	0	0	0	0	0	0	0	0
Plus: Growth during Year	0	0	0	0	0	0	0	0	0	0
Less: Distributions this	0	0	0	0	0	0	0	0	0	0
Income Taxes on Qual	0	0	0	0	0	0	0	0	0	0
Amt to Heirs after Last	0	0	0	0	0	0	0	0	0	0

# Estate Planning

Richard and Rose Seniors

Estate Planning

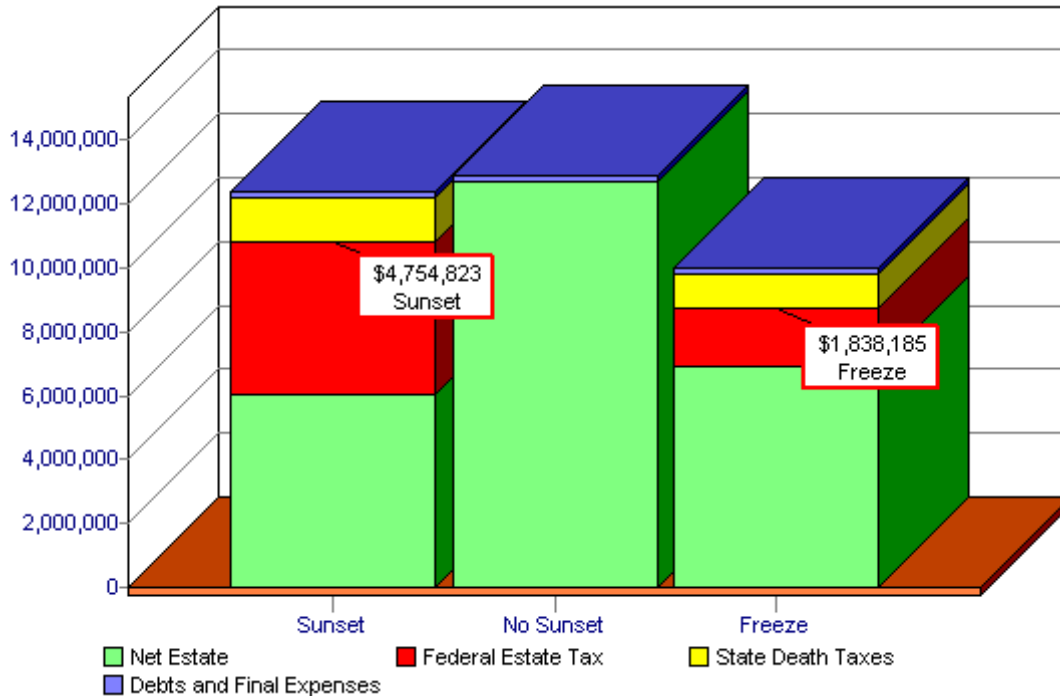
## Proposed - Amount to Heirs from All Sources

	2028	2029
Richard's Age	--	--
Rose's Age	84	85
Non-Qual Assets to Heirs	8,256,331	14,862,141
Qual Assets to Heirs at	0	5,297,112
Unpaid Estate Costs and	0	0
Net to Heirs Less	8,256,331	20,159,252
Non-Qual Assets to Heirs	8,256,331	14,862,141
Gifts from Assets at	875,361	936,636
Growth during Year	61,275	0
Gifts Received during	0	0
Remainder from Trusts at	6,961,152	7,448,432
Growth during Year	487,281	0
Amount Received in Yr	0	0
Life Insurance	0	0
Growth during Year	0	0
Amount Received in Yr	0	6,000,000
Less: ILIT for Liquidity to	0	6,000,000
Credit Shelter	419,818	449,205
Growth during Year	29,387	0
Estate Bequest to Heirs	0	6,027,868
Growth during Year	0	0
Amount Received in Yr	0	0
Proceeds from Qual	0	0
Growth during Year	0	0
After Tax Amount	0	0
Qual Assets to Heirs at	0	5,297,112
Plus: Growth during Year	0	0
Less: Distributions this	0	0
Income Taxes on Qual	0	0
Amt to Heirs after Last	0	0

Estate Planning

## Proposed - Estate Tax Comparison for Rose Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates

Assumes Rose dies last at age 85 in 2029



Estate Tax Comparison Last Death - This graph illustrates a comparison of estate taxes at last death assuming reversion to old law in 2011, no estate tax after 2010 and estate tax in future based upon 2009 rates.

### Comment

The tax law enacted in 2001 (EGTRRA) reduces the federal estate tax rates until 2010 when estates will not be subject to federal estate taxes. This tax law is scheduled to "sunset" in the year 2011. The effect of "sunset" will be to restore estate and gift taxes to their status in 2001. Many people believe Congress will alter the estate tax laws prior to 2010. This analysis illustrates three of the many possible changes to the current law.

**Under current tax law, you will have an estate tax liability of \$4,754,823 upon your death in 2029 (Column 1)**

**If the tax law is amended to abolish the estate tax, you will not have an estate tax liability. (Column 2)**

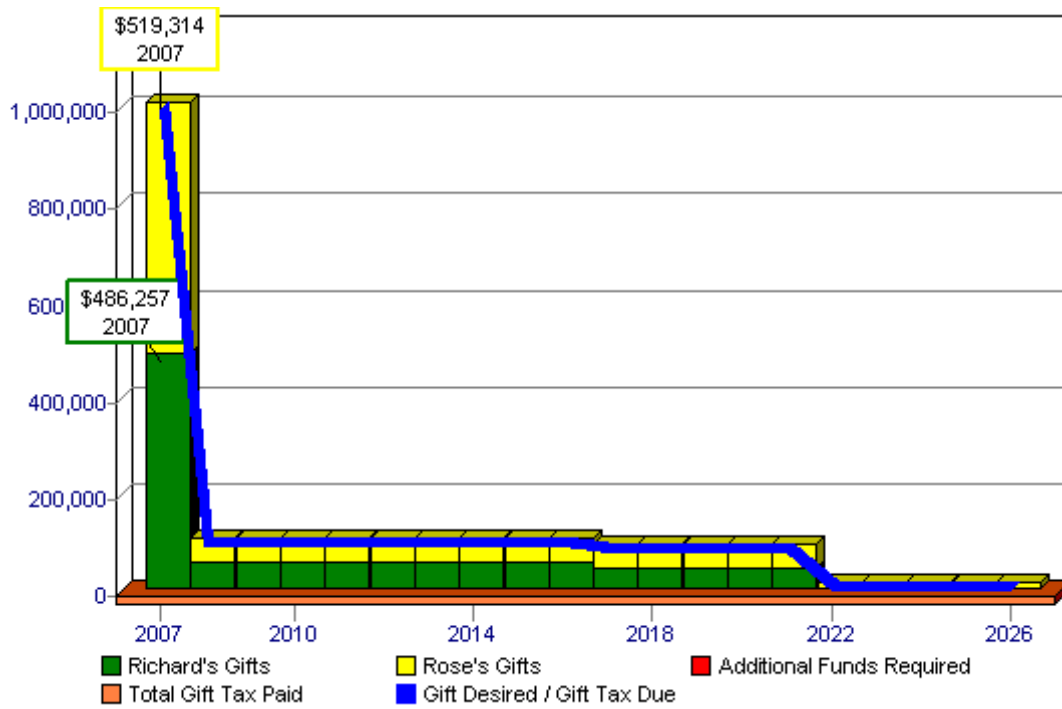
**If the tax law is amended and the estate tax rates are frozen at the rates in effect in 2009, your estate tax liability will be \$1,838,185. (Column 3)**

Estate Planning

## Proposed - Estate Tax Comparison for Rose Seniors assuming: (1) Sunset Provision in 2011, (2) No Sunset Provision, and (3) Estate Tax Freeze at 2009 Rates

Death Yr 2029	Sunset in 2011	No Sunset	Freeze at 2009
Fair Market Value of Gross Estate	11,695,349	12,181,418	9,261,121
Qualified Assets	0	0	0
Non-Qualified Assets and Annuities (PV)	2,203,156	2,206,476	2,194,162
Total Assets from Spouse incl. Growth and Debits	9,492,193	9,974,942	7,066,959
Life Insurance Proceeds in Estate	0	0	0
Adjustments to Gross Estate	0	0	0
Gift Tax Paid Last 3 Years	0	0	0
Life Ins Death Benefits/Cash Value for Tax Only	0	0	0
Less Special Use Discount	0	0	0
Adjusted Gross Estate	11,695,349	12,181,418	9,261,121
Total Allowable Deductions	175,430	182,721	138,917
Charitable Bequest	0	0	0
Debts and Final Expenses	175,430	182,721	138,917
Qualifying Family Owned Business Interests	0	0	0
State Estate Tax	0	0	0
Taxable Estate	11,519,919	11,998,697	9,122,204
Adjusted Taxable Gifts	813,314	813,314	813,314
Gross Federal Estate Tax	6,540,740	0	4,351,784
Estate Tax Credits	1,785,917	0	2,513,599
Credit for Gift Tax Paid	0	0	0
Applicable Credit	345,800	0	1,455,800
Credit for State Death Taxes	1,440,117	0	1,057,799
Net Federal Estate Tax	4,754,823	0	1,838,185
Estate Taxes	6,194,940	0	2,895,984
Net Federal Estate Tax	4,754,823	0	1,838,185
State Death Taxes	1,440,117	0	1,057,799
Generation Skipping Transfer Tax	0	0	0
Value from ILIT	6,000,000	6,000,000	6,000,000
Distribution of FMV of Estate	11,695,349	12,181,418	9,261,121
Estate Costs and Taxes Due	6,370,370	182,721	3,034,900
Estate Taxes	6,194,940	0	2,895,984
Final Expenses	175,430	182,721	138,917
Debts to be Paid	0	0	0
Estate Costs and Taxes Paid	6,370,370	182,721	3,034,900
With Estate Assets	370,370	0	0
With ILIT Liquidity	6,000,000	182,721	3,034,900
Estate Costs and Taxes Unpaid	0	0	0
Charitable Bequest	0	0	0
Distribution to Heirs	11,324,979	17,998,696	12,226,221
Bequest to Heirs	6,027,868	6,884,307	3,964,010
Qualified Assets to Heirs	5,297,112	5,297,112	5,297,112
Excess ILIT Assets	0	5,817,279	2,965,100
Amount to Heirs Less Estate Costs & Taxes Unpaid	11,324,979	17,998,696	12,226,221

Proposed - Lifetime Non-Charitable Gifts



Illustrates annual gifts by client and co-client and gift tax consequences on a year by year basis.

**Comment**

This analysis shows the gifts subject to the gift taxes.

The gifts made from this year through 2026 represent gifts of insurance premiums made to the Irrevocable Life Insurance Trust.

The spike in 2007 represents the proposed gift of your LP shares of the FLP to the GRAT.

The spreadsheet that follows shows the annual details of the desired gifts, taxable gifts, and any of your applicable credit used to offset any possible gift tax liability.

# Estate Planning

Richard and Rose Seniors

Estate Planning

## Proposed - Lifetime Non-Charitable Gifts

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
<b>CUMULATIVE GIFTS MADE</b>	<b>0</b>	<b>1,005,572</b>	<b>1,109,572</b>	<b>1,213,572</b>	<b>1,317,572</b>	<b>1,421,572</b>	<b>1,525,572</b>	<b>1,629,572</b>	<b>1,733,572</b>	<b>1,837,572</b>
Richard's Gifts	0	486,257	538,257	590,257	642,257	694,257	746,257	798,257	850,257	902,257
Rose's Gifts	0	519,314	571,314	623,314	675,314	727,314	779,314	831,314	883,314	935,314
Gift Desired / Gift Tax	1,005,572	104,000	104,000	104,000	104,000	104,000	104,000	104,000	104,000	104,000
Lifetime Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
<b>Richard's Gifts</b>	<b>486,257</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>
From Assets	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Rose	0	0	0	0	0	0	0	0	0	0
To Heirs	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Pay Insurance	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Taxable Gift from Trusts	434,257	0	0	0	0	0	0	0	0	0
<b>Annual Exclusion</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>	<b>14,000</b>	<b>14,000</b>	<b>15,000</b>	<b>15,000</b>
Number of Donees	2	2	2	2	2	2	2	2	2	2
Discount on Entity Shares	0	0	0	0	0	0	0	0	0	0
Available Applicable Credit	345,800	202,832	193,312	168,245	174,145	164,525	154,905	146,025	137,145	129,005
Taxable Gifts	462,257	28,000	28,000	26,000	26,000	26,000	24,000	24,000	22,000	22,000
Applicable Credit Applied	142,968	9,520	10,068	9,100	9,620	9,620	8,880	8,880	8,140	8,140
Total Gift Tax Due	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Federal Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
State Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Shortfall	0	0	0	0	0	0	0	0	0	0
<b>Rose's Gifts</b>	<b>519,314</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>
From Assets	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Richard	0	0	0	0	0	0	0	0	0	0
To Heirs	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Pay Insurance	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Taxable Gift from Trusts	467,314	0	0	0	0	0	0	0	0	0
<b>Annual Exclusion</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>	<b>14,000</b>	<b>14,000</b>	<b>15,000</b>	<b>15,000</b>
Number of Donees	2	2	2	2	2	2	2	2	2	2
Discount on Entity Shares	0	0	0	0	0	0	0	0	0	0
Available Applicable Credit	345,800	191,593	181,374	156,014	161,914	152,294	142,674	133,794	124,914	116,774
Taxable Gifts	495,314	28,000	28,000	26,000	26,000	26,000	24,000	24,000	22,000	22,000
Applicable Credit Applied	154,207	10,219	10,360	9,100	9,620	9,620	8,880	8,880	8,140	8,140
Total Gift Tax Due	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Federal Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
State Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Shortfall	0	0	0	0	0	0	0	0	0	0
<b>Additional Funds Required</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Estate Planning

Richard and Rose Seniors

Estate Planning

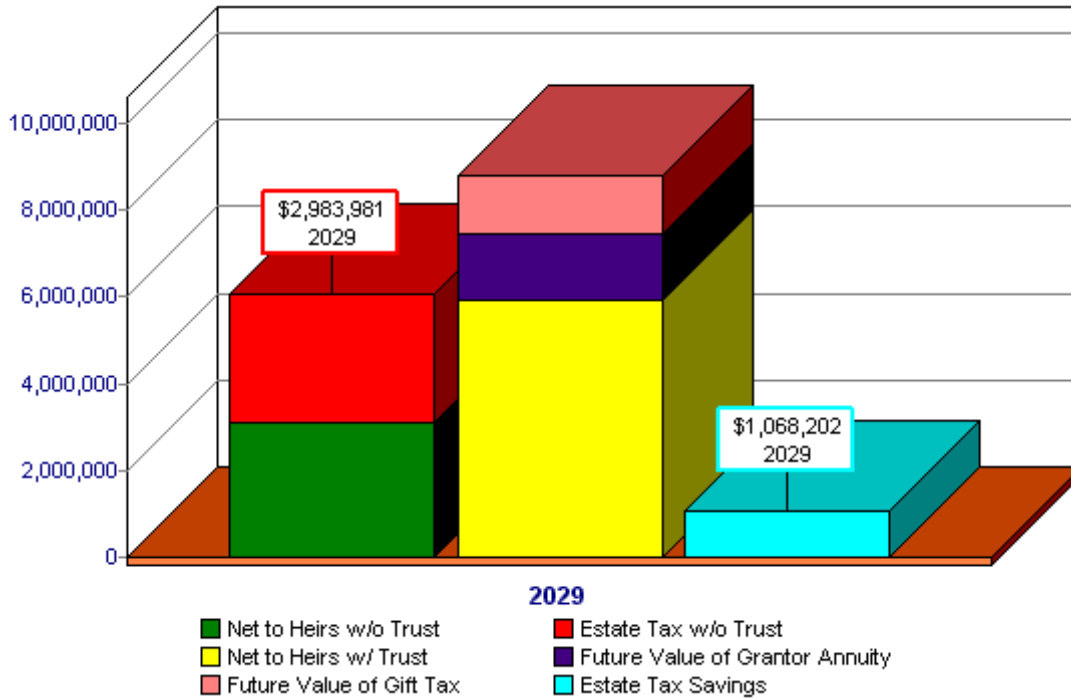
## Proposed - Lifetime Non-Charitable Gifts

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
<b>CUMULATIVE GIFTS MADE</b>	<b>1,941,572</b>	<b>2,033,572</b>	<b>2,125,572</b>	<b>2,217,572</b>	<b>2,309,572</b>	<b>2,401,572</b>	<b>2,413,572</b>	<b>2,425,572</b>	<b>2,437,572</b>	<b>2,449,572</b>
Richard's Gifts	954,257	994,257	1,034,257	1,074,257	1,114,257	1,154,257	1,154,257	1,154,257	1,154,257	1,154,257
Rose's Gifts	987,314	1,039,314	1,091,314	1,143,314	1,195,314	1,247,314	1,259,314	1,271,314	1,283,314	1,295,314
Gift Desired / Gift Tax	92,000	92,000	92,000	92,000	92,000	12,000	12,000	12,000	12,000	12,000
Lifetime Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
<b>Richard's Gifts</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
From Assets	0	0	0	0	0	0	0	0	0	0
To Rose	0	0	0	0	0	0	0	0	0	0
To Heirs	0	0	0	0	0	0	0	0	0	0
To Pay Insurance	40,000	40,000	40,000	40,000	40,000	0	0	0	0	0
Taxable Gift from Trusts	0	0	0	0	0	0	0	0	0	0
Annual Exclusion	16,000	16,000	17,000	17,000	18,000	18,000	19,000	19,000	20,000	21,000
Number of Donees	2	2	2	2	2	0	0	0	0	0
Discount on Entity Shares	0	0	0	0	0	0	0	0	0	0
Available Applicable Credit	120,865	117,905	114,945	112,725	110,505	109,025	109,025	109,025	109,025	109,025
Taxable Gifts	8,000	8,000	6,000	6,000	4,000	0	0	0	0	0
Applicable Credit Applied	2,960	2,960	2,220	2,220	1,480	0	0	0	0	0
Total Gift Tax Due	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Federal Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
State Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Shortfall	0	0	0	0	0	0	0	0	0	0
<b>Rose's Gifts</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>52,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>
From Assets	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Richard	0	0	0	0	0	0	0	0	0	0
To Heirs	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
To Pay Insurance	40,000	40,000	40,000	40,000	40,000	0	0	0	0	0
Taxable Gift from Trusts	0	0	0	0	0	0	0	0	0	0
Annual Exclusion	16,000	16,000	17,000	17,000	18,000	18,000	19,000	19,000	20,000	21,000
Number of Donees	2	2	2	2	2	2	2	2	2	2
Discount on Entity Shares	0	0	0	0	0	0	0	0	0	0
Available Applicable Credit	108,634	101,234	93,607	86,587	79,567	73,327	73,327	73,327	73,327	73,327
Taxable Gifts	20,000	20,000	18,000	18,000	16,000	0	0	0	0	0
Applicable Credit Applied	7,400	7,626	7,020	7,020	6,240	0	0	0	0	0
Total Gift Tax Due	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Federal Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
State Gift Tax Paid	0	0	0	0	0	0	0	0	0	0
Total Gift Tax Shortfall	0	0	0	0	0	0	0	0	0	0
Additional Funds Required	0	0	0	0	0	0	0	0	0	0

Trusts

**Proposed - Tax Savings / Benefits of Transferring Seniors FLP to GRAT**

Transferring Seniors FLP to a GRAT could save you \$1,068,202 in federal estate tax.



**Comment**

A Grantor Retained Annuity Trust (GRAT) is an irrevocable trust that allows you, the Grantor, to retain all or most of the income from high yielding and rapidly appreciating property and to transfer the property through the trust to a child or other person with minimized taxation.

As the Grantor, you retain the right to a periodic annuity payment of a fixed percentage of the original value of the trust for a specified term duration. When the annuity payment period ends, any remainder in the trust goes to the trust beneficiaries. The fair market value of the gift plus appreciation is removed from your estate, thereby saving estate taxes. The actuarial value of the remainder interest is the tax value of the gift.

Other interests may be included, such as the right to have the assets revert to the your estate for distribution if you dies prior to the end of the term of the trust. In the case of the your death prior to the end of the trust term, the value of the trust is included in the gross estate whether or not the assets revert to the estate for distribution or are distributed through the trust.

Richard and Rose, by transferring your 98 LP Units of the Seniors FLP, worth \$1.6M, to a GRAT in 2007, you will be removing this value plus all future appreciation from your gross estates and saving over \$1M of potential estate taxes.

**Taking into account the discounted value allowed for LP Unit transfers, this transfer results in a trust gift of \$901,572. You will not owe any gift taxes by utilizing part of your remaining applicable credit.**

Trusts

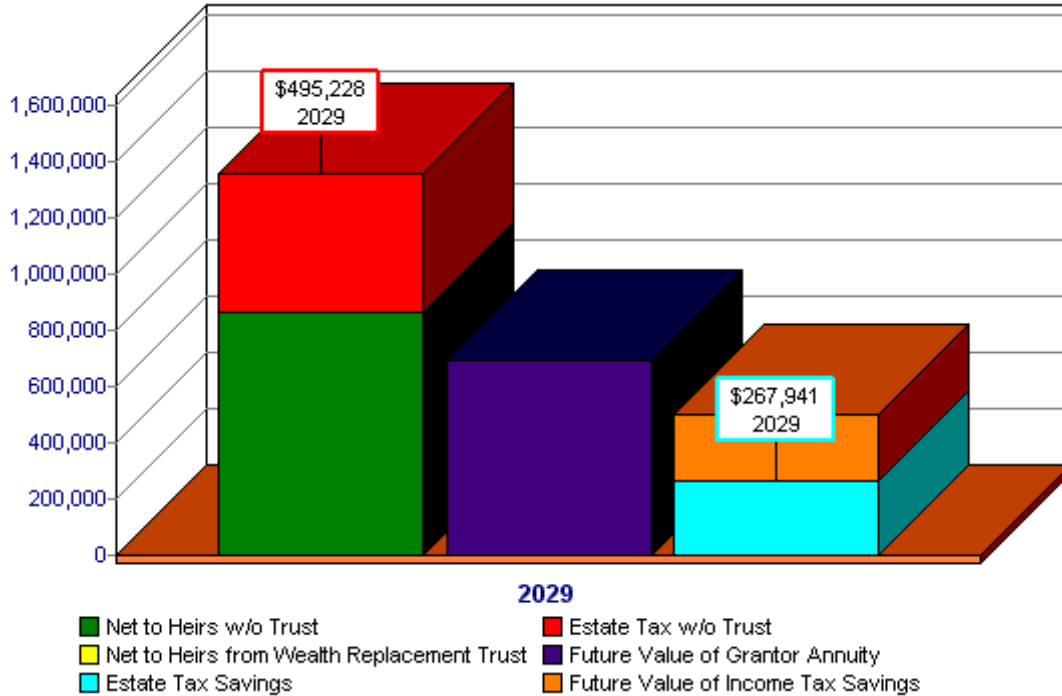
## Proposed - Tax Savings / Benefits of Transferring Seniors FLP to GRAT

Year	2029
Richard's Age	--
Rose's Age	85
Grantor Retained Annuity Trust	
Net to Heirs w/o Trust	3,094,530
FMV at Death	8,683,587
Less Entity Discount at Death	2,605,076
Discounted Value at Death	6,078,511
Estate Tax	2,983,981
Benefit of Trust Planning	6,882,475
Net to Heirs w/ Trust	5,940,905
Remainder at Death	7,302,868
Future Value of Gift Tax	1,361,963
Future Value of Grantor Annuity	1,495,386
Estate Tax on FV of Grantor Annuity	553,816
Remainder at the End of the Trust Term	2,523,042
Estate Tax Savings	1,068,202
Trust Factors	
Term	5
7520 Rate	6.0%
FMV of Gift	1,960,000
Retained Interest Factor	0.252742
Value of Retained Interest	346,762
Reversion Factor	0.114230
Value of Reversion	176,666
Trust Gift	901,572
Gift Tax at Transfer to Trust	307,413

Trusts

**Proposed - Tax Savings / Benefits of Transferring IBM Stock to CRAT**

Transferring IBM Stock to a CRAT could save you \$267,941 in federal estate tax and \$233,436 in federal income tax.



Illustrates the benefits of transferring an asset to a CRAT by projecting to the year of the last death:

1. The net value of the asset if not held in a CRAT
2. The future value of the grantor annuity payments
3. The tax consequences of holding the Asset in a CRAT

**Comment**

A Charitable Remainder Annuity Trust (CRAT) is an irrevocable trust that allows you, the Donor, to transfer cash or highly appreciated property with a low basis via a non-taxable gift to a trust benefiting a recognized non-profit organization or charity.

As the Donor, you reserve the right to receive an annual annuity payment from the trust that is equal to a fixed percentage of the original value of the trust for a specified duration. At the end of the term or at the death of Donor or last beneficiary, the charity receives the property remaining in the trust. If the trust meets certain criteria, then you, the Donor, can receive a current income tax deduction for the actuarial value of the remainder left to charity. The fair market value of the gift is removed from the gross estate thereby saving estate taxes.

Trusts

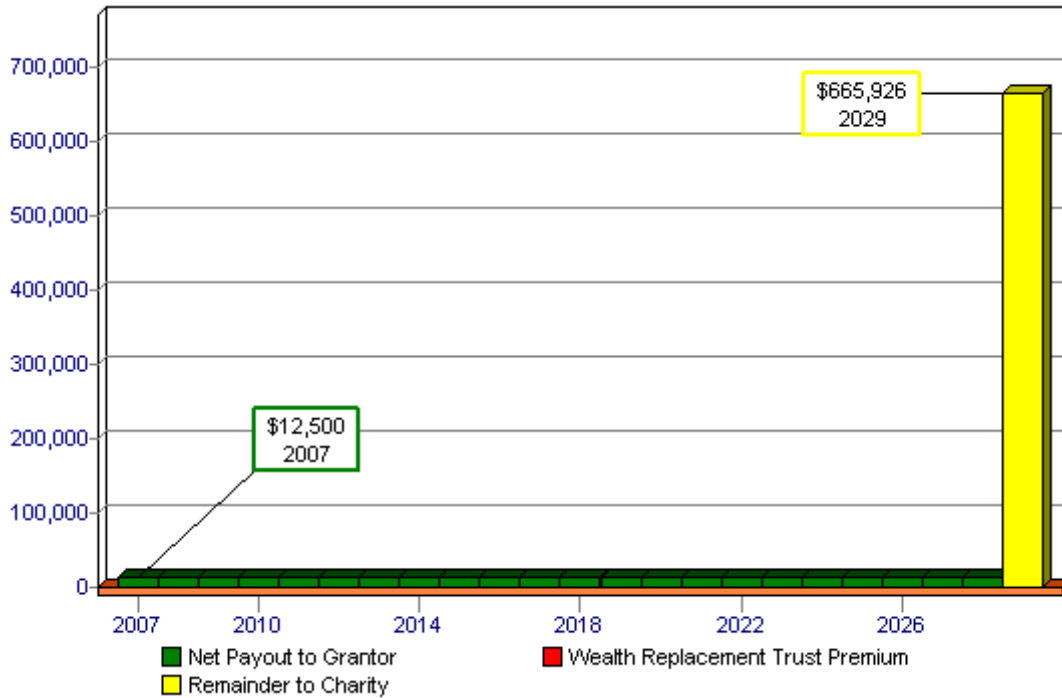
## Proposed - Tax Savings / Benefits of Transferring IBM Stock to CRAT

Year	2029
Richard's Age	--
Rose's Age	85
Charitable Remainder Annuity Trust	
Net to Heirs w/o Trust	863,907
FMV at Death	1,359,135
Less Entity Discount at Death	0
Discounted Value at Death	1,359,135
Estate Tax	495,228
Benefit of Trust Planning	1,131,848
Future Value of Remainder To Charity	665,926
Future Value of Grantor Annuity	693,209
Estate Tax on FV of Grantor Annuity	227,287
Net to Heirs from WRT	0
Remainder to Charity at the End of the Trust Term	665,926
Basis	74,000
Capital Gains Tax Saved	257,027
Future Value of Income Tax Savings	233,436
Estate Tax Savings	267,941
Trust Factors	
7520 Rate	6.0%
FMV of Gift	250,000
Value of Retained Interest	143,136
Trust Gift	106,864
Retained Interest Factor	0.572543
Remainder Factor	0.427457

Trusts

**Proposed - Income and Remainder from Assets in CRAT and CRUT**

If you transfer assets to a CRAT/CRUT, you could receive annual payments, beginning with \$12,500 in 2007, and then charity could receive the remaining balance of \$665,926.



Illustrates the annual annuity payments made to grantor and remainder to charity at the termination of the CRAT and the annual unitrust payments made to grantor and remainder to charity at the termination of the CRUT.

**Comment**

Transferring \$250,000 of Rose's IBM Stock to a Charitable Remainder Trust (CRAT) will produce an annual payout to you of \$12,500.

The remaining balance of \$665,926 at Rose's death in 2029 will be distributed to your designated charity.

The income from the trust can be used to purchase a \$1 million life insurance policy in a wealth replacement trust for the benefit of your children.

# Estate Planning

Richard and Rose Seniors

Trusts

## Proposed - Income and Remainder from Assets in CRAT and CRUT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Richard's Age	70	71	72	73	74	75	76	77	78	79
Rose's Age	63	64	65	66	67	68	69	70	71	72
<b>CRAT-CRUT Income &amp;</b>										
Principal	250,000	257,500	265,600	274,348	283,796	294,000	305,019	316,921	329,775	343,657
Annual Growth	12,500	12,875	13,280	13,717	14,190	14,700	15,251	15,846	16,489	17,183
Annual Income	7,500	7,725	7,968	8,230	8,514	8,820	9,151	9,508	9,893	10,310
Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Net Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0
<b>Charitable Remainder</b>										
Principal	250,000	257,500	265,600	274,348	283,796	294,000	305,019	316,921	329,775	343,657
Annual Growth	12,500	12,875	13,280	13,717	14,190	14,700	15,251	15,846	16,489	17,183
Annual Income	7,500	7,725	7,968	8,230	8,514	8,820	9,151	9,508	9,893	10,310
Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Net Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0
<b>Charitable Remainder Uni</b>										
Principal	0	0	0	0	0	0	0	0	0	0
Annual Growth	0	0	0	0	0	0	0	0	0	0
Annual Income	0	0	0	0	0	0	0	0	0	0
Payout to Grantor	0	0	0	0	0	0	0	0	0	0
Net Payout to Grantor	0	0	0	0	0	0	0	0	0	0
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0

# Estate Planning

Richard and Rose Seniors

Trusts

## Proposed - Income and Remainder from Assets in CRAT and CRUT

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Richard's Age	80	81	82	83	84	85	--	--	--	--
Rose's Age	73	74	75	76	77	78	79	80	81	82
<b>CRAT-CRUT Income &amp;</b>										
Principal	358,649	374,841	392,328	411,215	431,612	453,641	477,432	503,127	530,877	560,847
Annual Growth	17,932	18,742	19,616	20,561	21,581	22,682	23,872	25,156	26,544	28,042
Annual Income	10,759	11,245	11,770	12,336	12,948	13,609	14,323	15,094	15,926	16,825
Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Net Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0
<b>Charitable Remainder</b>										
Principal	358,649	374,841	392,328	411,215	431,612	453,641	477,432	503,127	530,877	560,847
Annual Growth	17,932	18,742	19,616	20,561	21,581	22,682	23,872	25,156	26,544	28,042
Annual Income	10,759	11,245	11,770	12,336	12,948	13,609	14,323	15,094	15,926	16,825
Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Net Payout to Grantor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0
<b>Charitable Remainder Uni</b>										
Principal	0	0	0	0	0	0	0	0	0	0
Annual Growth	0	0	0	0	0	0	0	0	0	0
Annual Income	0	0	0	0	0	0	0	0	0	0
Payout to Grantor	0	0	0	0	0	0	0	0	0	0
Net Payout to Grantor	0	0	0	0	0	0	0	0	0	0
WRT Premium	0	0	0	0	0	0	0	0	0	0
Remainder to Charity	0	0	0	0	0	0	0	0	0	0

# Estate Planning

Richard and Rose Seniors

Trusts

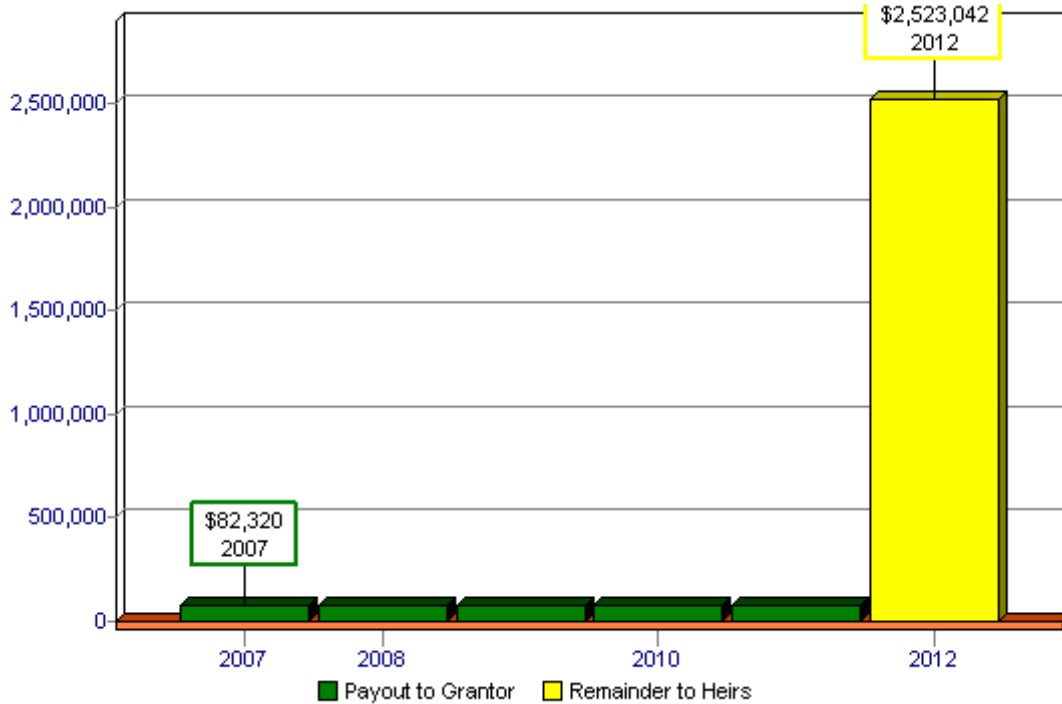
## Proposed - Income and Remainder from Assets in CRAT and CRUT

	2027	2028	2029
Richard's Age	--	--	--
Rose's Age	83	84	85
<b>CRAT-CRUT Income &amp;</b>			
Principal	593,215	628,172	0
Annual Growth	29,661	31,409	0
Annual Income	17,796	18,845	0
Payout to Grantor	12,500	12,500	0
Net Payout to Grantor	12,500	12,500	0
WRT Premium	0	0	0
Remainder to Charity	0	0	665,926
<b>Charitable Remainder</b>			
Principal	593,215	628,172	0
Annual Growth	29,661	31,409	0
Annual Income	17,796	18,845	0
Payout to Grantor	12,500	12,500	0
Net Payout to Grantor	12,500	12,500	0
WRT Premium	0	0	0
Remainder to Charity	0	0	665,926
<b>Charitable Remainder Uni</b>			
Principal	0	0	0
Annual Growth	0	0	0
Annual Income	0	0	0
Payout to Grantor	0	0	0
Net Payout to Grantor	0	0	0
WRT Premium	0	0	0
Remainder to Charity	0	0	0

Trusts

**Proposed - Income and Remainder from Assets in GRAT and GRUT**

If you transfer assets to a GRAT/GRUT, you could receive annual payments, beginning with \$82,320 in 2007, and then your heirs could receive the remaining balance of \$2,523,042.



Illustrates the annual annuity payouts made to grantor and remainder to heirs at the termination of the GRAT and the annual unitrust payouts made to grantor and remainder to heirs at the termination of the GRUT.

**Comment**

By transferring your LP units of the Seniors FLP to a Grantor Retained Annuity Trust, you will receive annual payout equal to 6% of the account value for 5 years.

In the first year, you will receive \$82,320.

At the end of the trust term, in 2012, the remaining balance of \$2,523,042 will pass to your heirs.

# Estate Planning

Richard and Rose Seniors

Trusts

## Proposed - Income and Remainder from Assets in GRAT and GRUT

	2007	2008	2009	2010	2011	2012
Richard's Age	70	71	72	73	74	75
Rose's Age	63	64	65	66	67	68
<b>GRAT-GRUT Income &amp;</b>						
Principal	1,960,000	2,054,080	2,156,627	2,268,404	2,390,240	0
Less Entity Discount	588,000	616,224	646,988	680,521	717,072	0
Discounted Principal	1,372,000	1,437,856	1,509,639	1,587,883	1,673,168	0
Annual Growth	137,200	143,786	150,964	158,788	167,317	0
Annual Income	39,200	41,082	43,133	45,368	47,805	0
Payout to Grantor	82,320	82,320	82,320	82,320	82,320	0
Net Payout to Grantor	82,320	82,320	82,320	82,320	82,320	0
Insure Risk Premium	0	0	0	0	0	0
Remainder to Heirs	0	0	0	0	0	2,523,042
GR Total Gift Heirs JCum	0	0	0	0	0	2,523,042
<b>Grantor Retained Annuity</b>						
Principal	1,960,000	2,054,080	2,156,627	2,268,404	2,390,240	0
Less Entity Discount	588,000	616,224	646,988	680,521	717,072	0
Discounted Principal	1,372,000	1,437,856	1,509,639	1,587,883	1,673,168	0
Annual Growth	137,200	143,786	150,964	158,788	167,317	0
Annual Income	39,200	41,082	43,133	45,368	47,805	0
Payout to Grantor	82,320	82,320	82,320	82,320	82,320	0
Net Payout to Grantor	82,320	82,320	82,320	82,320	82,320	0
Insure Risk Premium	0	0	0	0	0	0
Remainder to Heirs	0	0	0	0	0	2,523,042
<b>Grantor Retained Uni-Trust</b>						
Principal	0	0	0	0	0	0
Less Entity Discount	0	0	0	0	0	0
Discounted Principal	0	0	0	0	0	0
Annual Growth	0	0	0	0	0	0
Annual Income	0	0	0	0	0	0
Payout to Grantor	0	0	0	0	0	0
Net Payout to Grantor	0	0	0	0	0	0
Insure Risk Premium	0	0	0	0	0	0
Remainder to Heirs	0	0	0	0	0	0

## Graph Glossary

### Estate Plan Upon First Death

- **FMV Gross Estate** - Value of estate before reduction for liabilities and final expenses, taxes and distributions.
- **Value from ILIT** - Liquid assets transferred from an Irrevocable Life Insurance Trust to the estate to be used for estate costs and taxes.
- **Estate Costs and Taxes Unpaid** - Final expenses, liabilities and taxes due but not paid due to insufficient income, assets and/or life insurance.
- **Credit Shelter Transfer** - Value of assets transferred estate tax-free from probate estate to heirs through use of the applicable credit.
- **Bequest to Rose** - Value of assets transferred to the survivor.
- **Qualified Assets to Heirs** - Value of qualified assets earmarked for heirs before distribution in year of death.
- **Charitable Bequest** - Value of assets transferred from probate estate to charity.
- **Bequest to Heirs** - Value of assets transferred to heirs from probate estate in excess of credit shelter transfer.
- **Excess ILIT Assets** - Portion of Irrevocable Life Insurance Trust proceeds not used for estate costs and taxes and passed to the Heirs.
- **Estate Taxes** - Federal Estate Tax plus State Death Taxes due.
- **Debts and Final Expenses** - Amount paid for liabilities and other final expenses.

### Estate Plan Upon Last Death

- **FMV Gross Estate** - Value of estate before reduction for liabilities and final expenses, taxes and distributions.
- **Value from ILIT** - Liquid assets transferred from an Irrevocable Life Insurance Trust to the estate to be used for estate costs and taxes.
- **Estate Costs and Taxes Unpaid** - Final expenses, liabilities and taxes due but not paid due to insufficient income, assets and/or life insurance.
- **Qualified Assets to Heirs** - Value of qualified assets earmarked for heirs before distribution in year of death.
- **Charitable Bequest** - Value of assets transferred from probate estate to charity.
- **Bequest to Heirs** - Value of assets transferred to heirs from probate estate in excess of credit shelter transfer.
- **Excess ILIT Assets** - Portion of Irrevocable Life Insurance Trust proceeds not used for estate costs and taxes and passed to the Heirs.
- **Estate Taxes** - Federal Estate Tax plus State Death Taxes due.
- **Debts and Final Expenses** - Amount paid for liabilities and other final expenses.

### Shrinkage from Taxes and Settlement Costs

- **Net to Heirs after Shrinkage** - Amounts received by heirs from gross estate after shrinkage from liabilities, probate costs, final expenses and estate tax.
- **Shrinkage from Settlement Costs** - Reduction in gross estate from liabilities and other final expenses (combined for estates of first and last deaths).
- **Shrinkage from Estate Taxes** - Reduction in gross estate from federal and state estate tax (combined for estates of first and last deaths).

### Estate Tax Comparison - First Death

- **Net Estate** - Net estate after adjustments for final expenses, liabilities to be paid and estate taxes due.
- **Federal Estate Tax** - Federal estate tax payable on the estate.
- **State Death Taxes** - Death taxes payable to state of residency.
- **Debts and Final Expenses** - Amount paid for liabilities and other final expenses.

### Estate Tax Comparison - Last Death

- **Net Estate** - Net estate after adjustments for final expenses, liabilities to be paid and estate taxes due.
- **Federal Estate Tax** - Federal estate tax payable on the estate.
- **State Death Taxes** - Death taxes payable to state of residency.
- **Debts and Final Expenses** - Amount paid for liabilities and other final expenses.

### Amount to Heirs from All Sources

- **Gifts from Assets and in Trusts** - Value and after-tax growth received by heirs from prior taxable gifts, annual gifts and one time gifts from assets and gifts held in trust.

- **Credit Shelter** - Value of assets transferred estate tax-free from probate estate to heirs through use of the applicable credit.
- **Life Insurance** - Value and after-tax growth of death benefits received by heirs.
- **Bequest to Heirs** - Value of assets transferred to heirs from probate estate in excess of credit shelter transfer.
- **Qualified Assets to Heirs** - Value of qualified assets earmarked for heirs.
- **Net to Heirs** - Amount to heirs from all sources less the amount attributable to unpaid estate costs and taxes.

## Lifetime Non-Charitable Gifts

- **Richard's Gifts** - Annual gifts made by the client, not including gifts used for Insurance Premiums.
- **Rose's Gifts** - Annual gifts made by the co-client, not including gifts used for Insurance Premiums.
- **Additional Funds Required** - Additional amount needed to fund the client and co-client's annual gifts and gift taxes.
- **Total Gift Tax Paid** - Total outlay for federal and state gift taxes.
- **Gift Desired / Gift Tax Due** - Total amount needed for the client and co-client's annual gifts, and any gift taxes created by those gifts.

## Tax Savings / Benefits of Transferring Asset to GRAT

- **Net to Heirs w/o Trust** - The FMV of Net to Heirs at the last death, if the Asset is not in a Trust.
- **Estate Tax w/o Trust** - Estate tax on Net to Heirs at the last death, if the Asset is not in a Trust.
- **Net to Heirs w/ Trust** - The FMV of Net to Heirs if the Asset is in a Trust.
- **Future Value of Grantor Annuity** - The future value of the annuity payments to the Grantor.
- **Future Value of Gift Tax** - The future value of the Gift Tax paid at the date of transfer, adjusted to the date of the last death.
- **Estate Tax Savings** - The Estate Tax without Trust minus the Future Value of Gift Tax [with Trust].

## Tax Savings / Benefits of Transferring Asset to CRAT

- **Net to Heirs w/o Trust** - The FMV of Net to Heirs at the last death, if the Asset is not in a Trust.
- **Estate Tax w/o Trust** - Estate tax on Net to Heirs at the last death, if the Asset is not in a Trust.
- **Net to Heirs from Wealth Replacement Trust** - Death benefit of an insurance policy intended to replace for the heirs the asset given to charity.
- **Future Value of Grantor Annuity** - The future value of the annuity payments to the Grantor.

## Income and Remainder from Assets in CRAT and CRUT

- **Net Payout to Grantor** - Payout to Grantor minus the Wealth Replacement Trust Premium.
- **Wealth Replacement Trust Premium** - The sum of all annual premiums for life insurance policies owned by Wealth Replacement Trust(s), insuring the life of the Grantor. The death benefit is paid to heirs and is meant to replace assets taken from the grantor's estate and given to charity.
- **Remainder to Charity** - The amount remaining in the Trust(s) at the year of termination.

## Income and Remainder from Assets in GRAT and GRUT

- **Payout to Grantor** - Payout to Grantor minus the Insure Risk Premium.
- **Remainder to Heirs** - The amount remaining in the Trust(s) at the year of termination.

# Summary of Recommendations / Action Plan

*Richard and Rose Seniors*

The following Conclusions are based on the Personal and Financial information in this report:

## • **Distribution Planning for Richard**

Richard, you have stated that you wanted to determine if you could afford to take only the Minimum Required Distribution (MRD) from your qualified plans starting at age 70½ and evaluate whom you should name as the beneficiaries, Rose, children Joel and Hope and/or your grandchildren. By naming your children or grandchildren as beneficiaries you can provide annual distributions to them even after your death.

Based on assets and income sources available, all of your expenses and needs will be fully funded throughout your lifetime. This enables you to defer taking any distributions and take only the MRD from your IRAs and qualified plans starting at age 70½.

The current analysis illustrates your existing plan to name Rose as the sole beneficiary of your IRA and qualified accounts.

The recommendation, as illustrated in the Proposal, is for Rose to create 2 separate IRAs from the rollover IRA, naming Joel and Hope as individual beneficiaries of the IRAs.

By splitting the IRA into separate accounts, after your death each individual beneficiary will be able to use his/her own life expectancy to determine the MRD enabling them to "stretch out" distributions over their lifetimes while taking advantage of tax deferred growth for a longer period of time.

This approach could increase the total potential payout of your IRA from about \$9 million to over \$24 million.

This proposed analysis assumes an 9% annual growth on all IRA assets. If you and your beneficiaries averaged 9% annual growth, the total distributions would be over \$24 million.

In the event that Rose pre-deceases Richard, Richard can change the beneficiary designation and name Joel and Hope as the beneficiaries. They will still be able to stretch the distributions over their lifetimes.

While no income taxes are due on the growth in the IRAs, income taxes will be due on all distributions from the IRAs. By enabling the heirs to stretch distributions over their respective lifetimes, they will also be stretching out the income tax liability over this same time period, possibly reducing the overall effect of taxation. While income taxes will be deferred until the actual distribution of the IRAs, there will be estate taxes attributable to the IRAs due upon your death. This analysis assumes that all estate taxes are paid from sources other than the IRAs.

It is always a good idea to discuss these issues and possibilities with your estate and tax advisors.

## • **Estate Planning**

Your objectives include evaluating ways to minimize the effect of estate taxes on your estate, to increase

## Summary of Recommendations / Action Plan

*Richard and Rose Seniors*

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the amount of wealth transferred to heirs, and expand your plan for charitable giving. The Proposal Plan that follows in this analysis illustrates your plan assuming the recommendations are implemented.

Please note that these recommendations help meet your estate-planning objective and are attainable within your retirement and cash flow objectives.

We are recommending the following actions to help meet your goals.

- Review your wills and consider adding provisions to utilize the available applicable credit at your respective deaths. The applicable credit allows each individual to transfer assets (\$2,000,000 in 2007) to heirs without federal estate taxes. This transfer and all subsequent growth will also be removed from the survivor's estate.
- Consider changing the ownership of some of your jointly held property to ensure there are sufficient assets in each person's name to fully utilize the applicable credit upon death.
- Start to gift \$12,000 per year to your children Joel and Hope. This is the maximum allowable tax-free gift amount in 2007. Gifting will reduce the size of your estate, including all future growth of the gifted assets, and will help your children today.
- Gift your IBM Stock to a Charitable Remainder Annuity Trust (CRAT). You will be entitled to an income tax deduction in the year of the gift, receive an annual income of approximately \$12,500, and leave the charity of your choice the potentially remaining value of over \$650,000 at your death.
- Gift your limited partnership shares of the Seniors FLP to a Grantor Retained Annuity Trust (GRAT).
- Purchase a 2nd-to-Die life insurance policy in the amount of \$6 million. This benefit will be payable at the last death and will provide liquidity to help pay estate taxes, resulting in a larger portion of your accumulated wealth passing to your children and grandchildren.