

Estate Analysis Worksheet

Prepared by Your Name Here

Step 1 - Have the following information available before starting the program.

Family's last name: _____ Joint life: Y N
Gross Estate: \$ _____ Split dollar: Y N
Majority stockholder: Y N
1st Death Expenses: \$ _____
Exclusion Amount: \$ _____
2nd Death Expenses: \$ _____
Exclusion Amount: \$ _____
Charity: \$ _____
Nondeductible expenses: \$ _____
Existing life insurance: \$ _____
Annual premium: \$ _____
Years premium paid: _____
Income tax bracket: % _____ Projected estate growth rate: % _____
Investment ROR (gross): % _____ Number of years sinking fund paid: _____
Loan interest (gross): % _____ Loan term (years): _____
Based on rates effective: _____

Step 2 - Start the program and run "Profile." Write the settlement costs amount below.

Settlement costs: \$ _____

Step 3 - Run a ledger with the death benefit equal to the settlement costs.

Annual premium: \$ _____
Years premium paid: _____ Life expectancy (years remaining): _____

Step 4 - Restart the program. Run the proposals in their numerical sequence as several proposals use numbers that are calculated on preceding screens.

Estate Planning Concepts
for the
Smith Family

Prepared by
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Introduction

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In the settlement of your estate, your money can go to one or a combination of three places: family, non-family, or charity. To eliminate estate taxes completely, you would have to give to charity your entire estate minus any currently available exclusions.

If you decide not to give your estate to charity, then a method must be found to pay estate taxes. Estate taxes cannot be "planned away." How these taxes are funded is up to you. By having a strategy in place prior to the transfer of your estate you can:

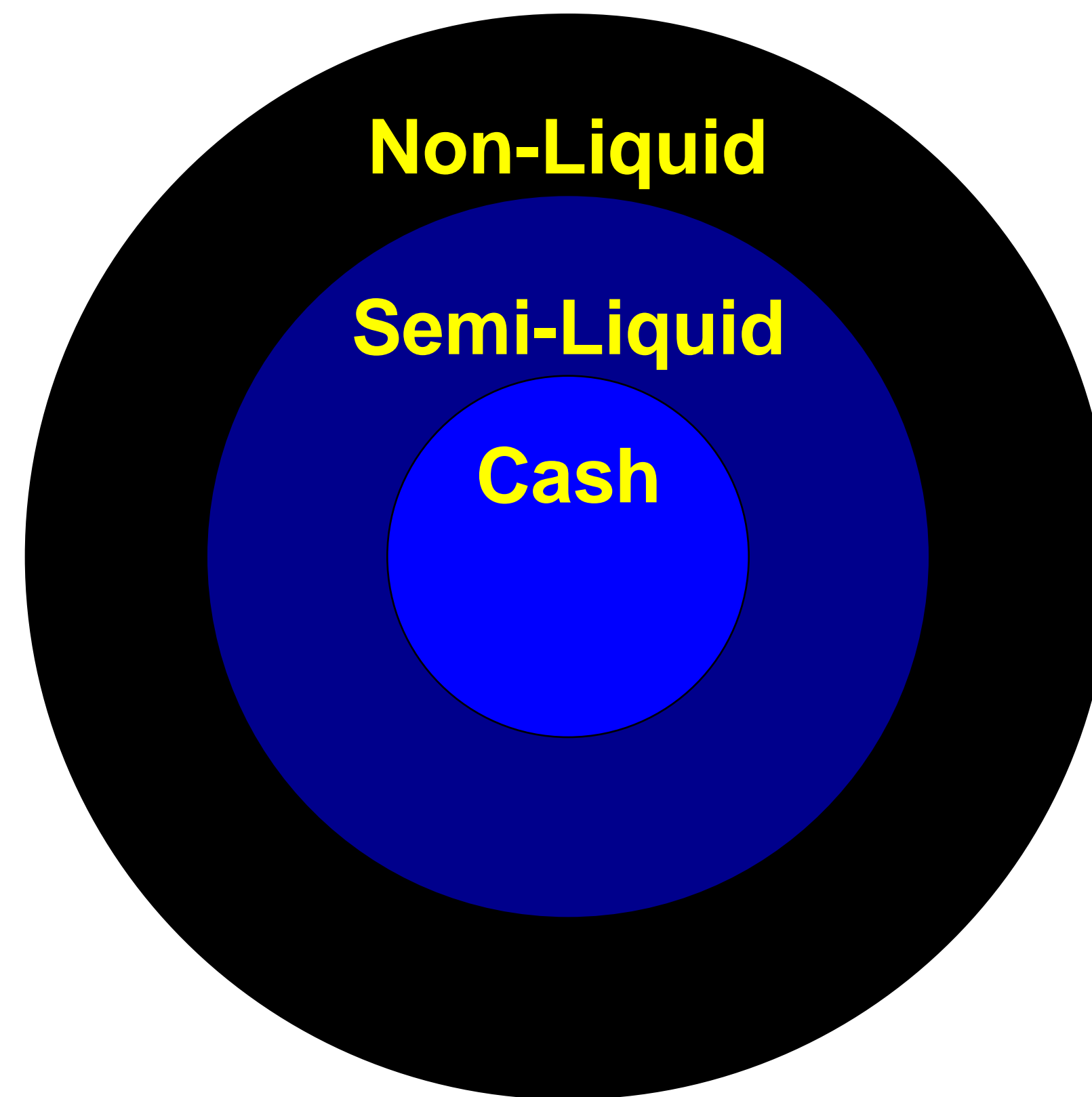
1. Avoid the delegation of liquidating your estate to an executor.
2. Minimize estate settlement costs.
3. Allow an orderly transfer of your assets based on your input and desires.

The purpose of this proposal is to make you aware of some of the options available to you and your family.

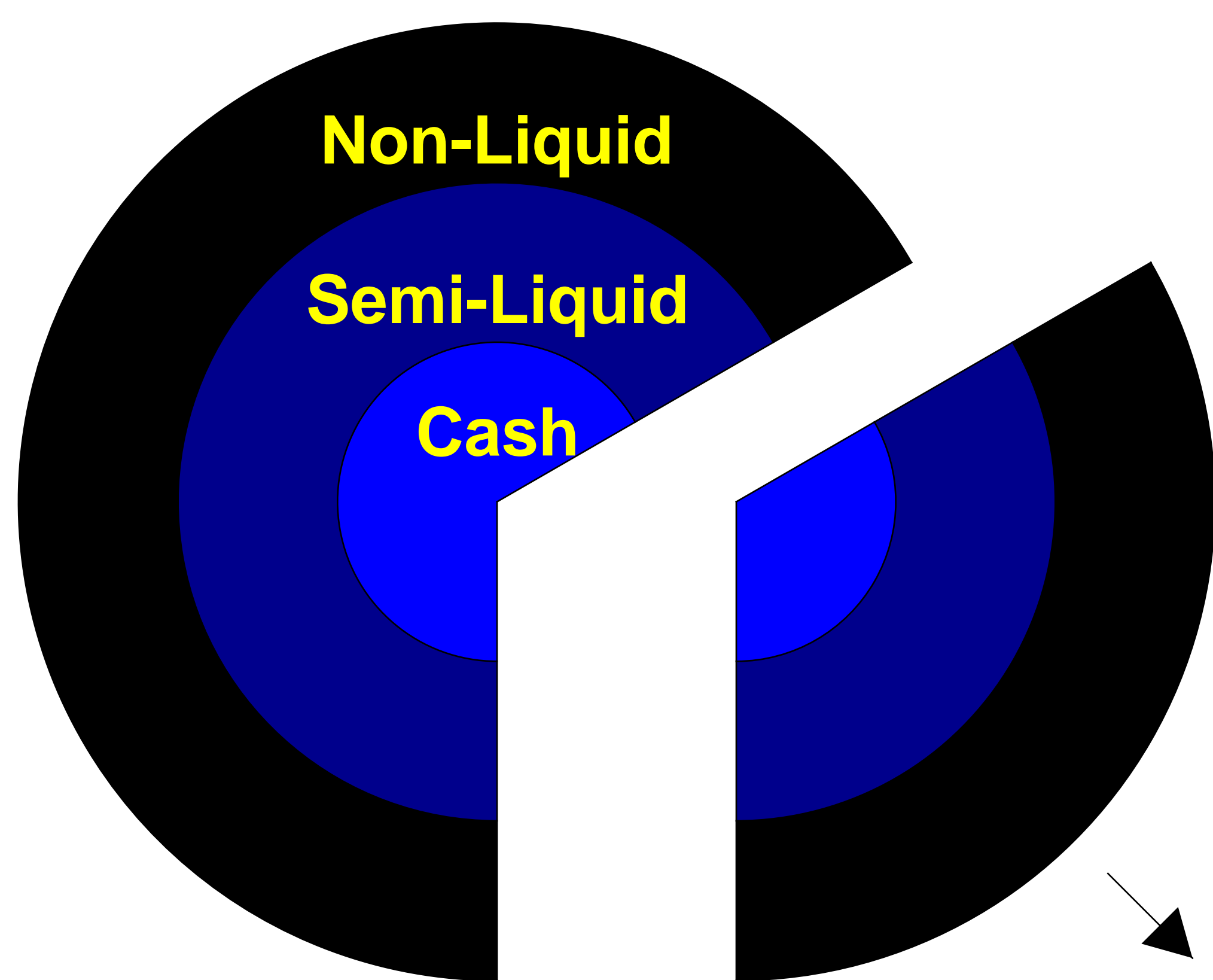
Please consult with your legal or tax advisor for specific advice.

The Impact of Estate Taxes

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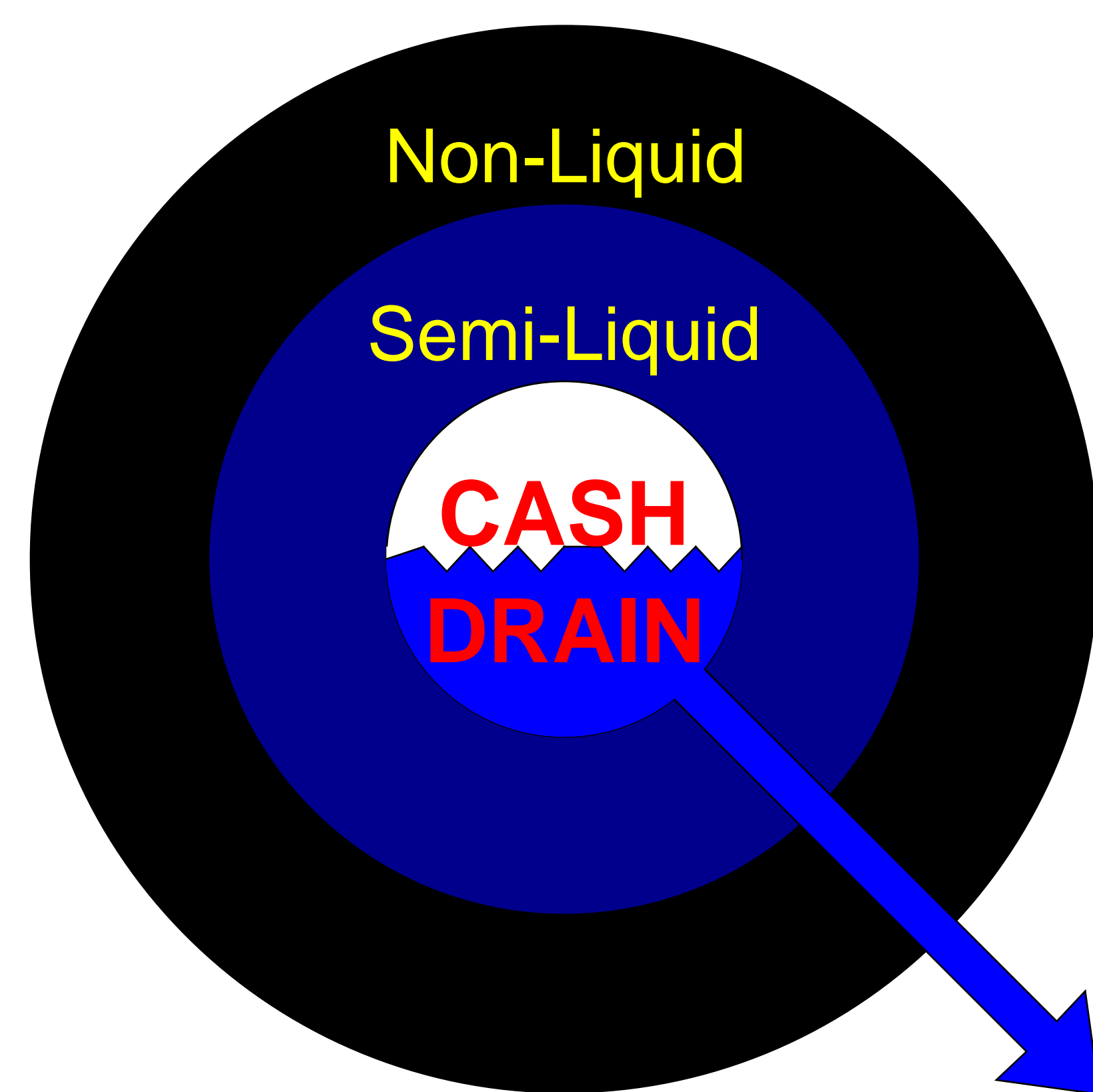


While Alive



Upon Death:
The Myth

**To
I.R.S.**



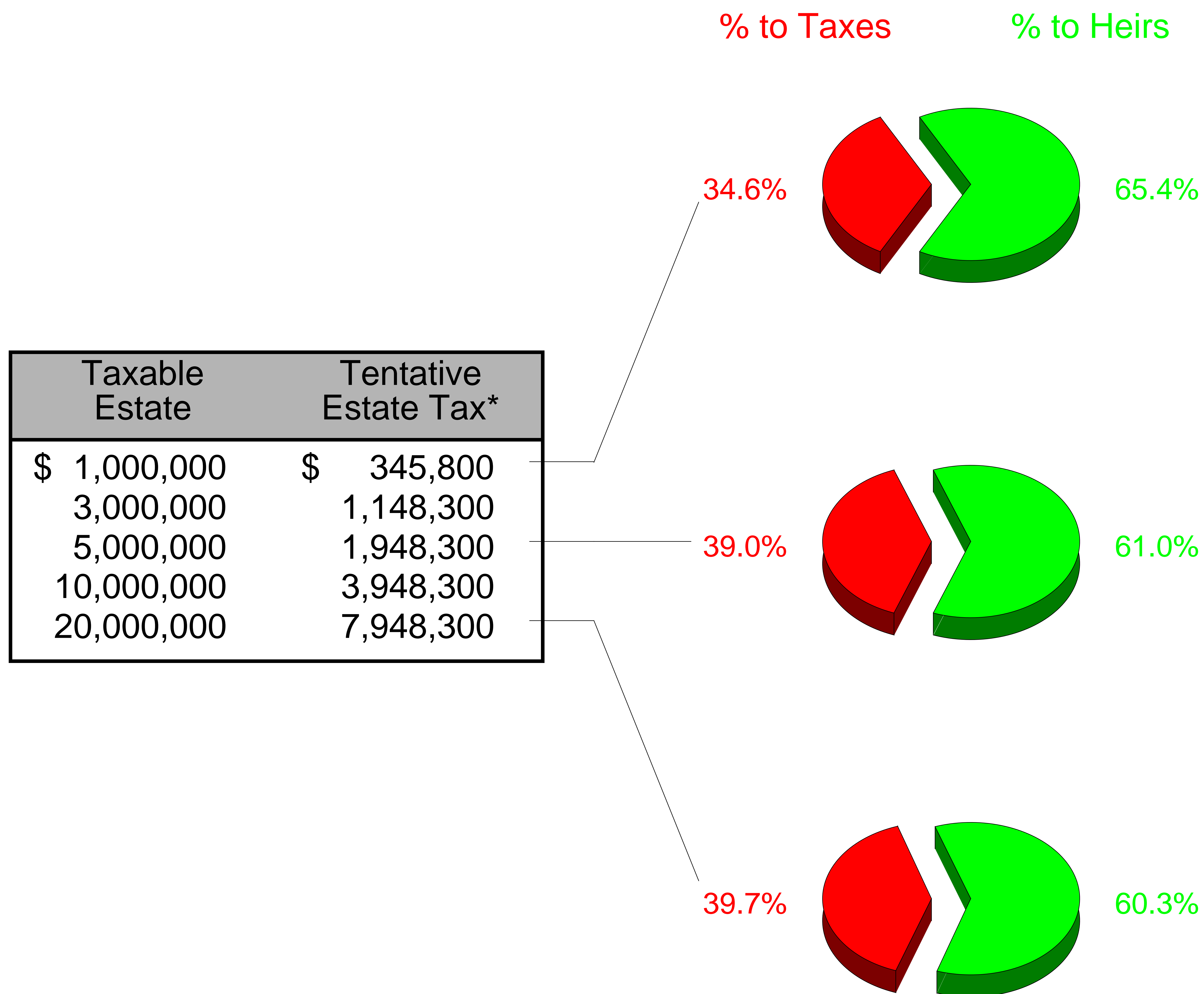
Upon Death:
The Reality

**To
I.R.S.**

Estate taxes are normally due within nine months from the date of death and are payable only in cash!

Estate Tax Chart: 2020 and Beyond

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** Based on rates effective 1/1/2020. If available, an Applicable Credit Amount may be applied towards Estate Taxes.*

10 Famous Americans

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	<u>Gross Estate</u>	<u>Settlement Costs*</u>	<u>Net Estate</u>	<u>Percent Shrinkage</u>
Gary Cooper	\$4,984,985	\$1,530,454	\$3,454,531	30.7%
Walt Disney	23,004,851	6,811,943	16,192,908	29.61%
Alwin Ernst, CPA	12,642,431	7,124,112	5,518,319	56.35%
Rock Hudson	8,600,000	4,673,712	3,926,288	54.35%
Robert F. Kennedy	1,606,438	1,010,609	595,829	62.91%
Rick Nelson	744,357	237,721	506,636	31.94%
Elvis Presley	10,165,434	7,374,635	2,790,799	72.55%
Nelson Rockefeller	79,249,475	22,521,847	56,727,628	28.42%
Jessica Savitch	2,175,463	1,117,132	1,058,331	51.35%
Dean Witter	7,451,055	1,830,717	5,620,338	24.57%
Mr. & Mrs. Smith	?	?	?	?

** Information on each estate is available from public records in the court where the estate was administered.*

Profile - Smith Family

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Taking into account the figures provided and the present configuration of your estate, the following numbers are an approximation of your estate's settlement costs as they stand today.

1st Death	Gross Estate:	\$20,000,000
	Expenses:	- 55,000
	<u>Applicable Exclusion Amount*:</u>	<u>- 5,250,000</u>
	Adjusted Gross Estate:	14,695,000
<u>2nd Death</u>	<u>Expenses:</u>	<u>- 55,000</u>
	Taxable Estate:	14,640,000
	Tentative Estate Tax**:	5,804,300
	<u>Applicable Credit Amount:</u>	<u>- 2,048,300</u>
	Estate Tax:	3,756,000
	<u>Deductible Expenses:</u>	<u>+ 110,000</u>
	Settlement Costs:	3,866,000

* Assumes Applicable Exclusion Amount is gifted to a third party.

** Based on rates effective 1/1/2020.

Funding Options

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Based on your current estate, settlement costs would amount to \$3,866,000. There are only four methods available to raise the cash necessary to pay settlement costs. They are:

- | | |
|----------------|---|
| Liquidation | The conversion of estate assets into cash. This method can be very expensive if assets are not easily convertible. |
| Borrowing | If loans are available under favorable terms, this option will eventually cost your estate the amount of principal plus interest. |
| Sinking Fund | Requires a consistent, well managed stream of capital along with sufficient time to mature. |
| Life Insurance | Assuming favorable underwriting and proper ownership, this method usually requires the least amount of capital outlay and does not need time to mature. |

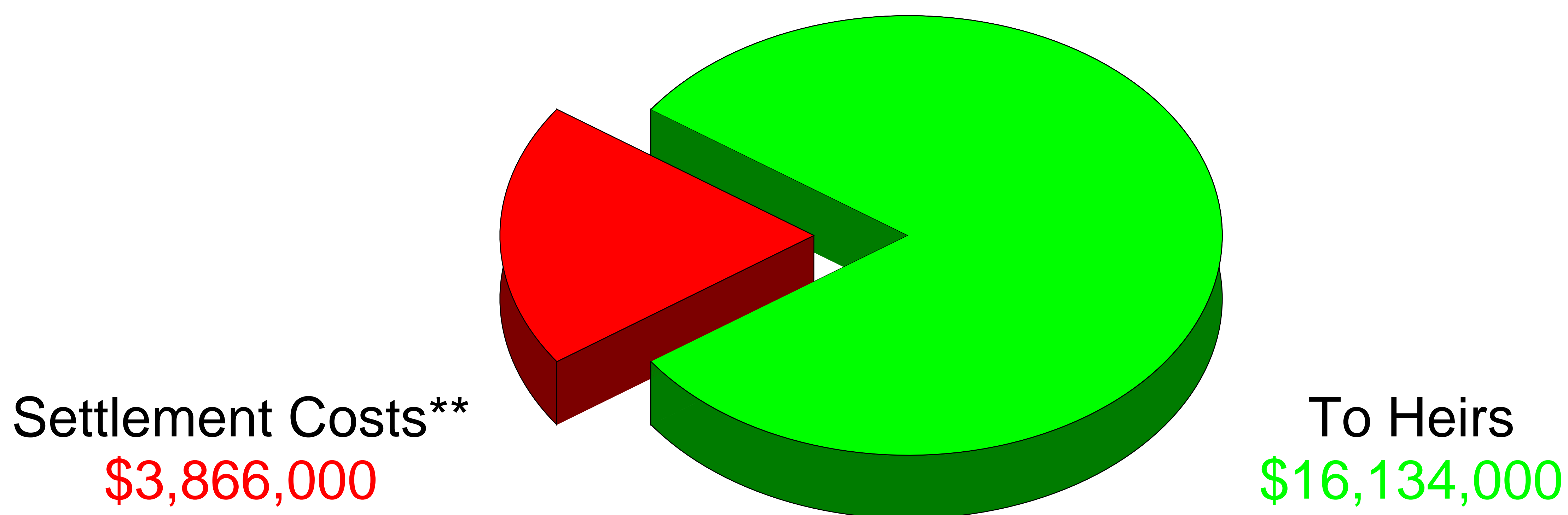
The following pages will analyze each option in detail.

Liquidation vs. Life Insurance

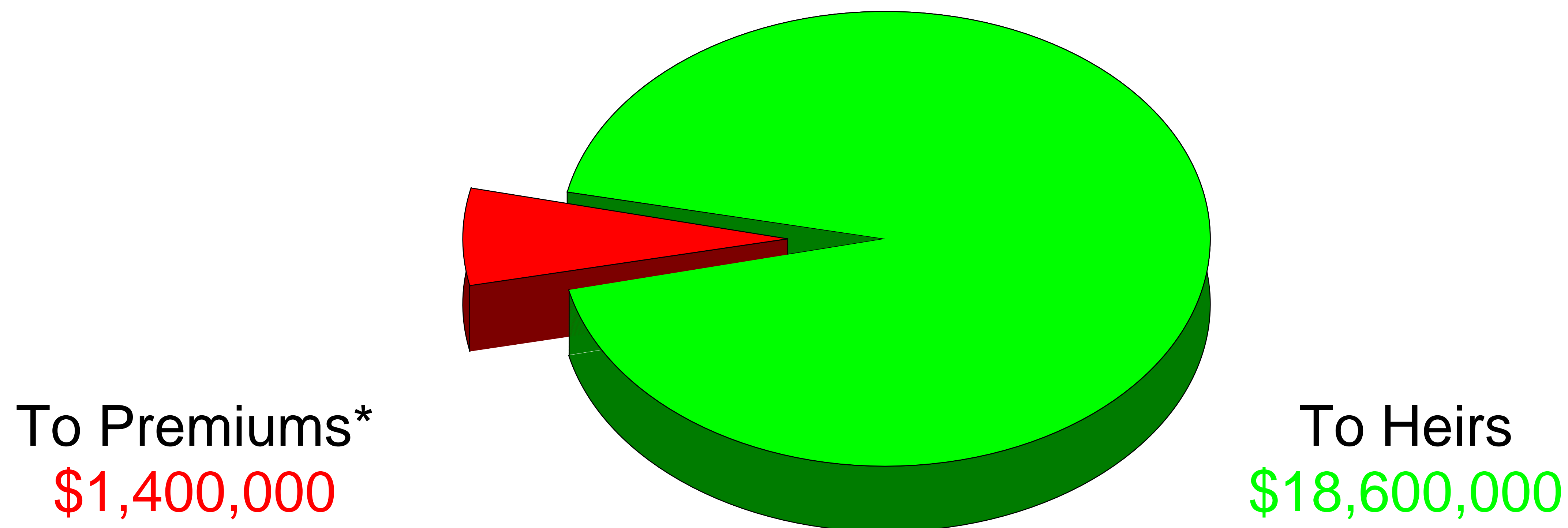
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Your estate will need approximately \$3,866,000 for settlement costs. Liquidation uses assets of the estate for raising cash. Life insurance, when properly owned, uses the death benefit for raising cash.

Liquidation Method



Life Insurance Method



* Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details. This illustration does not take into account the time value of money. Includes 28 annual premiums of \$50,000 for proposed life insurance.

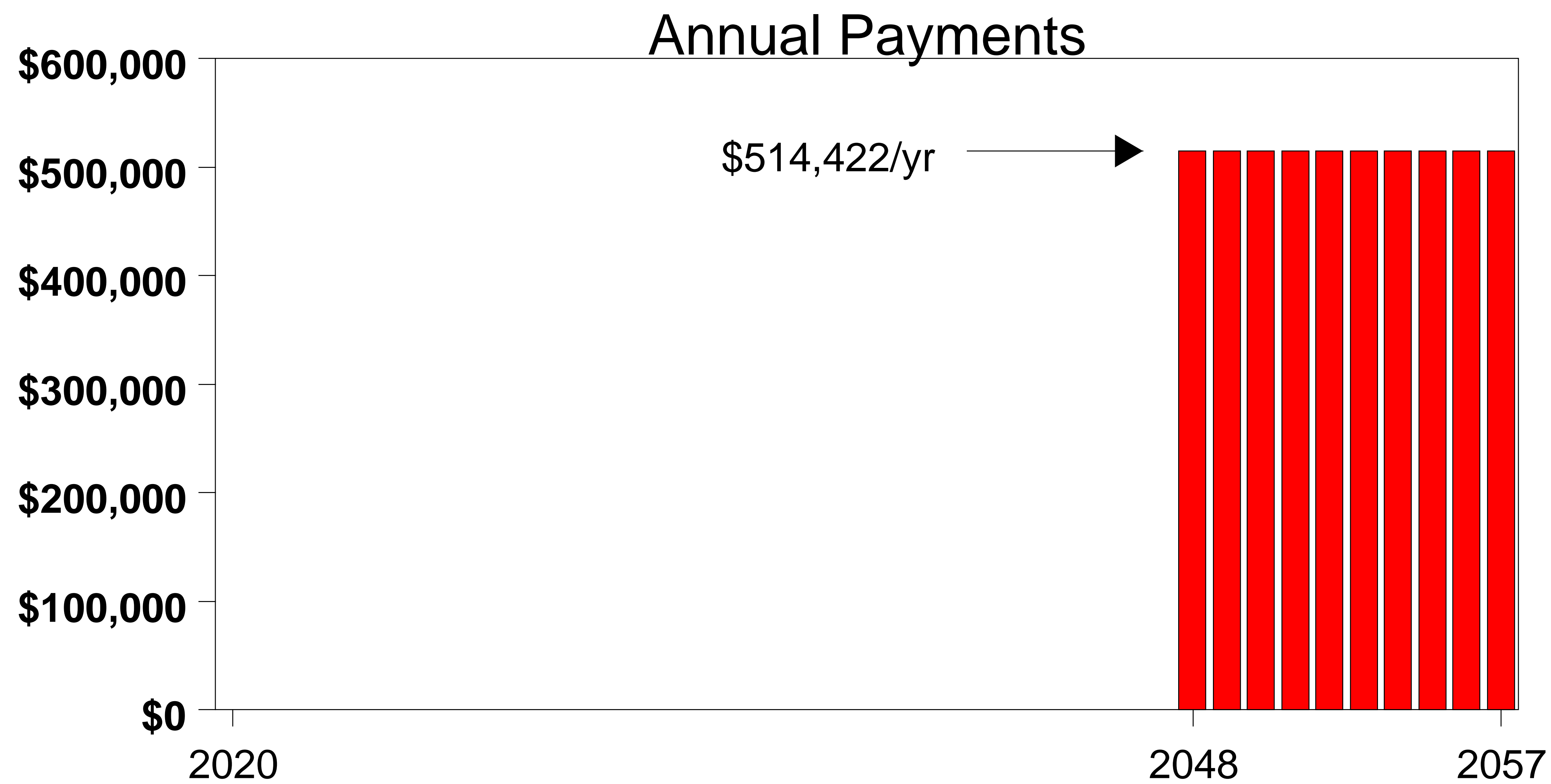
** Settlement Costs consist of estate taxes and expenses.

This information may not be used with Variable products.

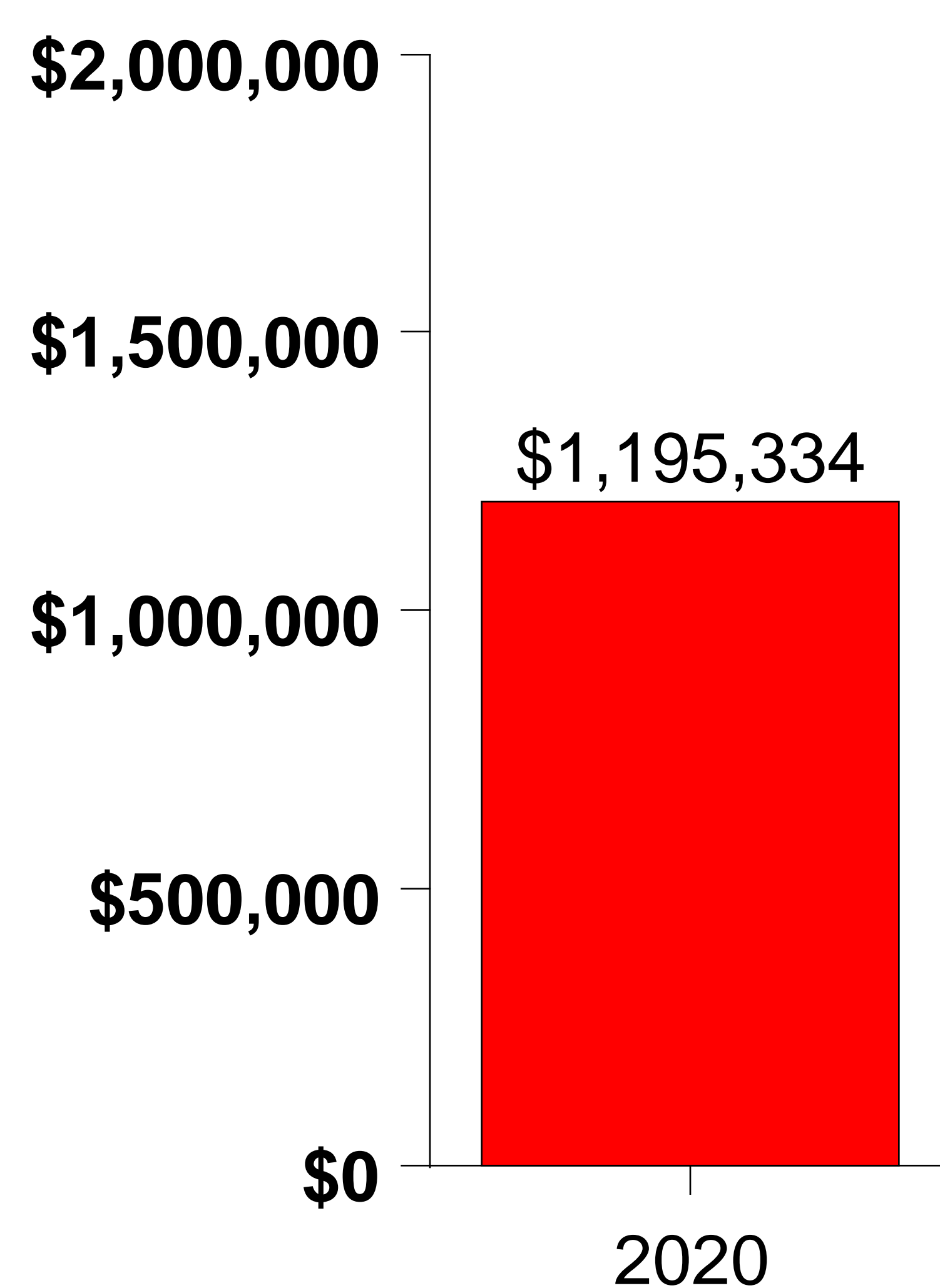
Cash Flow: Borrowing

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Shown below is a \$3,866,000 loan made at 7.0% payable over 10 years. We have assumed a life expectancy of 28 years. Total cost: \$5,144,219.



Now the present value** of the loan. What amount of money would we need in the bank today at 4.62% net to pay the cost of the loan ?

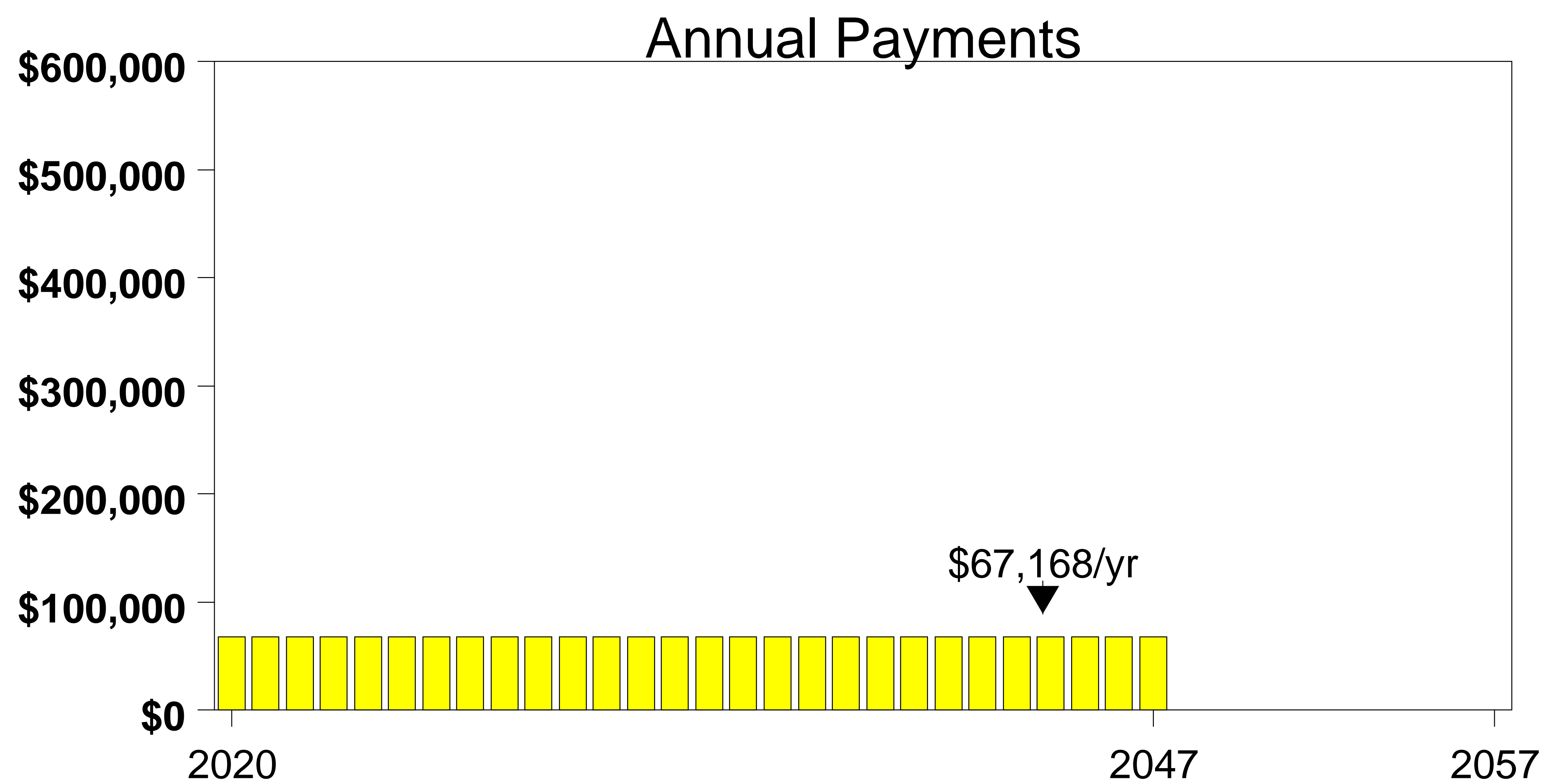


** Assumes a 7.0% ROR and a 34.0% tax bracket.

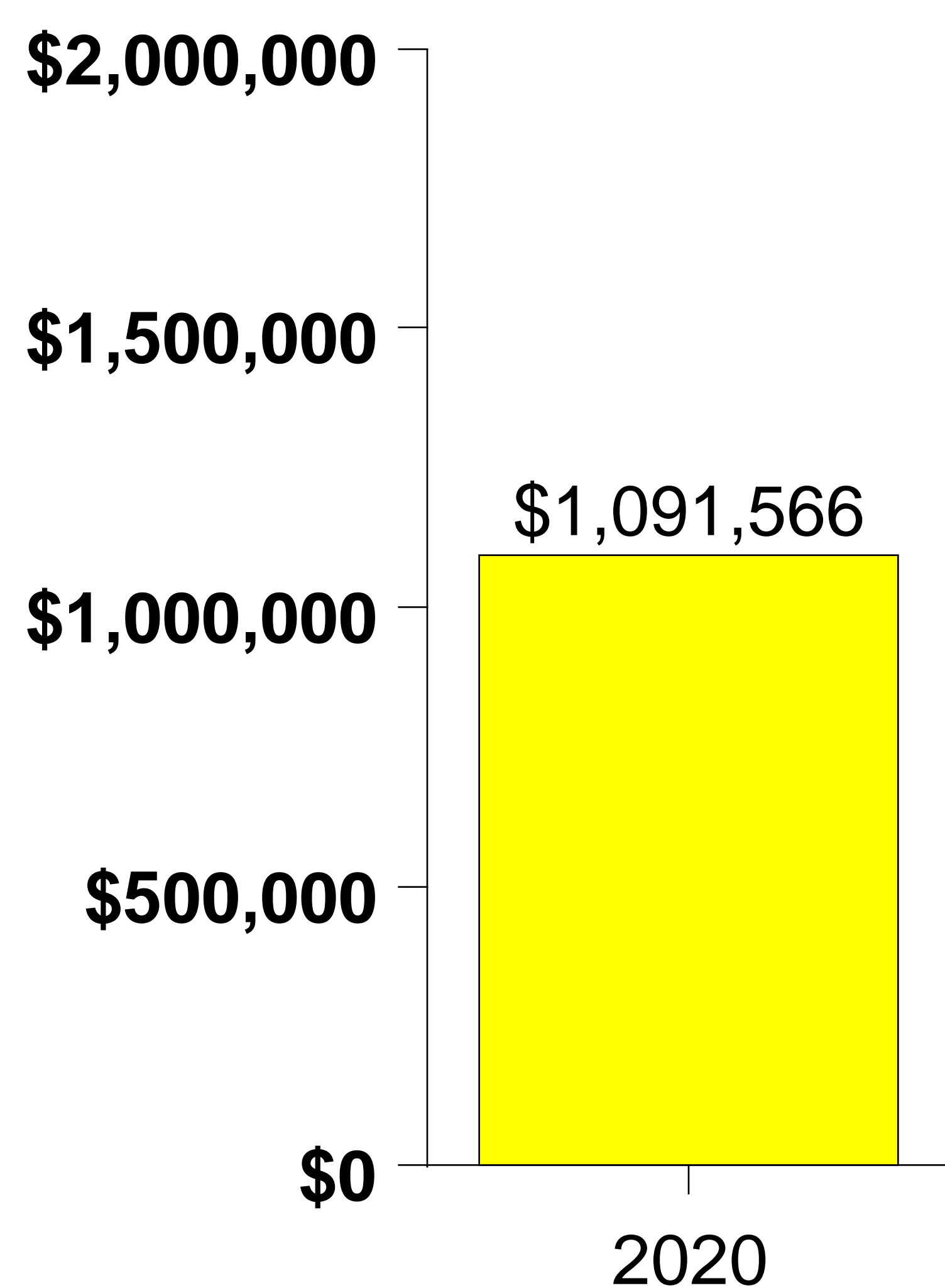
Cash Flow: Sinking Fund

Prepared by Your Name Here

Shown below are the payments on a sinking fund earning 4.62% net for 28 years needed to accumulate \$3,866,000. Total cost: \$1,880,713.



Now the present value** of the sinking fund payments. What amount of money would we need in the bank today earning 4.62% net in order to pay your settlement costs ?

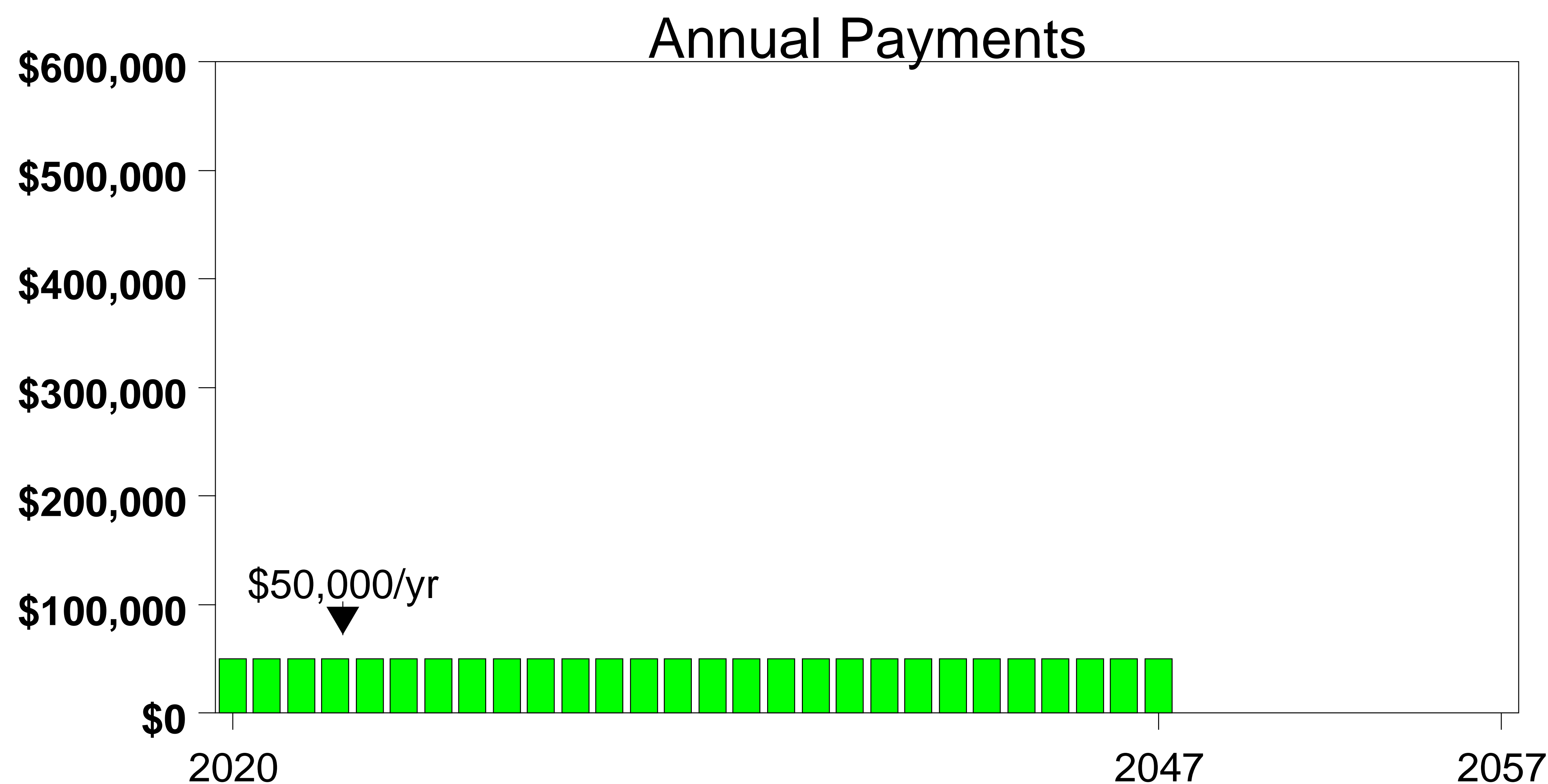


** Assumes a 7.0% ROR and a 34.0% tax bracket.

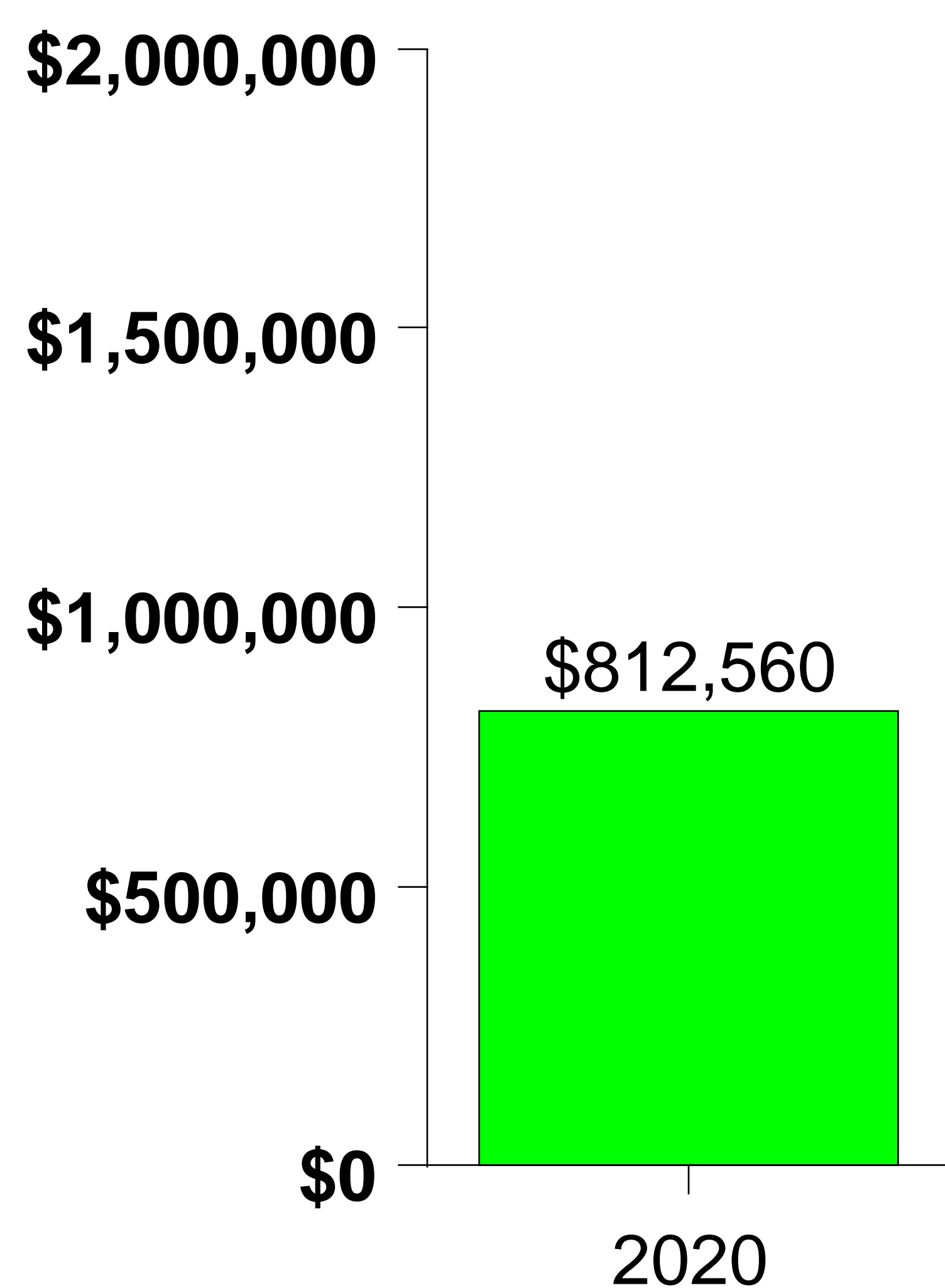
Cash Flow: Insurance*

Prepared by Your Name Here

Shown below are the premiums on a \$3,866,000 policy paid for 28 years. We have assumed a life expectancy of 28 years. Total cost: \$1,400,000.



Now the present value** of the insurance premiums. What amount of money would we need in the bank today earning 4.62% net in order to pay the premiums for 28 years ?



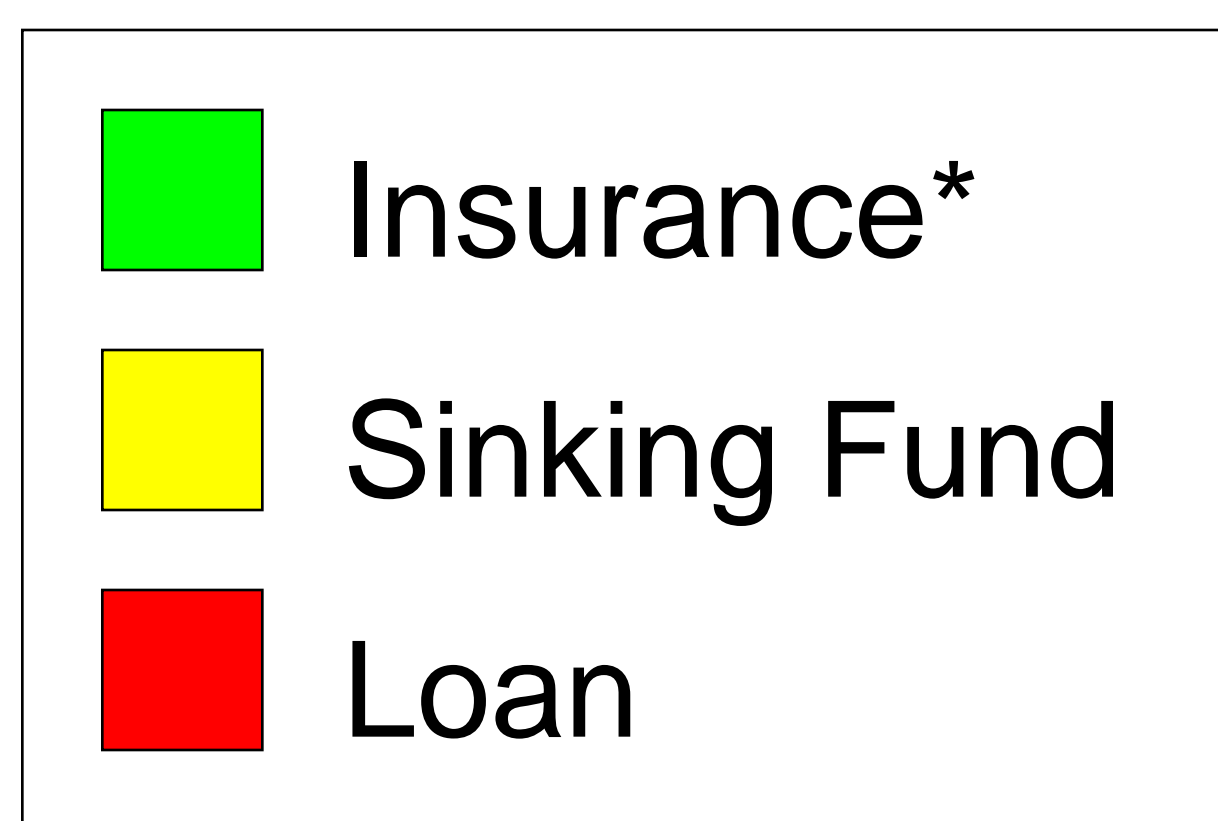
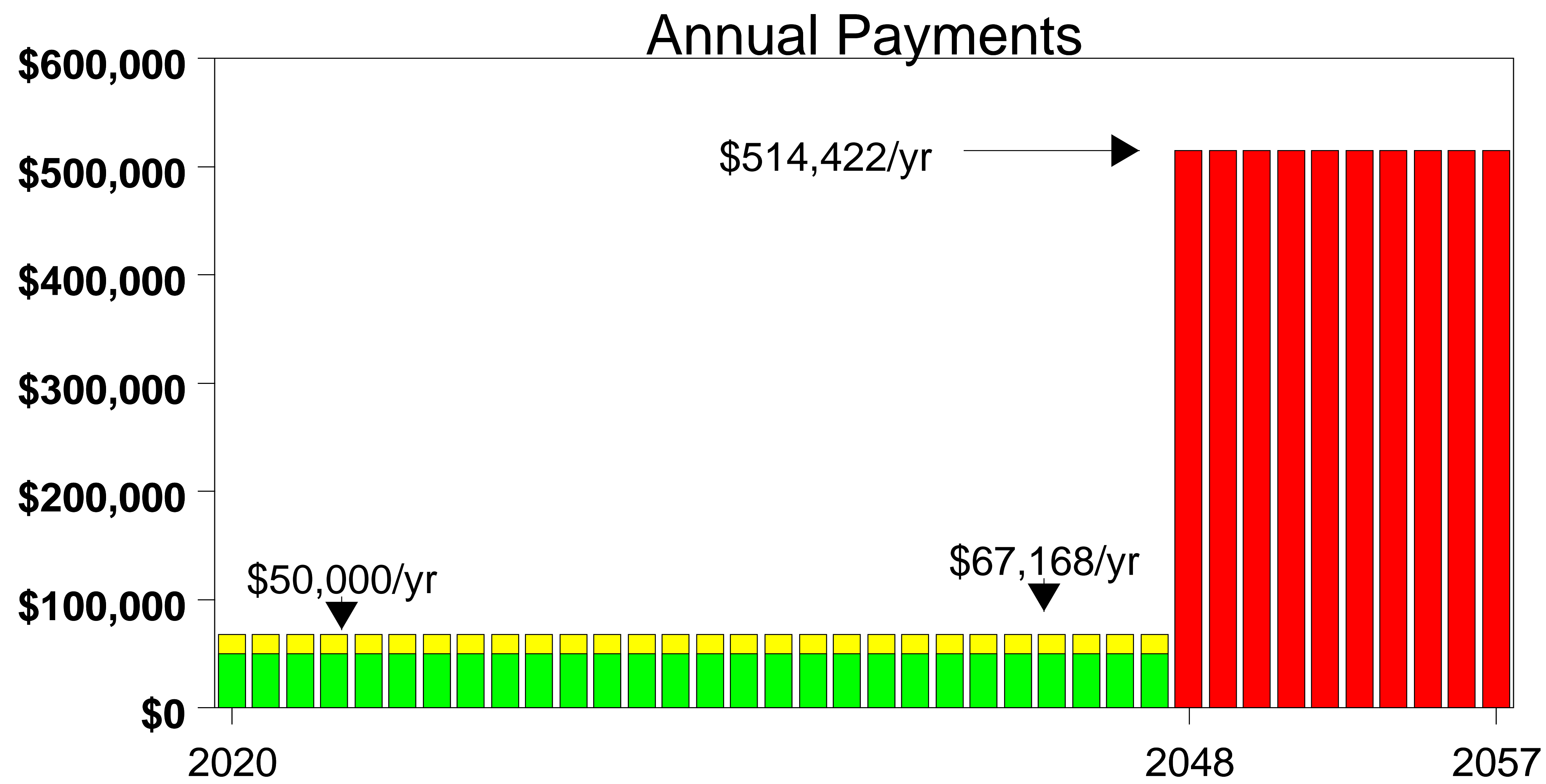
* Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details.

** Assumes a 7.0% ROR and a 34.0% tax bracket.

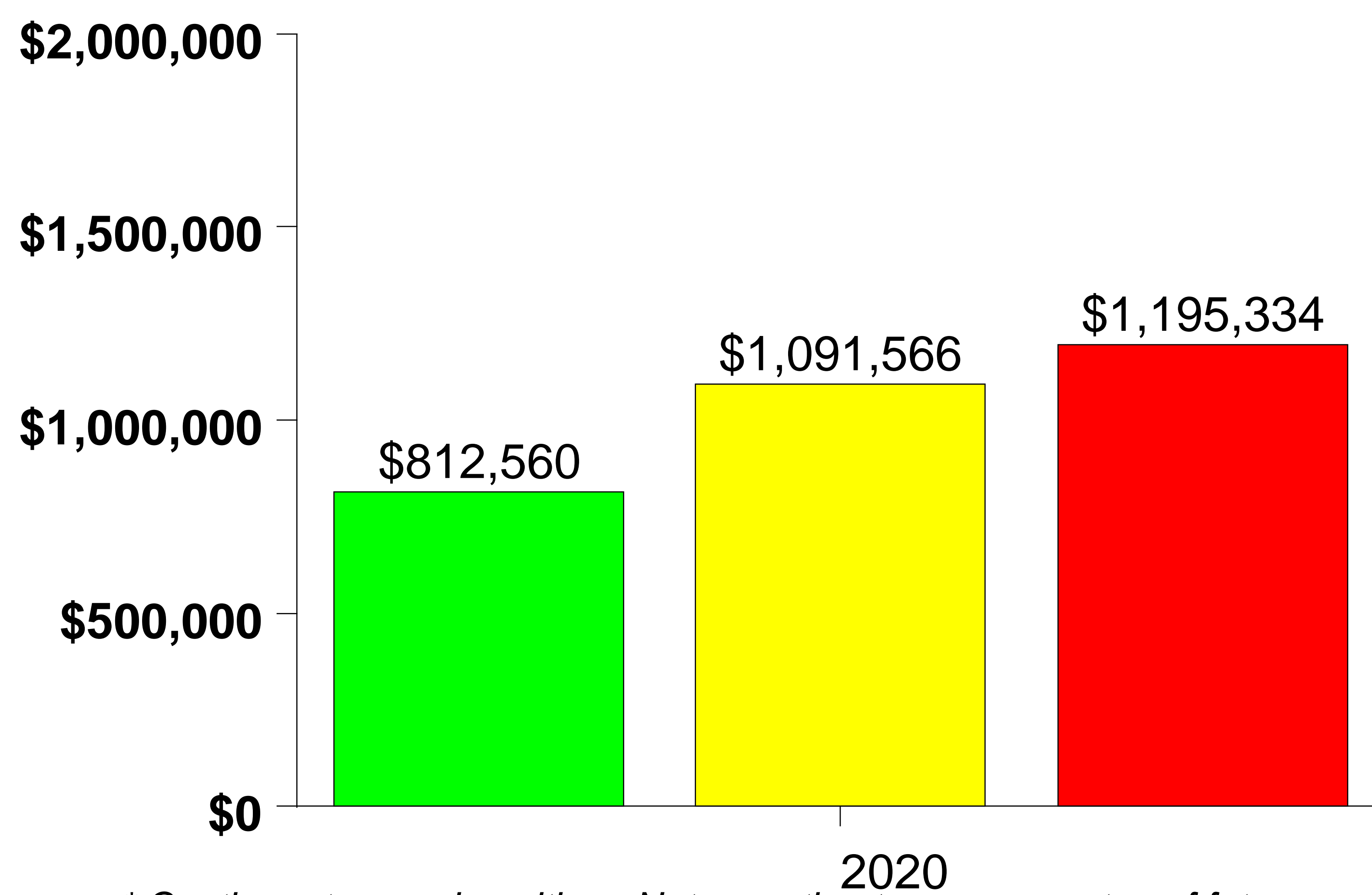
Cash Flow: Comparison

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Here are the cash flows side by side.



Below are the present values** of the cash flows.



* Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details.

** Assumes a 7.0% ROR and a 34.0% tax bracket.

Which Check* ?

Prepared by Your Name Here

Which check would you rather see issued ?

Smith Estate	
Pay to the Order of	<u>Settlement Costs</u> \$ <u>3,866,000</u>
<u>Three million eight hundred sixty six thousand</u> Dollars	
<u>IRS, expenses, etc.</u>	<u>Executor of Your Estate</u>

Or?

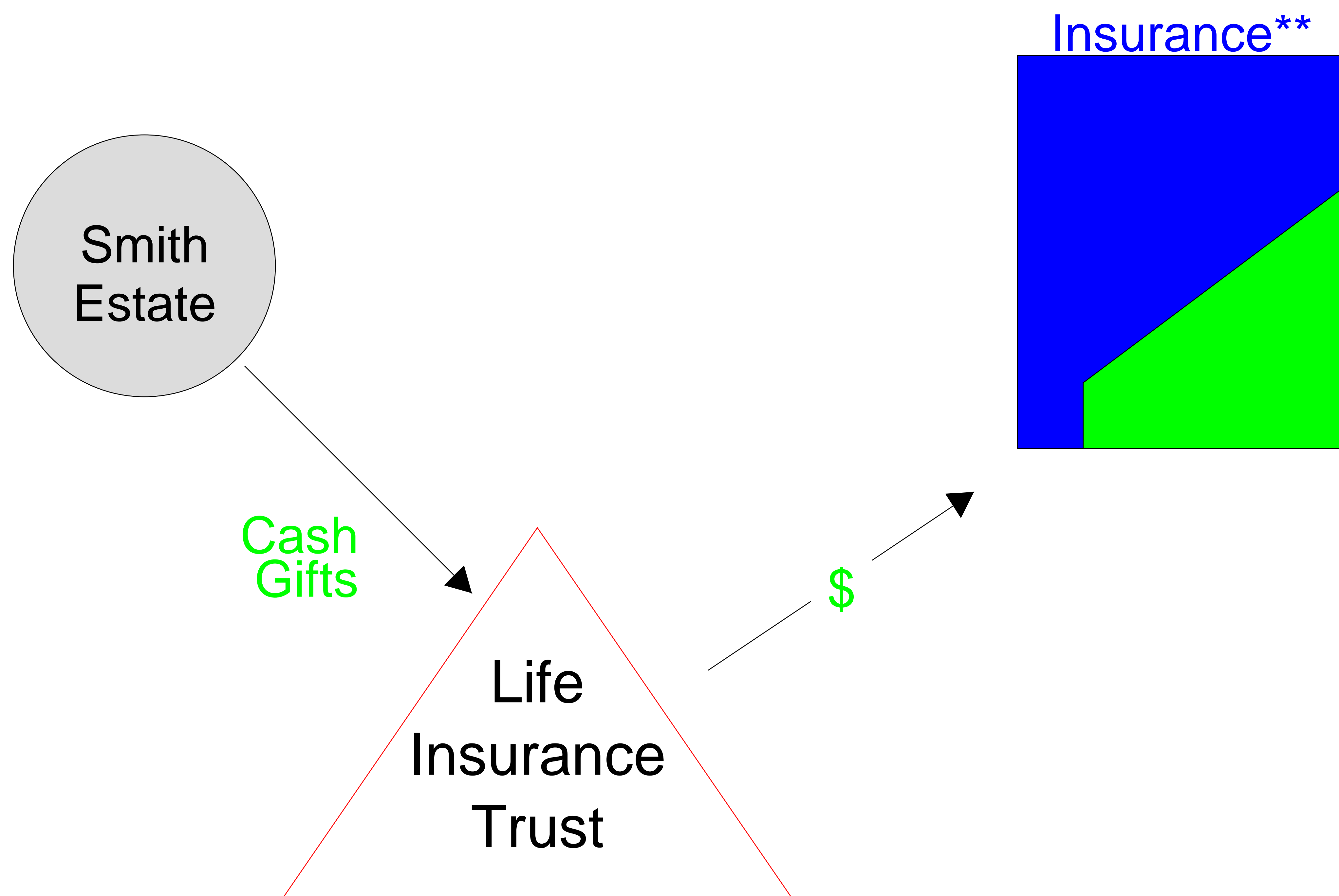
Mr. & Mrs. Smith	
Pay to the Order of	<u>Smith Family Insurance Trust</u> \$ <u>1,400,000</u>
<u>One million four hundred thousand</u> Dollars	
<u>insurance premiums</u>	<u>Mr. & Mrs. Smith</u>

** Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details. The values above do not reflect the time value of money on the cumulative life insurance premiums.*

Life Insurance Trust

Prepared by Your Name Here

While Alive



How It Works

- You and your Spouse as Grantors, make annual cash gifts to the Trust.
- Trust is Applicant, Premium Payer, Owner and Beneficiary of the Joint & Survivor insurance policy.
- Trust pays premiums to the Insurance Company.

*** The insurance death benefit is represented by the combined blue and green areas. The green area is a representation of the insurance plan's cash values.*

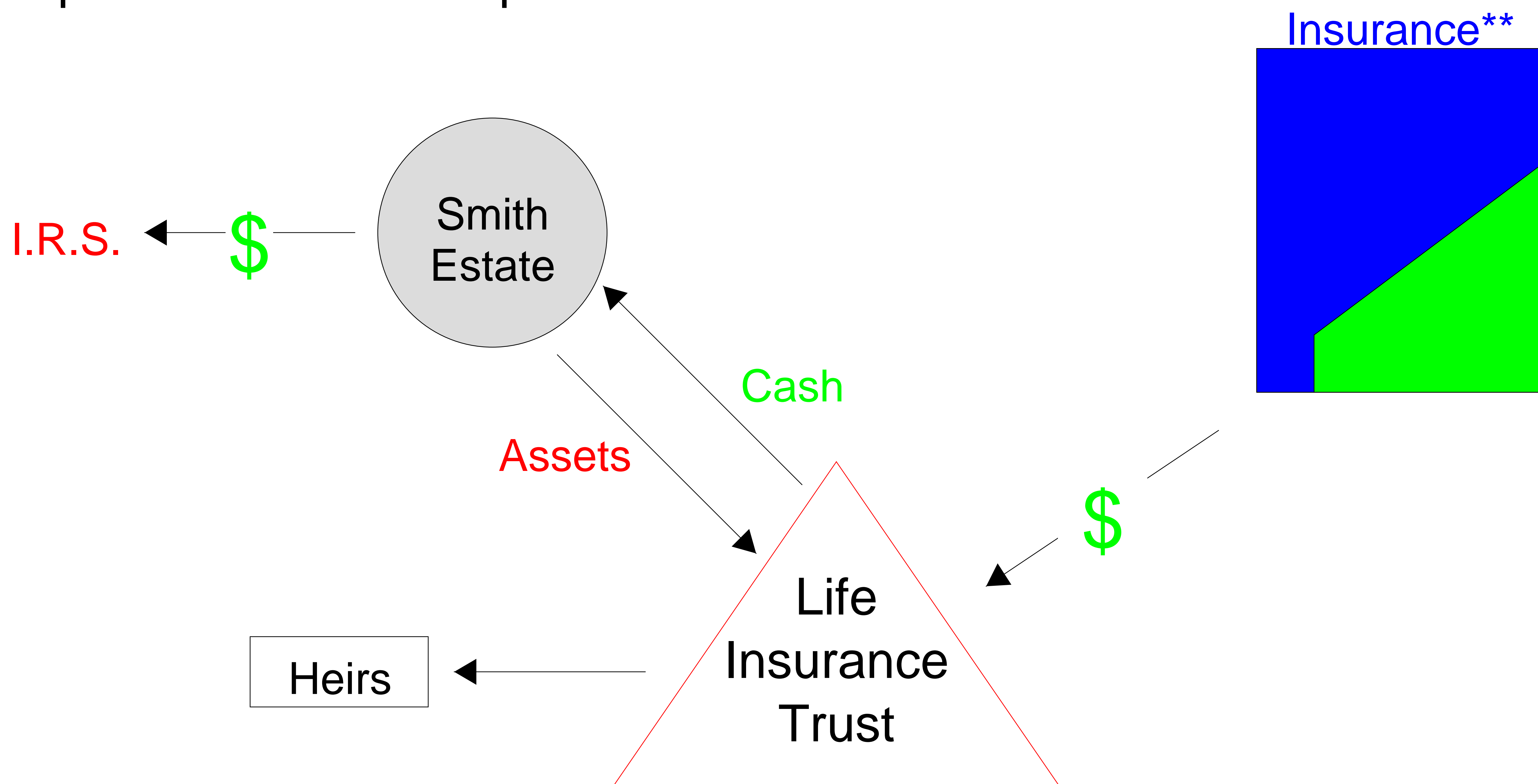
Please consult with your legal or tax advisor for specific advice.

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Life Insurance Trust (cont.)

Prepared by Your Name Here

Upon Death of 2nd Spouse



What Happens

- Insurance Company pays Death Benefit to Trust as Beneficiary.
- Trust may buy Assets from the Estate or lend dollars to the Estate so Settlement Costs can be paid by the Estate.
- Heirs receive Assets as directed by Trust.

*** The insurance death benefit is represented by the combined blue and green areas. The green area is a representation of the insurance plan's cash values.*

Please consult with your legal or tax advisor for specific advice.

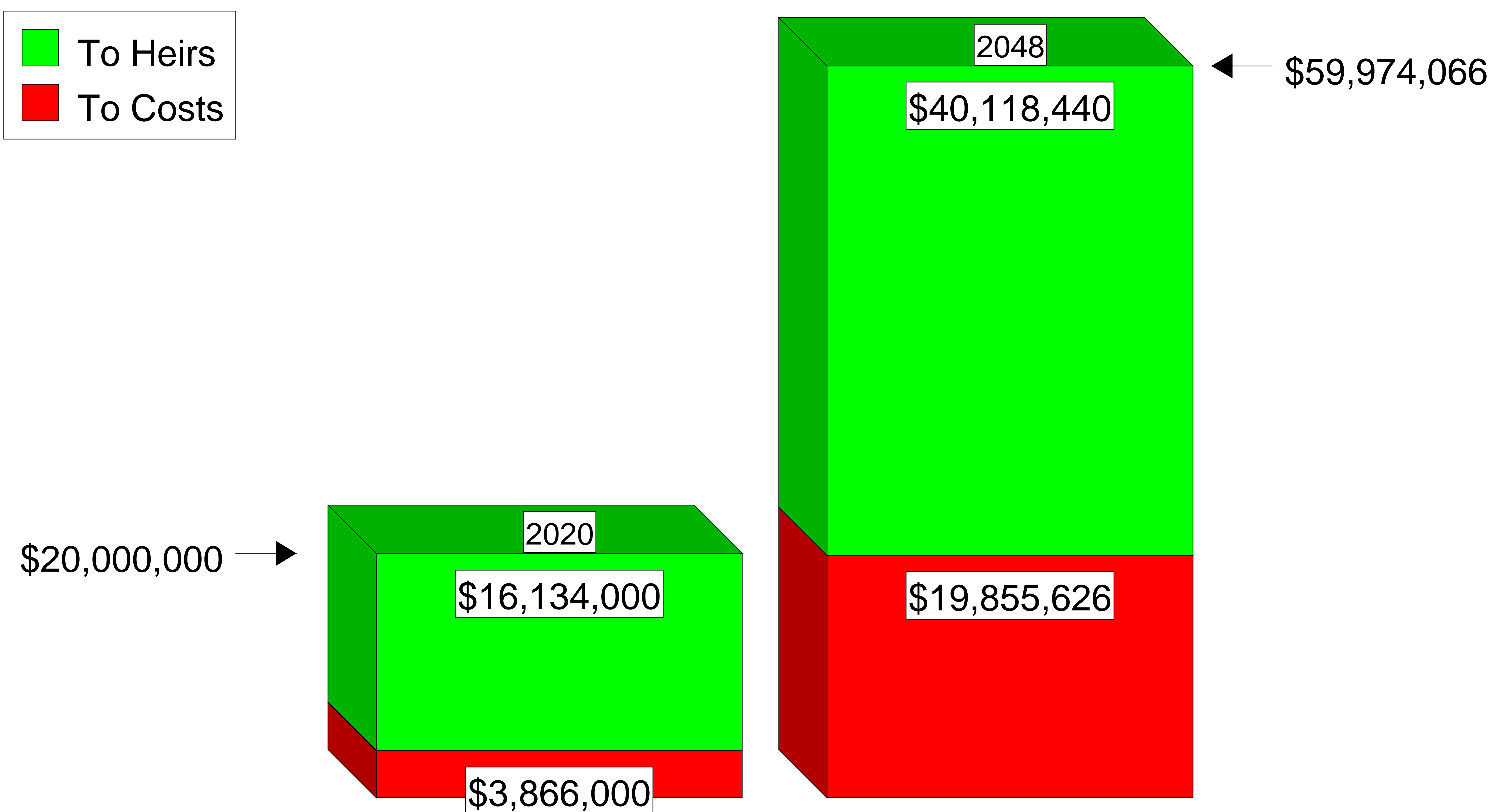
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Projections*

Prepared by Your Name Here

Assuming a present estate of \$20,000,000, an annual growth of 4.0% and a period of 28 years, what would your future estate look like ?

Smith Estate



Progressive Tax Effect

The gross estate would increase by 199.9%.
The inheritance passed would increase by 148.7%.
The total costs would increase by 413.6%.

** Based on rates effective 1/1/2020. Assumes 1st Death Applicable Exclusion Amount is gifted to a third party.*

Summary

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Advantages of the Insurance Option:

1. Liquid dollars are created exactly when needed.
 2. A minimum of capital is tied up. Insurance instantly creates a funding method to pay settlement costs.
 3. Assets can be removed from your taxable estate through gifts.
 4. Program is self-completing. Balance of payments are canceled if death occurs before projected life expectancy.
-

Conclusion:

The use of properly owned life insurance along with favorable underwriting is typically the most cost effective way to prepay the settlement costs your family will ultimately have to pay.

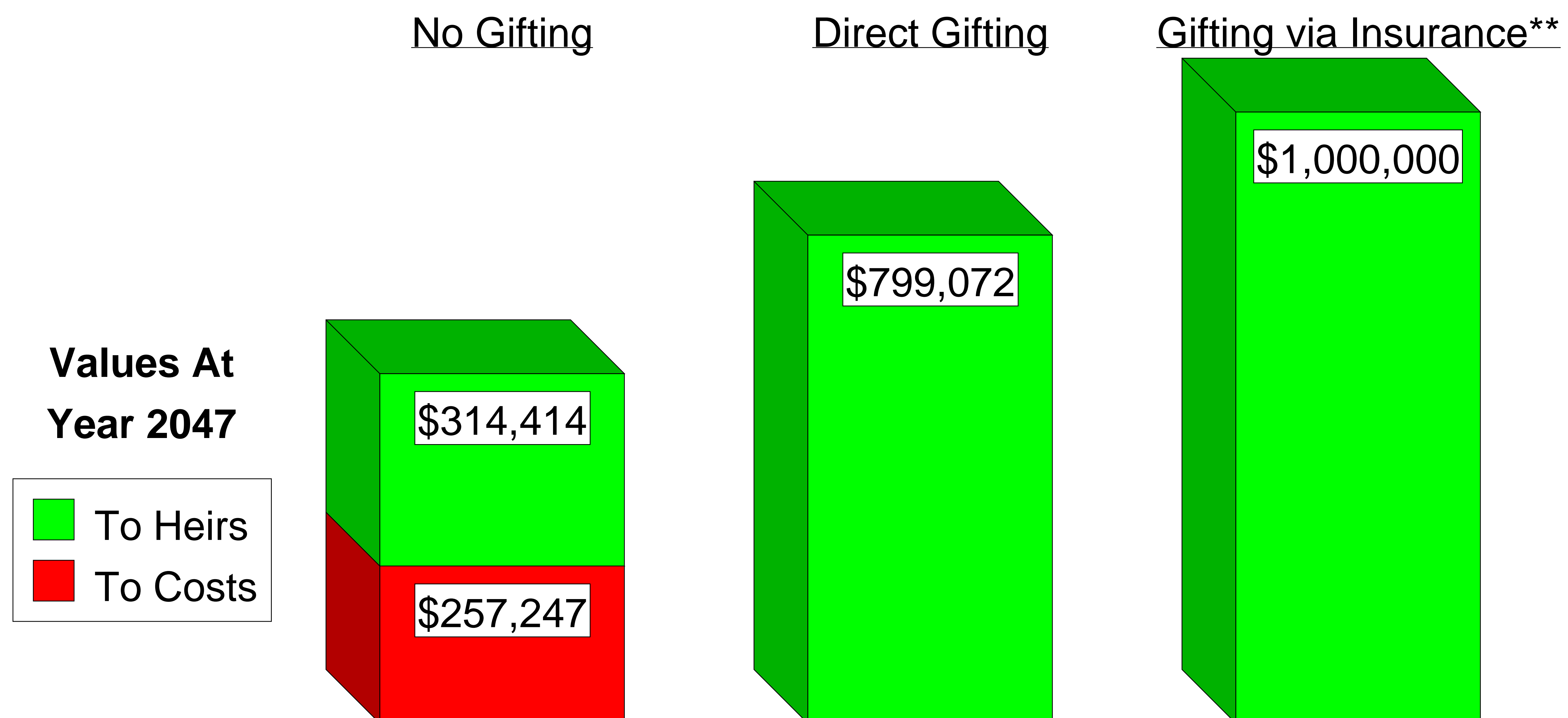
Please consult with your legal or tax advisor for specific advice.

Benefits of Annual Gifting*

Prepared by Your Name Here

Why use your Annual Gift Tax Exclusion ? First, from a tax perspective, you remove the asset and its future appreciation from your estate. Secondly, you significantly increase the total value received by your heirs.

Donor's estate tax rate:	45.0%	Projected estate growth rate:	4.0%
Annual gift amount:	\$11,000	Years gifts made:	28
Recipient's investment ROR (net):	6.0%	Life expectancy (years remaining):	28
Initial insurance**:	\$1,000,000	Insurance at life expectancy**:	\$1,000,000



To gift \$11,000 for 28 years, assuming a 4.0% growth rate, you need \$190,625 in present estate assets. Left in your estate, \$190,625 would grow to \$571,661 of which \$314,414 would go to your heirs and \$257,247 to estate taxes.

The estate taxes shown above can be eliminated through proper gifting. Direct gifting for 28 years, assuming a 6.0% net ROR, would result in your heirs receiving \$799,072. Gifting via life insurance** would provide \$1,000,000 to your heirs.

* Beginning 2011, exemptions are portable between spouses. Future exemptions will be indexed to inflation.

** Assumes the life insurance contract is properly owned. See accompanying illustration for details.

Please consult with your legal or tax advisor for specific advice.

Benefits of Annual Gifting*

Prepared by Your Name Here

Amount to Heirs: Year 2047

No Gifting: \$314,414

Direct Gifting: \$799,072

Gifting via Insurance**: \$1,000,000

Year	Donor: Year End Value (No Gifting)	Annual Gift to Recipient	Recipient: Year End Value	Donor's Year End Value (Gifting)	Recipient: Life Insurance Proceeds**
2020	\$198,251	\$11,000	\$11,661	\$186,811	\$1,000,000
2021	\$206,182	\$11,000	\$24,021	\$182,844	See ledger
2022	\$214,430	\$11,000	\$37,123	\$178,718	See ledger
2023	\$223,008	\$11,000	\$51,011	\$174,427	See ledger
2024	\$231,929	\$11,000	\$65,732	\$169,965	See ledger
2025	\$241,207	\$11,000	\$81,336	\$165,324	See ledger
2026	\$250,856	\$11,000	\$97,877	\$160,497	See ledger
2027	\$260,891	\$11,000	\$115,410	\$155,477	See ledger
2028	\$271,327	\$11,000	\$133,995	\$150,257	See ledger
2029	\$282,181	\$11,000	\$153,695	\$144,828	See ledger
2030	\$293,469	\$11,000	\$174,577	\$139,182	See ledger
2031	\$305,208	\$11,000	\$196,712	\$133,310	See ledger
2032	\$317,417	\$11,000	\$220,175	\$127,203	See ledger
2033	\$330,114	\$11,000	\$245,046	\$120,852	See ledger
2034	\$343,319	\$11,000	\$271,409	\$114,247	See ledger
2035	\$357,052	\$11,000	\$299,354	\$107,377	See ledger
2036	\$371,335	\$11,000	\$328,976	\$100,233	See ledger
2037	\$386,189	\$11,000	\$360,375	\$92,803	See ledger
2038	\$401,637	\$11,000	\$393,658	\$85,076	See ledger
2039	\$417,703	\$11,000	\$428,938	\$77,040	See ledger

* Beginning 2011, exemptions are portable between spouses. Future exemptions will be indexed to inflation.

** Assumes the life insurance contract is properly owned. See accompanying illustration for details.

Please consult with your legal or tax advisor for specific advice.

Page 2 of 4

Benefits of Annual Gifting* (cont.)

Prepared by Your Name Here

Amount to Heirs: Year 2047

No Gifting: \$314,414

Direct Gifting: \$799,072

Gifting via Insurance**: \$1,000,000

Year	Donor: Year End Value (No Gifting)	Annual Gift to Recipient	Recipient: Year End Value	Donor's Year End Value (Gifting)	Recipient: Life Insurance Proceeds**
2040	\$434,412	\$11,000	\$466,335	\$68,682	See ledger
2041	\$451,789	\$11,000	\$505,976	\$59,990	See ledger
2042	\$469,861	\$11,000	\$547,995	\$50,950	See ledger
2043	\$488,656	\$11,000	\$592,535	\$41,549	See ledger
2044	\$508,203	\$11,000	\$639,748	\$31,771	See ledger
2045	\$528,532	\$11,000	\$689,793	\$21,602	See ledger
2046	\$549,674	\$11,000	\$742,841	\$11,027	See ledger
2047	\$571,661	\$11,000	\$799,072	\$29	\$1,000,000

* Beginning 2011, exemptions are portable between spouses. Future exemptions will be indexed to inflation.

** Assumes the life insurance contract is properly owned. See accompanying illustration for details.

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Gift Tax Overview*

Prepared by Your Name Here

Gift taxes apply to the transfer of assets when you, the donor, do not expect to receive anything of equal value in return. The general rule is that any gift is taxable; however there are exceptions. Listed below are four gifts usually considered to be nontaxable and immediately removed from your taxable estate:

Annual Gift Tax Exclusion: You may make a yearly, tax free gift to any individual of your choice, up to a specified amount. Gifts above the yearly limit are either taxed or applied towards your Lifetime Gift Tax Exemption. The Annual Gift Tax Exclusion limit for year 2020 is \$15,000.

Educational & Medical Exclusions: You may pay tuition or medical expenses for someone else as long as the payment is made directly, by you, to the institution involved.

Qualified Charities: Unlimited gifts. Deduction limits may apply when donations exceed a certain percentage of your adjusted gross income.

Gifts to Your Spouse: Unlimited.

Lifetime Gift Tax Exemption*: Under current tax law during 2020, you may make one time gifts totaling no more than \$11,580,000 during your lifetime. However, a gift using this exemption is not automatically excluded from your taxable estate. Your death within three years of making the gift may lead to its value being included in your taxable estate.

** Beginning 2011, exemptions are portable between spouses. Future exemptions will be indexed to inflation.*

Please consult with your legal or tax advisor for specific advice.
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