

ESTATEVIEW SOFTWARE UPDATE

OUR NEWEST FEATURES AND
ESTATE TAX PLANNING TIPS

FLORIDA BAR NUMBER: 2401175N



Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished)
agassman@gassmanpa.com

**SATURDAY, MARCH 30, 2024
11:00 AM TO 12:00 PM EST
(60 MINUTES)**

Fascinating

To go where no
software has
gone before



Real Picture

CONTACT US

727-442-1200
estateview.link
1245 Court St.
Clearwater, FL 33756

GASSMAN CROTTY DENICOLA, P.A.

ATTORNEYS AT LAW

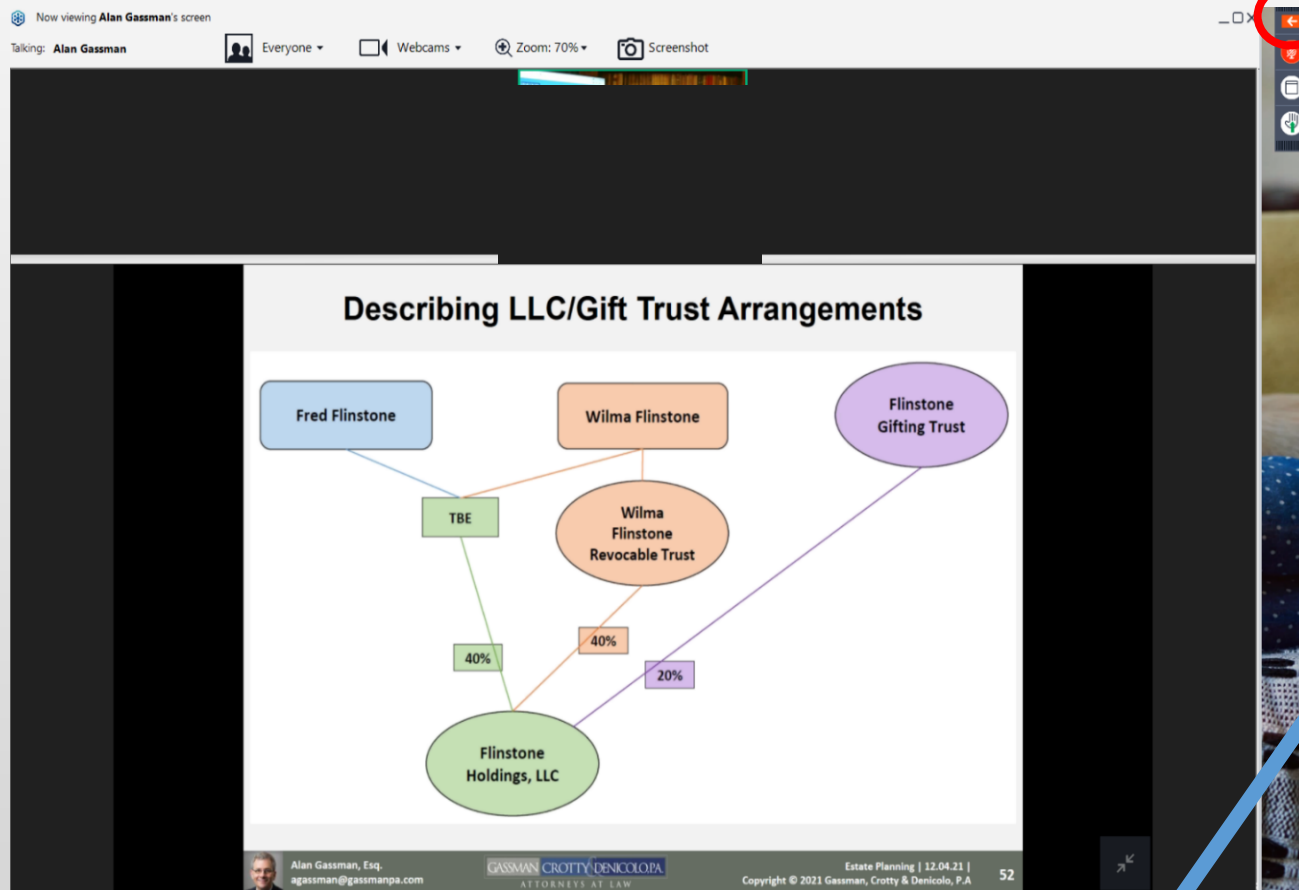
Please Note:

1. This presentation Qualifies for Continuing Education Credits for Florida **ONLY**.
2. Today's **PowerPoint slides** are available in the “Handouts” section of your GoToWebinar side panel.
3. Within 3-5 hours after the webinar, all registrants will receive a **follow-up email** with today's recording and PowerPoint materials.



How Do I Ask A Question?

STEP 1:
Click Red Arrow to
open Control Panel



STEP 2: Open Drop Down Arrow to Question Section; Type and send your question.

File View Help

Audio

Sound Check

Computer audio
Phone call
No audio

MUTED

Microphone (3- Jabra SPEAK 410 USB)

Speakers (3- Jabra SPEAK 410 USB)

Talking:

Questions

Q: QUESTION QUESTION QUESTION

[Enter a question for staff]

Send

Wesley GoToWebinar Training

Webinar ID: 420-137-035

This session is being recorded.

GoToWebinar

ALAN GASSMAN'S FREE SATURDAY WEBINAR SERIES

Past Video Recordings Are Available In Alan Gassman's [YouTube Library](#).

GASSMAN CROTTY DENICOLA, P.A.
ATTORNEYS AT LAW

Alan

Gassman

Presents

Estate Tax Planning ▶ Play all

Please take a look at our video library that is dedicated to helping professionals and others improve the services we provide.

Tools and Strategies to Avoid Estate Planning Tragedies - Part II
Saturday, June 11, 2022
From 11:00 AM to 12:00 PM EDT
(60 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

59:52

Tools and Strategies to Avoid Estate Planning Tragedies...
Alan Gassman
523 views • 1 year ago

Regulation - What To Do Now And Demystification Plus Other Hot Topics
Thursday, April 28, 2022
10:00 to 10:30 AM EDT (30 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished), Brandon Nelson, JD, LL.M. (Estate), CPA

1:02:39

IRS Proposed Clawback Regulation - What To Do No...
Alan Gassman
272 views • 1 year ago

The Mathematics of Estate Tax Planning
Saturday, May 14, 2022
From 11:00 AM to 12:00 PM EDT
(60 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

1:08:06

THE MATHEMATICS OF ESTATE TAX PLANNING
Alan Gassman
657 views • 1 year ago

The New Florida SLAT Law
Friday, May 21, 2022
From 11:00 AM to 12:00 PM EDT
(60 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

36:54

THE NEW FLORIDA SLAT LAW
Alan Gassman
392 views • 1 year ago

Tools and Strategies to Avoid Estate Planning Tragedies
Saturday, May 14, 2022
From 12:00 AM to 12:00 PM EDT
(60 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

1:04:40

Tools and Strategies to Avoid Estate Planning Tragedies -...
Alan Gassman
574 views • 1 year ago

Part 2 Estate Tax Planning For The Wealthy - What You Need To Know
Saturday, May 7, 2022
From 11:00 AM to 12:00 PM EDT
(60 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

1:02:02

Part 2 Estate Tax Planning For The Wealthy
Alan Gassman
249 views • 1 year ago

Diversity Series ▶ Play all

PLANIFICACIÓN PATRIMONIAL PARA FAMILIAS LATINOAMERICANAS
Presented by: Luis A. Silva, Esq. Estates & Trusts Practice Group

26:37

PLANIFICACION PATRIMONIAL PARA...
Alan Gassman
38 views • 1 year ago

Estate Planning For The Korean American Family
Presented by: Andy Wenghui Cho, Esq., CPA
2340 E. Tennyson Road, Suite 300
Carrollton, Texas 75006
469-623-1100/AndyCho.com

46:35

Andy Cho: Estate Planning For The Korean American...
Alan Gassman
182 views • 1 year ago

THE LATIN AMERICAN CLIENT
Monday, June 20, 2022
From 12:00 PM to 12:30 PM ET
(30 minutes or More)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

34:28

Estate Planning for the Latin American Family
Alan Gassman
75 views • 1 year ago

Jewish Families
Thursday, June 9th 2022 | 3:00 PM ET (60-Minutes)
Presented by: Shoshana (Shosh) Mauer, Esq. and Special Guest Rabbi Ari Markberg
Moderated by: Alan Gassman, Esq.
Description: What estate planner should know about planning for Jewish families

47:57

Planning For Orthodox Jewish Families
Alan Gassman
438 views • 1 year ago

WHAT ESTATE PLANNERS NEED TO KNOW ABOUT AFRICAN-AMERICAN FUNERALS
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

54:56

What Estate Planners Need To Know About African...
Alan Gassman
48 views • 1 year ago

WHAT ESTATE PLANNERS NEED TO KNOW ABOUT JEWISH FUNERALS
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)

26:24

What Estate Planners Need To Know About Jewish...
Alan Gassman
81 views • 1 year ago

Guest Speakers On Estate Tax Planning Topics ▶ Play all

Blow Forms 1065 (and 1120-S) Out of Orbit
1:05:55

Schedule K-2 and K-3 Blow Forms 1120-S and 1065 Out...
Alan Gassman
1.2K views • 1 year ago

PCF Social Justice Fund Activating Trust-Based...
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished)
-- PLUS THIS WOMAN PRESENTATION --
"SOCIAL JUSTICE FUND: ACTIVATING TRUST-BASED PHILANTHROPY"
Saturday, May 21st | 12:00 PM to 12:30 PM EDT (30 minutes)
Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP (Distinguished), Thomas Fadden, Esq., PhD, J.D., M.A. (Social Justice, Social Work)

41:09

PCF Social Justice Fund Activating Trust-Based...
Alan Gassman
40 views • 1 year ago

Don Bryan: The Biggest Mistakes Ventriloquists Make
Don (Gaylord) Bryan | THE BIGGEST MISTAKE YOU CAN MAKE
1:00:18

Don Bryan: The Biggest Mistakes Ventriloquists Make
Alan Gassman
191 views • 1 year ago

PASSING ON THE FAMILY BUSINESS TO KEY EMPLOYEES
By: Jerry Hesch
Saturday, May 7, 2022
1:00 to 2:00 PM EDT (60 minutes)

1:01:22

Jerry Hesch: Passing On The Family Business To A Key...
Alan Gassman
127 views • 1 year ago

Human Aspects of Estate Planning PART 2
By: Martin M. Shenkman, Esq.
33:46

Marty Shenkman: PART 2 Human Aspects Of Estate...
Alan Gassman
104 views • 1 year ago

Human Aspects of Estate Planning
By: Martin M. Shenkman, Esq.
30:07

Marty Shenkman: Human Aspects of Estate Planning...
Alan Gassman
213 views • 1 year ago

INTRODUCTION

- EstateView is designed as an educational tool to assist both neophytes and seasoned professionals in understanding and designing customized estate plans for clients by exploring the effectiveness of a variety of techniques.
- It is also designed to provide the important calculations and engaging illustrations that Planners can use to educate clients and share with their collaborative team of advisors.



Comprehensive Plans	Calculators		My Account
Single Client	Large Gift / SLAT	CLAT	Help
Married Clients	SCIN/Conventional	CRAT	Detailed Instruction Manual
Sample Plan	Installment Sale with Income Tax Analysis	CRUT & NIMCRUT	RMD Calculator
NEST Retirement Calculator	QPRT	Life Estate / Remainder Interest	Manage Billing
⚠️ Monte Carlo (Under Construction) ⚠️	Private Annuity	Amortization	Logout
Life Insurance Estimator	GRAT	Life Expectancy	
§ 7520 & AFR Table	Valuation Discount (Active Business)	Valuation Discount (Investment Holding Co)	
	⚠️ Rolling GRATs (Under Construction) ⚠️		



From a Key EstateView Team Member



- P. Jill Ashley, CPA, S.E.C.-Registered Investment Advisor,
JD Candidate, Class of 2024

Meet your all-inclusive estate planning resource!

As a CPA and financial advisor, I have devoted more than three decades passionately shepherding clients in their financial stewardship. I firmly believe that the effective management of financial and human capital can profoundly impact the family, friends, communities and charities who are dear to us. For that reason, I was thrilled to assist in the development of EstateView software with Alan Gassman, Professor Jerry Hesch, Jonathan Blattmachr and other distinguished estate planning experts.

EstateView is an innovative, interactive and empowering software tool designed for professional planners and personal users alike. This cloud-based program works on PCs, Macs, smartphones, and iPads, but the data is only stored on the user's device. Instant illustrations can be generated on the fly during client meetings or collaborative video calls, and everything is downloadable to share via email with clients or advisors using password protection. The recipients do not need to load any program on their device to independently view and interact with the illustrations for themselves.

This all-inclusive resource will help estate, tax and financial planning professionals understand, articulate, and illustrate a variety of estate planning techniques and concepts through an efficient, client-friendly interface.

Asset values, personal data, projected changes in income and expenses at different ages, and various assumptions entered on the left side of the screen are instantly converted to color-coded illustrations showing the current estate and projected estate value over time using adjustable inflation rates. Simple check-the-box options allow the calculation of estate tax if the Lifetime Exemption drops by 50% in 2026 or to determine whether the portability allowance will be available to a surviving spouse.



From a Key EstateView Team Member

Optional planning strategies may be toggled on and off to immediately see the cumulative effects on estate tax liability and amounts passing to beneficiaries when utilizing annual gifts, discounted asset transfers, large one-time gifts, installment sales, life insurance strategies, and charitable vehicles all in vibrant color-coded charts that download into client-friendly PowerPoints, and can be adjusted for the time value of money. The program also accommodates an “exploding asset” such as a business that is expected to explode in value in the future and the owner could benefit from an installment sale to a trust today, while accounting for changes in cash flows from the portion of the business that is sold or retained.

The Comprehensive Plans can be saved, printed, or downloaded and shared via email with accompanying plain language narrative descriptions explaining the details of the successive planning vehicles including timeline graphs to illustrate personalized strategies. Planners can also customize the columns that will display on client presentations.

The EstateView Calculators provide an additional cornucopia of planning strategies such as the NEST Retirement Calculator, and estate planning devices such as QPRTs, GRATs, Private Annuities, Life Estate transfers, Self-Canceling and Conventional Installment Sales, and various charitable trust vehicles. The calculators can be used with Standard or Advanced inputs, and multiple scenarios can be entered on the same screen to allow side-by-side comparisons of different dollar values or terms. Each calculator produces a General Explanation of the strategy along with a checklist and sample trust provisions for the Planner’s document drafting. The best part is the personalized PowerPoint presentations embedded with the client’s financial figures illustrating each planning technique to inspire and engage even the most reticent client.

Additional accoutrements to assist in making planning decisions include a multi-function amortization calculator, single and joint life expectancy calculators, a life insurance estimator, RMD calculator, and an installment sale income tax analyzer.



From a Key EstateView Team Member

Personalized client letters and explanations are downloadable in Word format to allow edits and further personalization; spreadsheets are exportable to Excel; and PowerPoints are downloadable for additional modifications.

A user's Help video and documentation is accessed directly from the home page or within the data entry screens. Special attention has been given to ensure that users navigate safely in each strategy, while enjoying the flexibility to measure and design with the best and latest techniques available. Specific reminders, warnings, suggestions and tips appear when hovering over or entering data into input fields.

If you are ready to ratchet up your planning with clients, EstateView will be a gamechanger for your practice. The resources that you will have at your fingertips will not only enhance your efficiency in serving clients but also equip them with a deeper insight into a range of planning scenarios and facilitate their informed planning decisions.

It's all here. It's comprehensive, colorful, and compelling!



How to Access EstateView

1. Open your browser and type estateview.link

estateview.link



2. Log in with your pre-existing account on the left or create a new one on the right



**Established Subscribers
Log In Here**

Email Address

Enter your email

Password

Enter password

[Forgot Password?](#)

Log In



**New Subscribers Free Until May 1st
Join Us Here**

Email Address

Enter your email

Password

Enter password

Sign In

3. Select “Click Here For Free Until May 1st

All features free until May 1st.

Click Here For Free Until May 1st

4. type in your email address and subscribe

Start for free

Email

1234@gmail.com

Subscribe



By confirming your subscription, you allow Alan Gassman to charge you for future payments in accordance with their terms. You can always cancel your subscription.


Alan S. Gassman | Haddon Hall Publishing © 2024



NEWSFEED PAGE

Select from multiple newsfeed choices to see up to six newsfeeds simultaneously.
An icon on your computer can be clicked to open this page directly.

The Newsfeed Is Updated Every 30 Minutes



News

Options ▾

Tax Foundation ▾	The Tax Adviser News ▾	Tax Policy Center - Businesses ▾	Tax Policy Center - Individuals ▾
<u>Tax Foundation</u>	<u>The Tax Adviser News</u>	<u>Tax Policy Center - Businesses</u>	<u>Tax Policy Center - Individuals</u>
Can States Afford Their Recent Tax Cuts? 3/28/2024 3:41 PM	Dirty Dozen list from IRS opens with phishing, smishing scams 3/28/2024 3:24 PM	What Trump's 100 Percent Auto Tariff Would Mean For The US Economy 3/28/2024 6:02 AM	State Unemployment Insurance Tax Rates 3/25/2024 10:00 AM
Considering Tax Reform Options for 2025 (and Beyond) 3/28/2024 3:30 PM	Latest federal budget includes \$20 billion rescission for IRS 3/26/2024 4:01 PM	What is The Us Tax Advantage of Stock Buybacks Over Dividends? 3/19/2024 1:15 PM	Disposition of State Motor Fuel Tax Receipts 3/25/2024 9:00 AM
Maryland's Worldwide Combined Reporting: To Be or Not to Be? 3/28/2024 3:05 PM	Enforcement, voluntary programs yield over \$1 billion from ERC claims 3/22/2024 3:05 PM	A Primer On The OECD's Global Minimum Tax And How It Could Affect The US 3/5/2024 3:26 PM	Biden's Homebuyer Tax Credit Has Potential But Can Be Improved 3/22/2024 6:59 AM
Sources of U.S. Tax Revenue by Tax Type, 2024 Update 3/26/2024 3:58 PM	Taxpayer notice of third-party contact shortened under proposed regs. 3/21/2024 4:07 PM	Tax Gimmick in a BOXX 3/1/2024 1:08 PM	Itemized returns, tax year 2021 3/18/2024 11:55 AM
Biden's Budget Blueprint 3/26/2024 1:22 PM	Werfel says digital initiatives can transform 'iconically unpopular' IRS 3/19/2024 3:34 PM	Congress May Expand The Low-Income Housing Tax Credit. But Why? 2/5/2024 9:17 AM	Radical Simplification of the Income Tax: Issues and Options 3/14/2024 3:30 PM
Dividend Tax Rates in Europe, 2023 3/26/2024 3:55 AM	Decision holding Corporate Transparency Act unconstitutional appealed 3/12/2024 1:26 PM	Historical receipts as a percentage of GDP, 1934-2022 2/5/2024 12:00 AM	Returns of Itemizers by AGI 3/12/2024 11:00 AM
Details and Analysis of President Biden's Fiscal Year 2025 Budget Proposal 3/22/2024 3:08 PM	Plaintiffs: FinCEN should pause all CTA enforcement 3/5/2024 4:56 PM	Marginal Corporate Tax Rates 1/29/2024 10:00 AM	Return Details by AGI and Marital Status 3/12/2024 11:00 AM
Economic Nexus Treatment by State, 2024 3/19/2024 3:55 AM	Federal court holds Corporate Transparency Act unconstitutional 3/5/2024 8:16 AM	Corporate Tax Rate Schedule 1/29/2024 10:00 AM	Three Lessons for Policymakers Designing a State Child Tax Credit 3/11/2024 8:00 AM
Sources of Government Revenue in the OECD, 2024 Update 3/18/2024 3:21 PM	IRS renews focus on targeting high-income nonfilers 2/29/2024 4:58 PM	Corporate Top Tax Rate and Bracket 1/29/2024 10:00 AM	Sources of Local General Revenue, 1977-2021 3/10/2024 11:00 PM
A Chicago "Mansion Tax" Would Hurt Small Businesses, Customers, Employees, and Retirees 3/15/2024 1:47 PM	IRS announces delay for Form 1042 e-filing requirement 3/28/2024 3:24 PM	T24-0016 – Individual Income and Payroll Tax Provisions in The Tax Relief for American Families and Workers Act of 2024, House W&M, by ECI Percentile, 2025 3/28/2024 3:24 PM	As Congress Debates a More Generous Child Tax Credit, 11 States Already Deliver a Fully Refundable CTC 3/7/2024 3:30 PM
Talking Tax Reform: Grappling with the New			

Feedback

© 2024 Haddon Hall Publishing, LLC

Terms Privacy



IMPORTANT FEATURES

1. Easy dial-up and down controls/dashboards.
2. Accommodates "side by side" horizontal comparisons of outcomes using different variables.
3. Includes instructional videos prepared by experienced estate tax lawyers and other professionals.
4. Works on PCs, Apple computers, iPads, and some smart phones.
5. Shows the impact of the "burn" – as the Grantor pays tax on Trust income until toggled off.
6. Calculates SCIN premiums for balloon payments beyond Table 2010 life expectancy.



COMPREHENSIVE PLANNING LETTER

Client Letter Options



- ☒ Select All Scenarios
-
- ☒ NO PLANNING
- ☒ BYPASS TRUST
- ☒ QPRT
- ☒ ANNUAL GIFTING
- ☒ DISCOUNTED GIFTING
- ☒ LIFE INSURANCE TRUST PLANNING
- ☒ LARGE GIFT
- ☒ YEAR 1 GIFT / INSTALLMENT SALE
- ☒ TESTAMENTARY CHARITY
-
- ☒ Show Introduction
- ☒ Show Timelines
- ☐ Show Details

Generate Client Letter

Cancel

ESTATEVIEW COMPREHENSIVE PLANNING STRATEGIES

PREPARED FOR
John & Mary Smith | Sample

PRESENTED BY

TABLE OF CONTENTS

- INTRODUCTION TO THE FEDERAL ESTATE TAX SYSTEM
- ASSUMPTIONS
- *ILLUSTRATION 1* - NO PLANNING
- *ILLUSTRATION 2* - USE OF A BYPASS TRUST
- *ILLUSTRATION 3* - QPRT
- *ILLUSTRATION 4* - USE OF ANNUAL GIFTING
- *ILLUSTRATION 5* - USE OF DISCOUNTED GIFTING
- *ILLUSTRATION 6* - LIFE INSURANCE PLANNING
- *ILLUSTRATION 7* - LARGE GIFT
- *ILLUSTRATION 8* - USE OF INSTALLMENT SALE
- *ILLUSTRATION 9* - TESTAMENTARY CHARITY

* This letter is provided for informational purposes only and should not be considered legal, tax, or financial advice. We are not responsible for any actions taken based on the information provided in this letter.

This illustration was prepared by the planner on December 27, 2023, and assumes residential property worth \$3,000,000 growing at 3.00% and Business and Investment assets of \$25,500,000 growing at 5.98%.

Assumes Bob lives until 2033 and Mary lives until 2043.

Note from the planner:



Comprehensive Planning Letter

(A PowerPoint of all illustrations can also be produced)

ILLUSTRATION 1 - NO PLANNING
(20 YEARS)

ILLUSTRATION 1 - NO PLANNING

This first illustration assumes no annual gifting, and no utilization of life insurance trusts.

The first row shows Bob and Mary's assets in 2023.

The second row illustrates the assumption that Bob's death occurs first and reflects the increase in asset values as of the date of the first death. Mary received the life insurance proceeds on Bob's life policy. This row shows all assets transferred to the surviving spouse to defer potential federal estate tax until the second death.

Many couples will allow this to occur, utilizing the deceased spouse's unused exemption (DSUE).

In this illustration the surviving spouse will be eligible to utilize a total exemption of \$22,670,000 (\$9,290,000 from Bob's projected DSUE + \$13,380,000 from Mary's projected available exemption).

The third row illustrates Mary's projected estate values at her death in 20 years leaving \$81,276,726 worth of personal assets exposed to federal estate tax, including Bob's Life insurance exposed to federal estate tax at the second death in this scenario.

Applying Bob's DSUE of \$9,290,000 and Mary's \$13,380,000 exemption leaves Mary's net estate of \$58,606,726 subject to federal estate tax. Assuming a 40.00% estate tax rate, the estate tax would be \$23,442,690 and is normally owed 9 months after the surviving spouse's date of death.

For estates substantially comprised of large closely held businesses, an executor may be entitled to make an election under I.R.C. § 6166 to defer the payment of estate taxes up to five years with interest-only payments, followed by equal payments over the next ten years. Such an election alleviates an estate's illiquidity and may avoid the need to sell assets at a disadvantageous time triggering a loss.

Today

Bob & Mary Sample		
Residence \$3,000,000	Investments \$29,000,000*	
Annual Growth Rate 3.00%	Annual Additions \$250,000	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$3,500,000 from Explosive Asset

Life Ins. - Bob	
Death Benefit \$600,000	
Annual Premium \$8,000	

Upon 1st Death
(in Year 10)

Mary Sample		
Residence \$4,031,749	Investments \$48,506,378*	
Annual Growth Rate 3.00%	Annual Additions \$370,417	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

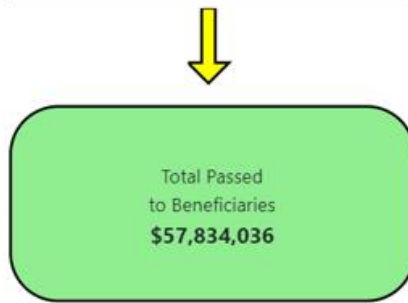
* Includes \$8,855,479 from Explosive Asset

Life Ins. - Bob	
Death Benefit \$600,000	
Annual Growth Rate 5.98% less 0.40% fees	

Upon 2nd Death
(in Year 20)

Mary's Estate	
Residence \$5,418,334	Investments \$75,005,468*
Exemption/Portability: (\$22,670,000)	
Net Taxable Estate: \$58,606,726	
* Includes \$15,241,533 from Explosive Asset	

Life Ins. - Bob	
Value \$852,924	



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 2 - BYPASS TRUST

ILLUSTRATION 2 - BYPASS TRUST
(FUNDED YEAR 10)

Today

Bob & Mary Sample		
Residence	Investments	
\$3,000,000	\$29,000,000*	
Annual Growth Rate	Annual Additions	Annual Growth Rate
3.00%	\$250,000	5.98% less 0.40% fees and 2.00% tax

* Includes \$3,500,000 from Explosive Asset

Life Ins. - Bob
Death Benefit
\$600,000
Annual Premium
\$8,000

Upon 1st Death
(in Year 10)

Mary Sample		
Residence	Investments	
\$4,031,749	\$39,216,378	
Annual Growth Rate	Annual Additions	Annual Growth Rate
3.00%	\$370,417	5.98% less 0.40% fees and 2.00% tax

Bypass Trust
Initial Funding Upon 1st Death
\$9,290,000*
Annual Growth Rate
5.98% less 0.40% fees and 2.00% tax

* Includes \$8,855,479 from Explosive Asset

Life Ins. - Bob
Death Benefit
\$600,000
Annual Growth Rate
5.98% less 0.40% fees

Upon 2nd Death
(in Year 20)

Mary's Estate	
Residence	Investments
\$5,418,334	\$59,146,247
Exemption/Portability: (\$13,380,000)	
Net Taxable Estate: \$52,037,505	

Bypass Trust
Value
\$15,859,221*

* Includes \$15,241,533 from Explosive Asset

Life Ins. - Bob
Value
\$852,924

Estate Tax
\$20,815,002

Total Passed to Beneficiaries
\$60,461,724

An irrevocable Bypass Trust, also known as a "Family Trust" or "Credit Shelter Trust" may provide lifetime income to a surviving spouse while shielding the trust assets from federal estate tax at the death of the surviving spouse. The Bypass Trust may also allow principal distributions for the surviving spouse's health, education, maintenance, and support (known as the HEMS standard). The Bypass Trust may be funded according to provisions in the Decedent's Will or by a procedure whereby the surviving spouse disclaims certain assets which then pass into the Bypass Trust for the beneficiaries' remainder interest.

The amount of assets used to fund the Bypass Trust often utilize the Decedent's maximum available estate exemption, with the excess amount funding a Marital Trust over which the surviving spouse would have full discretion, and thus will be includable in the surviving spouse's estate.

Assets remaining in the Bypass Trust upon the second spouse's death may be allocated to a separate Generation Skipping Trust (GST) to benefit individuals who are more than one generation younger than the original Grantor (including a grandchild or any other individual at least 37.5 years younger than the Grantor). However, without proper planning, transfers to a "skip generation" beneficiary could trigger a stacked 40% GST tax on top of any estate taxes. Your experienced estate planning professional will be able to discuss further options for utilizing the separate GST exemption in addition to any available estate tax exemption ported between spouses.

In this illustration, the Bypass Trust is funded in the amount of \$9,290,000 upon the first death. The second column shows the deceased spouse's estate tax exemption being used to the extent of \$9,290,000 by funding of the Bypass Trust at Bob's death in 2033.

Under this scenario, the Bypass Trust grows to \$15,859,221 based upon the assumed 3.58% rate of return, and will not be subject to federal estate tax at the second death.

Funding the Bypass Trust at the first death saves \$2,627,689 in federal estate tax assuming a 40.00% estate tax rate.

Because Bob Sample had only \$9,290,000 remaining exemption, and it was used to fund the Bypass Trust, the portability allowance that can pass to Mary Sample was \$0. Any remaining DSUE from Bob could have ported to Mary's estate unless she remarried someone else who predeceased her, in which case the last dying spouse's portability applies.



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 3 - QPRT

ILLUSTRATION 3 - QPRT

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$29,000,000*	
Annual Growth Rate 3.00%	Annual Additions \$250,000	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$3,500,000 from Explosive Asset

QPRT	Life Ins. - Bob
Home Value \$3,000,000	Death Benefit \$600,000
Cash From Rent \$0	Annual Premium \$8,000

Upon 1st Death (in Year 10)

Mary Sample		
Residence In QPRT	Investments \$40,170,737*	
Annual Growth Rate 3.00%	Annual Additions \$370,417	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$1,189,893 from Explosive Asset

Bypass Trust	
Initial Funding Upon 1st Death \$7,665,586*	
Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax	

* Includes \$7,665,586 from Explosive Asset

QPRT	Life Ins. - Bob
Home Value \$4,031,749	Death Benefit \$600,000
Cash From Rent \$670,055	Annual Growth Rate 5.98% less 0.40% fees

Upon 2nd Death (in Year 20)

Mary's Estate	
Residence In QPRT	Investments \$60,859,400*
Exemption/Portability: (\$13,380,000)	
Net Taxable Estate: \$48,332,324	

* Includes \$2,047,974 from Explosive Asset

Bypass Trust	
Value \$13,193,558*	

* Includes \$13,193,558 from Explosive Asset

QPRT	Life Ins. - Bob
Home Value \$5,418,334	Value \$852,924
Cash From Rent \$952,510	

Estate Tax
\$19,332,930

Total Passed to Beneficiaries
\$61,943,796

This illustration shows estate tax savings from using one or more Qualified Personal Residence Trusts.

A Qualified Personal Residence Trust (QPRT) is an irrevocable trust created when the owner of a primary residence and/or vacation home makes a gift transferring the property's title to the trust. Thus, the value of the home and its future appreciation is removed from the owner's estate, while the owner retains the right to reside in the home for a term of years. Since the transfer does not represent a gift of a present interest, the value of the property cannot be reduced by the annual exclusion (\$17,000 in 2023).

The QPRT represents an IRS-sanctioned exception to the general rule that Grantors are prohibited from the use or enjoyment of property that qualifies as a gift. To comply with IRS rules, the trust term is set to a specific period of time that is expected to be shorter than the owner's life expectancy. At the end of the term, title passes to the trust beneficiaries, and the owner begins paying fair market rent to them if the owner desires to continue residing in the home. These rental payments do not constitute taxable gifts.

This technique freezes the value of the home when it is transferred into the trust, and the gift is discounted according to actuarial assumptions applied to the remainder interest transferred to beneficiaries using IRS mortality tables and the Sec. 7520 rate in effect. The higher the 7520 rate, the lower the gift value, and thus the higher the potential estate tax savings.



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 4 - ANNUAL GIFTING

ILLUSTRATION 4 - ANNUAL GIFTING
(2 DONEES)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$29,000,000*	
Annual Growth Rate 3.00%	Annual Additions \$250,000	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$3,500,000 from Explosive Asset

QPRT	Gifts
Home Value \$3,000,000	Value \$0
Cash From Rent \$0	Annual Gifts \$68,000
	Annual Growth Rate 5.98% less 0.40% fees

Life Ins. - Bob
Death Benefit \$600,000
Annual Premium \$8,000

Upon 1st Death
(in Year 10)

Mary Sample		
Residence In QPRT	Investments \$39,127,348*	
Annual Growth Rate 3.00%	Annual Additions \$370,417	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$1,189,893 from Explosive Asset

Bypass Trust
Initial Funding Upon 1st Death \$7,665,586*
Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$7,665,586 from Explosive Asset

QPRT	Gifts
Home Value \$4,031,749	Value \$1,043,389
Cash From Rent \$670,055	Annual Gifts \$144,000
	Annual Growth Rate 5.98% less 0.40% fees

Life Ins. - Bob
Death Benefit \$600,000
Annual Growth Rate 5.98% less 0.40% fees

Upon 2nd Death
(in Year 20)

Mary's Estate	
Residence In QPRT	Investments \$57,145,222*
Exemption/Portability: (\$13,380,000)	
Net Taxable Estate: \$44,618,146	

* Includes \$2,047,974 from Explosive Asset

Bypass Trust
Value \$13,193,558*

* Includes \$13,193,558 from Explosive Asset

QPRT	Gifts
Home Value \$5,418,334	Value \$3,700,902
Cash From Rent \$952,510	

Life Ins. - Bob
Value \$852,924

Estate Tax
\$17,847,259

Total Passed
to Beneficiaries
\$63,416,192

This illustration shows the use of annual gifting.

Under current law (2023) individuals do not need to report gifts up to \$17,000 per year, per Donee, or joint gifts up to \$34,000 per year, per Donee made by married spouses. There is no limit on the number of Donee recipients allowed in a single year.

Gifts may be given directly to recipients or through a Gifting Trust, whereby a Trustee controls the investments and distributions to beneficiaries. A Gifting Trust may protect beneficiaries from creditor claims, divorcing spouses, or simply from making inappropriate financial decisions with unrestricted cash gifts.

In this example, Bob and Mary made joint non-reportable gifts of \$34,000 to each child or grandchild, totaling \$68,000 per year. This illustration projected increases to their annual gifts for CPI inflationary adjustments and growth totaling \$3,700,902 after 20 years.

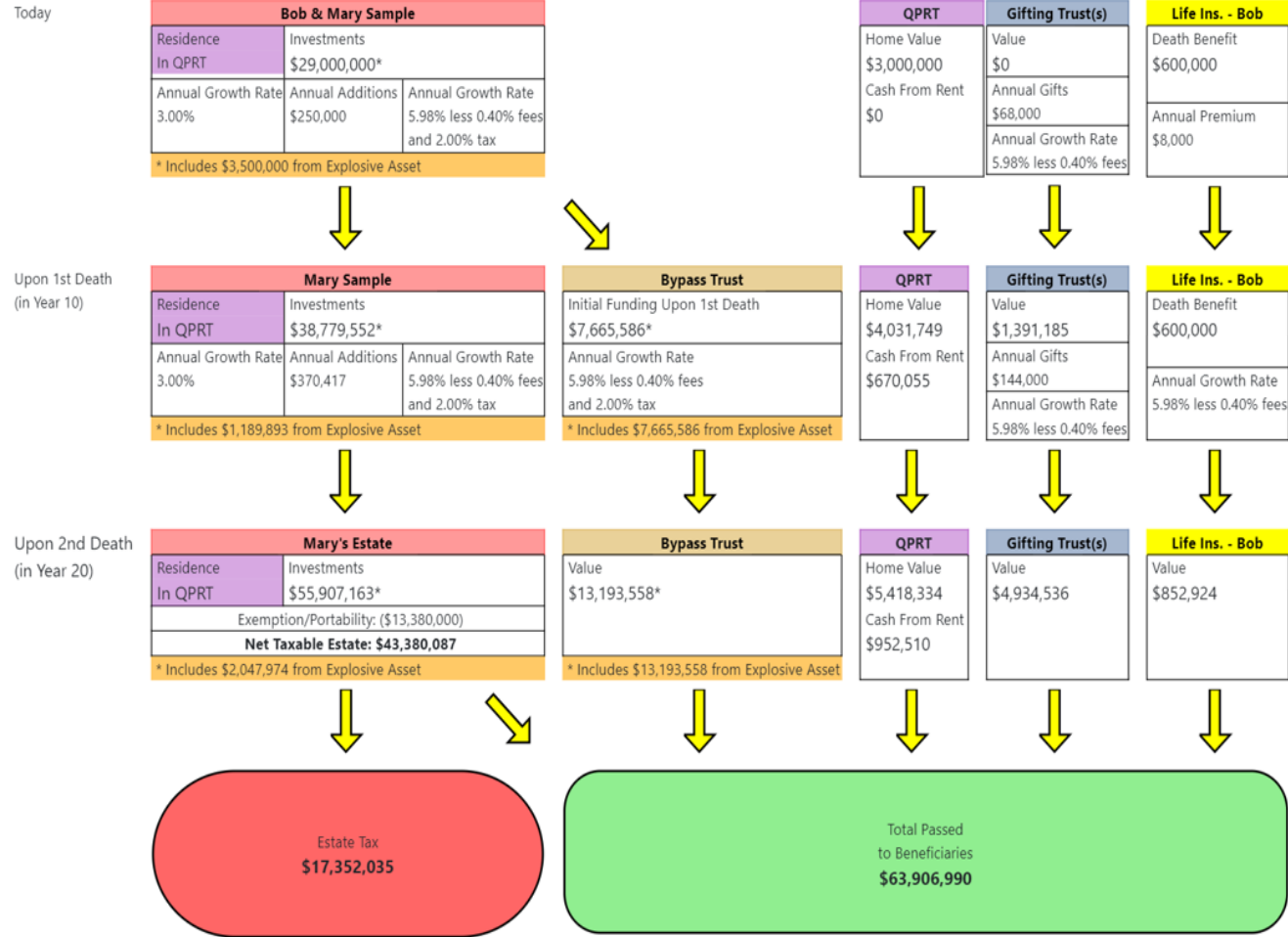
Applying a 40% estate tax rate, the combined savings from the annual gifting for both Bob and Mary is \$1,480,361.



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 5 - DISCOUNTED GIFTING

ILLUSTRATION 5 - DISCOUNTED GIFTING
(25% DISCOUNT)



Valuation discounts may apply when certain ownership interests are transferred, such as interests in family limited partnerships (FLPs) or limited liability companies (LLCs) holding businesses or investments. There are advantages to gifting partial ownership interests in lieu of cash. When less than 50% business interests are gifted, the asset may be entitled to a valuation discount due to minority interests lacking management control and lacking outside marketability of a partial interest in a closely-held family business.

The amount of the discount entails a subjective case-by-case determination; however, a 30% discount is often justified. Valuation discounts provide an opportunity to transfer more assets (and the future appreciation) out of the Donor's estate.

For example, if Bob and Mary transferred \$1,000,000 worth of assets into an FLP or LLC and then made a gift of a 10% minority interest or non-voting interest from the entity, this nominal transfer of \$100,000 out of their estate might only utilize the discounted amount of \$75,000 of their lifetime exemption, assuming a 25% valuation discount.

In this example, Bob and Mary jointly made joint non-reportable gifts of \$34,000 to each child or grandchild, totaling \$68,000 per year. Applying a 25% discount to their gifts and projecting increases to their annual gifts to adjust for inflation and growth removed a total of \$4,934,536 from their taxable estates.

The additional estate tax savings from using discounted gifts totaling \$68,000 per year during Bob and Mary's lifetime, and later discounted gifts of \$34,000 per year during Mary's survivorship, is \$495,224.



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 6 - LIFE INSURANCE

ILLUSTRATION 6 - LIFE INSURANCE TRUST PLANNING
(20 YEARS)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$29,000,000*	
Annual Growth Rate 3.00%	Annual Additions \$250,000	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$3,500,000 from Explosive Asset

QPRT	Gift Trust(s)	Life Ins. - Bob
Home Value \$3,000,000	Value \$0	Death Benefit \$600,000
Cash From Rent \$0	Annual Gifts \$68,000	Annual Premium \$8,000
	Annual Growth Rate 5.98% less 0.40% fees	

Upon 1st Death
(in Year 10)

Mary Sample		
Residence In QPRT	Investments \$38,917,405*	
Annual Growth Rate 3.00%	Annual Additions \$370,417	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$1,189,893 from Explosive Asset

Bypass Trust
Initial Funding Upon 1st Death \$7,665,586*
Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax

* Includes \$7,665,586 from Explosive Asset

QPRT	Gift Trust(s)	Life Ins. - Bob
Home Value \$4,031,749	Value \$1,253,333	Death Benefit \$600,000
Cash From Rent \$670,055	Annual Gifts \$144,000	Annual Growth Rate 5.98% less 0.40% fees
	Annual Growth Rate 5.98% less 0.40% fees	

Upon 2nd Death
(in Year 20)

Mary's Estate	
Residence In QPRT	Investments \$56,122,840*
Exemption/Portability: (\$13,380,000)	
Net Taxable Estate: \$42,742,840	
* Includes \$2,047,974 from Explosive Asset	

* Includes \$2,047,974 from Explosive Asset

Bypass Trust
Value \$13,193,558*

* Includes \$13,193,558 from Explosive Asset

QPRT	Gift Trust(s)	Life Ins. - Bob
Home Value \$5,418,334	Value \$4,719,959	Value \$852,924
Cash From Rent \$952,510		

Estate Tax
\$17,097,136

Total Passed
to Beneficiaries
\$64,162,989

This illustration shows estate tax savings from using one or more Life Insurance Trusts.

Life insurance can be an essential tool in estate planning. The proceeds of a life insurance policy can be used to pay estate taxes, debts, and other expenses, as well as to support surviving family members. Life insurance can also provide estate liquidity, permitting heirs to receive their inheritances sooner rather than waiting for assets to be sold.

When purchasing a life insurance policy for estate planning purposes, it is important to consider the ownership and beneficiary designations on the policy. If the policy is owned by the insured, the proceeds will be included in the insured's taxable estate. Instead, if the policy is owned by an Irrevocable Life Insurance Trust (ILIT), the proceeds are not included in the insured's estate, and may provide additional benefits of creditor protection and allow the trustee's control regarding distributions of the proceeds.

A caveat to remember is that the ILIT must have purchased the policy to be assured of its exclusion from the insured's estate or if an existing policy is transferred to an ILIT the insured person must survive such transfer by at least three years in order to exclude the proceeds from the insured's estate. However, there are exceptions to that rule if the policy was sold to the ILIT for adequate consideration.

When the insured person transfers cash or other assets to the ILIT to pay the annual policy premiums the transfer constitutes a "gift" and a specific procedure must be followed involving sending "Crummey Notices" to the policy's beneficiaries to maintain exclusion from the taxable estate. This procedure is based on the 1968 federal case *Crummey v. Commissioner*, whereby beneficiaries are notified (via Crummey Notices) of their right to withdraw cash gifted to the trust for covering premium payments. The specific procedures permit the premium payments to be deemed a gift of a present interest.

In this scenario, the total savings from Irrevocable Life Insurance Trust planning is \$254,899

The Mathematics of Estate Tax Planning

19

Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 7 - LARGE GIFT

ILLUSTRATION 7 - LARGE GIFT
(20 YEARS)

This illustration shows a large gift to the Gifting Trust in year one.

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$29,000,000*	
Annual Growth Rate 3.00%	Annual Additions \$250,000	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax
* Includes \$3,500,000 from Explosive Asset		

QPRT
Home Value \$3,000,000
Cash From Rent \$0

Gifting Trust(s)
Value \$0
Annual Gifts \$68,000
Annual Growth Rate 5.98% less 0.40% fees

Life Ins. - Bob
Death Benefit \$600,000
Annual Premium \$8,000

Upon 1st Death
(in Year 10)

Mary Sample		
Residence In QPRT	Investments \$38,917,405*	
Annual Growth Rate 3.00%	Annual Additions \$370,417	Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax
* Includes \$1,189,893 from Explosive Asset		

Bypass Trust
Initial Funding Upon 1st Death \$7,665,586*
Annual Growth Rate 5.98% less 0.40% fees and 2.00% tax
* Includes \$7,665,586 from Explosive Asset

QPRT
Home Value \$4,031,749
Cash From Rent \$670,055

Gifting Trust(s)
Value \$1,253,333
Annual Gifts \$144,000
Annual Growth Rate 5.98% less 0.40% fees

Life Ins. - Bob
Death Benefit \$600,000
Annual Growth Rate 5.98% less 0.40% fees

Upon 2nd Death
(in Year 20)

Mary's Estate	
Residence In QPRT	Investments \$56,122,840*
Exemption/Portability: (\$13,380,000)	
Net Taxable Estate: \$42,742,840	
* Includes \$2,047,974 from Explosive Asset	

Bypass Trust
Value \$13,193,558*
* Includes \$13,193,558 from Explosive Asset

QPRT
Home Value \$5,418,334
Cash From Rent \$952,510

Gifting Trust(s)
Value \$4,719,959

Life Ins. - Bob
Value \$852,924

Estate Tax
\$17,097,136

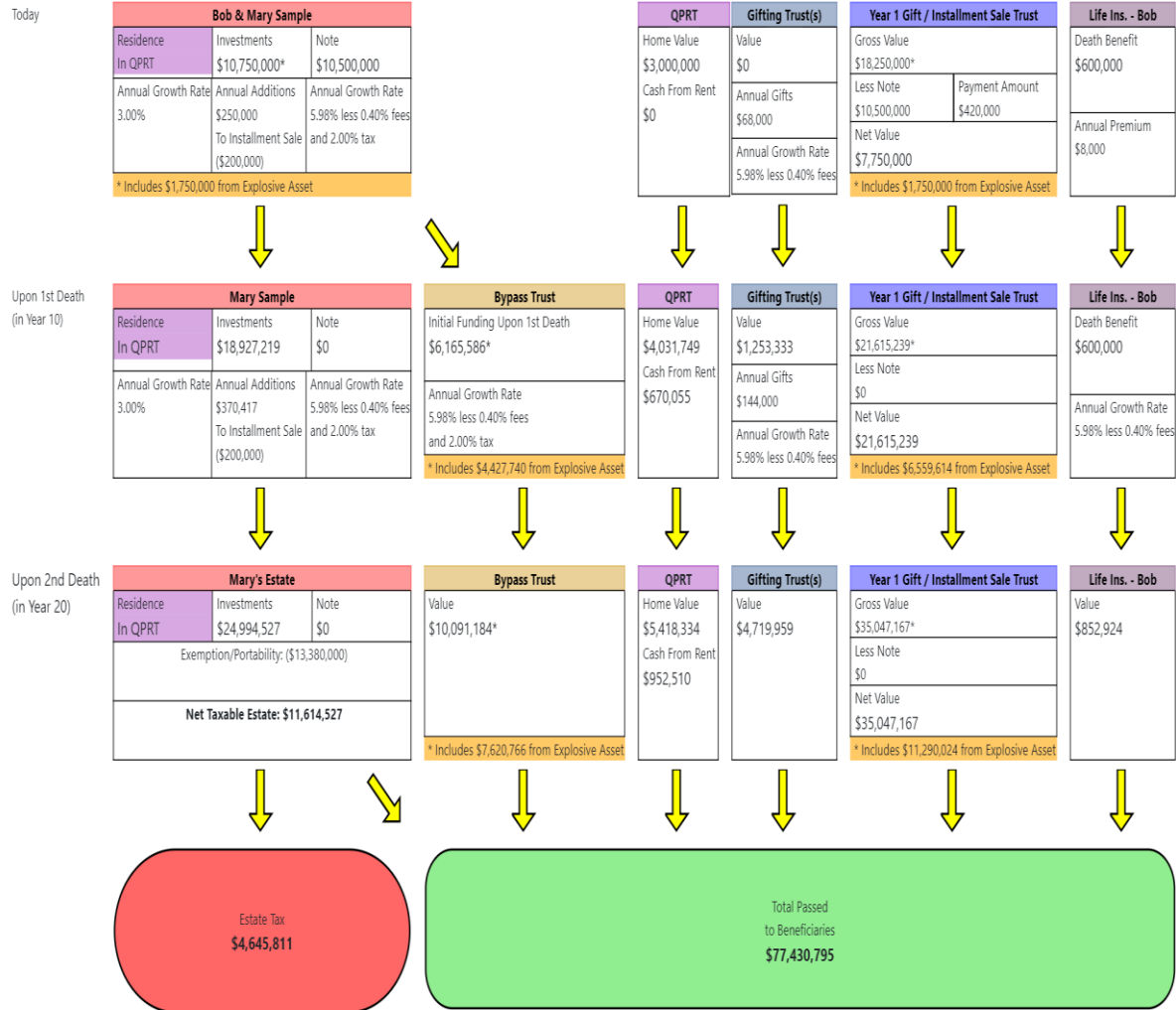
Total Passed
to Beneficiaries
\$64,162,989



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 8 - YEAR 1 GIFT / INSTALLMENT SALE

ILLUSTRATION 8 - YEAR 1 GIFT / INSTALLMENT SALE
(20 YEAR NOTE)



One of the most effective tools available to reduce Estate Tax exposure is the Installment Sale to an irrevocable trust.

An "Irrevocable Sale Trust" is established to purchase assets from Bob and Mary in exchange for an installment note. The Trust is thereby excluded from their estate and the sale does not utilize any lifetime gift exemption since it is structured as a sale rather than a gift. Bob and Mary may choose to continue to pay the income taxes attributable to the trust's taxable activity to further reduce their estate assets without their payment utilizing any of their lifetime Gift Tax exemption. However, Bob and Mary may toggle off the income tax inclusion at any time so that the trust begins paying its income taxes at the trust level.

This illustration assumes that Bob and Mary will always pay the income taxes on the trust's taxable income.

This illustration shows Bob and Mary making a seed capital gift of \$1,500,000 in year one to the trust, and shortly thereafter selling an ownership interest in an LLC or Family Limited Partnership in exchange for a Promissory Note.

The partial business interest worth \$15,000,000 is discounted by 30.00% for lack of control and marketability, resulting in a sale of \$10,500,000 asset value.

In exchange for the asset transfer, Bob and Mary receive a 4.00% note for the \$10,500,000 sales price. The note is structured to pay interest only with a balloon payment of principal due in 20 years. Before or at its maturity the note may be refinanced, or potentially converted to a Self-Canceling Installment Note ("SCIN").

This illustration shows the sale occurring in 2023 and growth of assets through the 2nd death in 2043. At that time, the Irrevocable Sale Trust will hold \$35,047,167 asset value that can pass outside of the estate into trusts providing lifetime benefits to children or other beneficiaries without triggering estate tax upon their deaths.

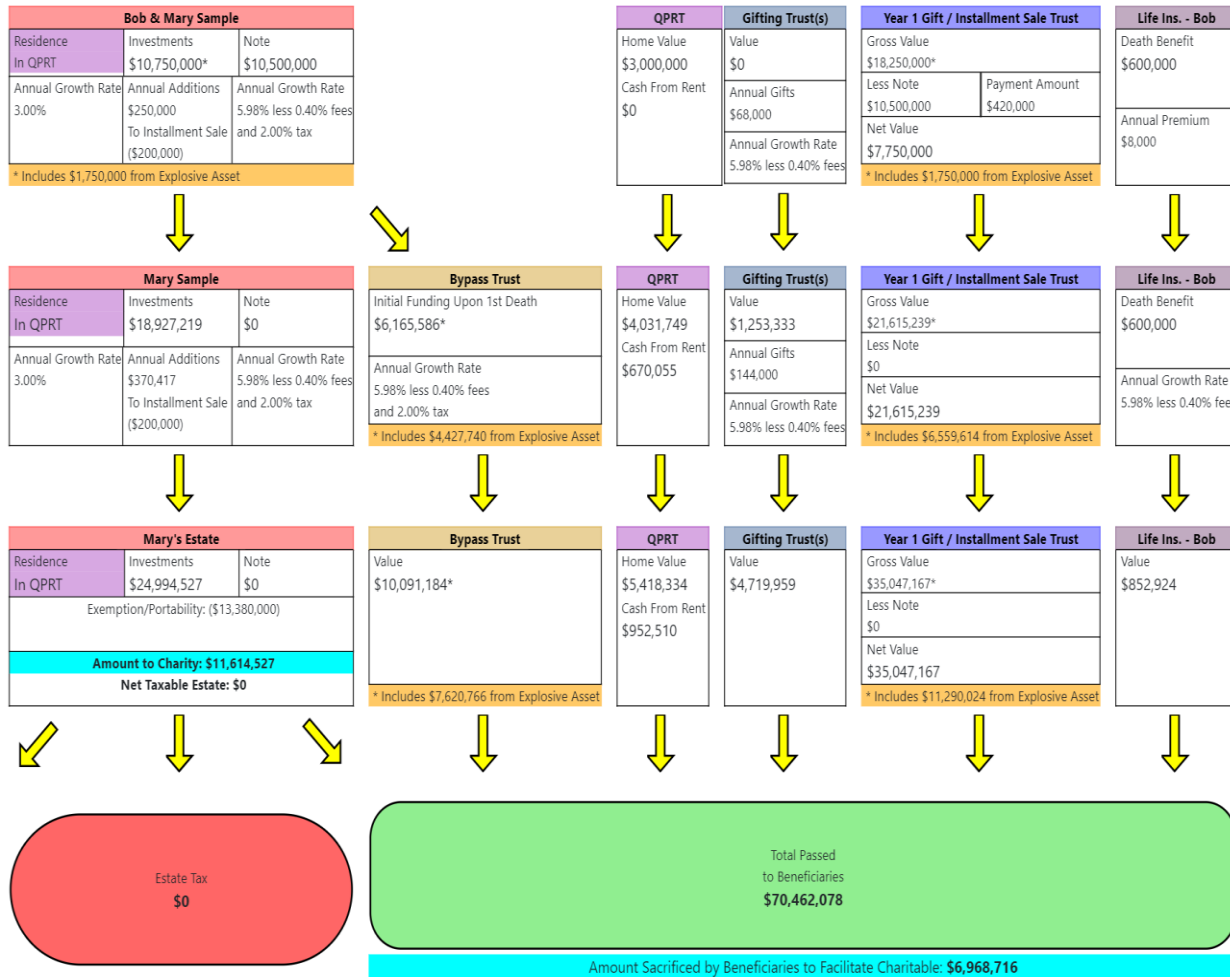
The estate tax savings from this installment sale of discounted assets would be \$12,706,224 based upon the assumptions set forth herein.



Comprehensive Married Planning Mode Letter Summary

ILLUSTRATION 9 - TESTAMENTARY CHARITY

ILLUSTRATION 9 - TESTAMENTARY CHARITY



The next illustration shows that allowing a residuary estate to pass to a Charity, a Family Charitable Foundation, or a Charitable Lead Annuity Trust (CLAT) will always result in zero estate taxes, but it will reduce the total amount passing to non-charitable Beneficiaries.

Here we show Bob and Mary Sample's residuary estate of \$11,614,527 that would otherwise be subject to 40% estate tax passing to a Charity, resulting in \$0 Estate Tax.



Whether passing the residuary estate directly to charities, or by utilizing a CLAT, estate taxes will be zeroed-out. However, the advantage of utilizing a CLAT is that the assets continue to grow during the charitable payment term, resulting in potentially more remainder assets passing to family Beneficiaries after the end of the charitable payment term.

For example, if Bob and Mary Sample's net taxable estate passed directly to one or more qualified Charities, the amount passing to non-charitable Beneficiaries would be \$70,462,078.

However, passing the \$11,614,527 residuary estate to a CLAT allows more time for the assets to grow tax-free while making annual payments to one or more charities during the charitable payment term.

To effectuate a testamentary CLAT, Bob and Mary Sample's Wills and Trust documents would include specific provisions directing the Personal Representative or Trustee to allocate the maximum assets to offset the finally determined estate tax liability.

LARGE GIFT CALCULATOR

Large Gift Summaries [Alter Summary Columns](#)  

Gift #	Age	Life Expectancy	Age of Death	Years Illustrated	Current Investments	Investments Growth Rate (After Tax)	DSUE	Prior Gifts	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Taxable Estate	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Savings Per Million Gifted	Incremental Savings Per Million
1	65	19.1	95	30	\$29,500,000	2.00%	\$0	\$0	\$1,000,000	0.00%	0	\$44,463,626	\$20,220,000	\$9,697,450	\$1,811,362	\$36,577,537	\$324,545	\$324,545	\$324,545
2	65	19.1	95	30	\$29,500,000	2.00%	\$0	\$0	\$2,000,000	0.00%	0	\$42,652,264	\$19,220,000	\$9,372,906	\$3,622,723	\$36,902,082	\$649,089	\$324,545	\$324,545
3	65	19.1	95	30	\$29,500,000	2.00%	\$0	\$0	\$7,000,000	0.00%	0	\$33,595,456	\$14,760,000	\$7,534,182	\$12,679,531	\$38,740,805	\$2,487,812	\$355,402	\$540,545
4	65	19.1	95	30	\$29,500,000	2.00%	\$0	\$0	\$8,000,000	0.00%	0	\$31,784,094	\$14,760,000	\$6,809,638	\$14,490,893	\$39,465,349	\$3,212,357	\$401,545	\$724,545

The **Large Gift Calculator** provides the planner an opportunity to see the impact of making a single large gift to a Grantor Trust in 2024, and the impact of the estate tax exclusion potentially dropping by one-half in 2026.

The planner can take into account the client's net worth, anticipated growth in net worth, any current portability allowance and remaining estate and gift tax exemption, and experiment with decisions on whether to split the gift, and whether and when to toggle off Grantor Trust status.

The scenarios shown above serve to educate the client by illustrating the incremental savings per \$1,000,000 of gift up to and then exceeding the DSUE and temporary exclusion.

The spreadsheet and logistical displays make this all the more understandable.

Gift splitting can also be shown along with an estimation of whether and when the client might ever run out of assets based upon spending rates of returns and tax rates.



LARGE GIFT CALCULATOR

Large Gift Details

Alter Detail Columns Below

Gift 1

Gift 2

Gift 3

Gift 4

Export to Excel

Show Every 1 Year(s):

-

1

+



Year #	Grantor Age	Prob Survival Through Year	Beginning Investments Value	Year One Gift	Grantor's Income Before Taxes	Income Taxes on Grantor's Income	Net Income (After Taxes)	Income Tax (Burn) on Trust Income	Annual Savings / (Spending)	End of Year Investments Value	DSUE	Core Exemption	Temp Exemption	Total Exemption	Estate Tax Liability	Trust Growth	End Trust Value	Estate Tax Savings	Savings Per Million Gifted
0	65	100.00%	\$29,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$29,500,000	\$0	\$6,460,000	\$6,460,000	\$12,920,000	\$6,632,000	\$0	\$0	\$0	\$0
0	65	100.00%	\$29,500,000	\$8,000,000	\$0	\$0	\$0	\$0	\$0	\$21,500,000	\$0	\$0	\$4,920,000	\$4,920,000	\$6,632,000	\$0	\$8,000,000	\$0	\$0
1	66	97.34%	\$21,500,000	\$0	\$1,075,000	(\$645,000)	\$430,000	\$0	(\$100,000)	\$21,830,000	\$0	\$340,000	\$5,260,000	\$5,600,000	\$6,492,000	\$400,000	\$8,160,000	\$64,000	\$8,000
2	67	95.85%	\$21,830,000	\$0	\$1,091,500	(\$654,900)	\$436,600	\$0	(\$104,000)	\$22,162,600	\$0	\$610,000	\$5,530,000	\$6,140,000	\$6,409,040	\$408,000	\$8,323,200	\$129,280	\$16,160
3	68	94.26%	\$22,162,600	\$0	\$1,108,130	(\$664,878)	\$443,252	\$0	(\$108,160)	\$22,497,692	\$0	\$900,000	\$0	\$900,000	\$8,639,077	\$416,160	\$8,489,664	\$811,866	\$101,483
4	69	92.56%	\$22,497,692	\$0	\$1,124,885	(\$674,931)	\$449,954	\$0	(\$112,486)	\$22,835,159	\$0	\$1,190,000	\$0	\$1,190,000	\$8,658,064	\$424,483	\$8,659,457	\$879,783	\$109,973
5	70	90.75%	\$22,835,159	\$0	\$1,141,758	(\$685,055)	\$456,703	\$0	(\$116,986)	\$23,174,877	\$0	\$1,500,000	\$0	\$1,500,000	\$8,669,951	\$432,973	\$8,832,646	\$949,059	\$118,632
6	71	88.81%	\$23,174,877	\$0	\$1,158,744	(\$695,246)	\$463,498	\$0	(\$121,665)	\$23,516,709	\$0	\$1,810,000	\$0	\$1,810,000	\$8,682,684	\$441,632	\$9,009,299	\$1,019,720	\$127,465
7	72	86.73%	\$23,516,709	\$0	\$1,175,835	(\$705,501)	\$470,334	\$0	(\$126,532)	\$23,860,511	\$0	\$2,150,000	\$0	\$2,150,000	\$8,684,205	\$450,465	\$9,189,485	\$1,091,794	\$136,474
8	73	84.51%	\$23,860,511	\$0	\$1,193,026	(\$715,815)	\$477,210	\$0	(\$131,593)	\$24,206,128	\$0	\$2,490,000	\$0	\$2,490,000	\$8,686,451	\$459,474	\$9,373,275	\$1,165,310	\$145,664
9	74	82.13%	\$24,206,128	\$0	\$1,210,306	(\$726,184)	\$484,123	\$0	(\$136,857)	\$24,553,394	\$0	\$2,850,000	\$0	\$2,850,000	\$8,681,358	\$468,664	\$9,560,741	\$1,240,296	\$155,037
10	75	79.60%	\$24,553,394	\$0	\$1,227,670	(\$736,602)	\$491,068	\$0	(\$142,331)	\$24,902,131	\$0	\$3,220,000	\$0	\$3,220,000	\$8,672,852	\$478,037	\$9,751,955	\$1,316,782	\$164,598
11	76	76.91%	\$24,902,131	\$0	\$1,245,107	(\$747,064)	\$498,043	\$0	(\$148,024)	\$25,252,149	\$0	\$3,610,000	\$0	\$3,610,000	\$8,656,860	\$487,598	\$9,946,994	\$1,394,798	\$174,350
12	77	74.05%	\$25,252,149	\$0	\$1,262,607	(\$757,564)	\$505,043	\$0	(\$153,945)	\$25,603,246	\$0	\$4,010,000	\$0	\$4,010,000	\$8,637,299	\$497,350	\$10,145,934	\$1,474,374	\$184,297
13	78	71.00%	\$25,603,246	\$0	\$1,280,162	(\$768,097)	\$512,065	\$0	(\$160,103)	\$25,955,208	\$0	\$4,430,000	\$0	\$4,430,000	\$8,610,083	\$507,297	\$10,348,853	\$1,555,541	\$194,443
14	79	67.77%	\$25,955,208	\$0	\$1,297,760	(\$778,656)	\$519,104	\$0	(\$166,507)	\$26,307,805	\$0	\$4,870,000	\$0	\$4,870,000	\$8,575,122	\$517,443	\$10,555,830	\$1,638,332	\$204,792
15	80	64.37%	\$26,307,805	\$0	\$1,315,390	(\$789,234)	\$526,156	\$0	(\$173,168)	\$26,660,793	\$0	\$5,320,000	\$0	\$5,320,000	\$8,536,317	\$527,792	\$10,766,947	\$1,722,779	\$215,347



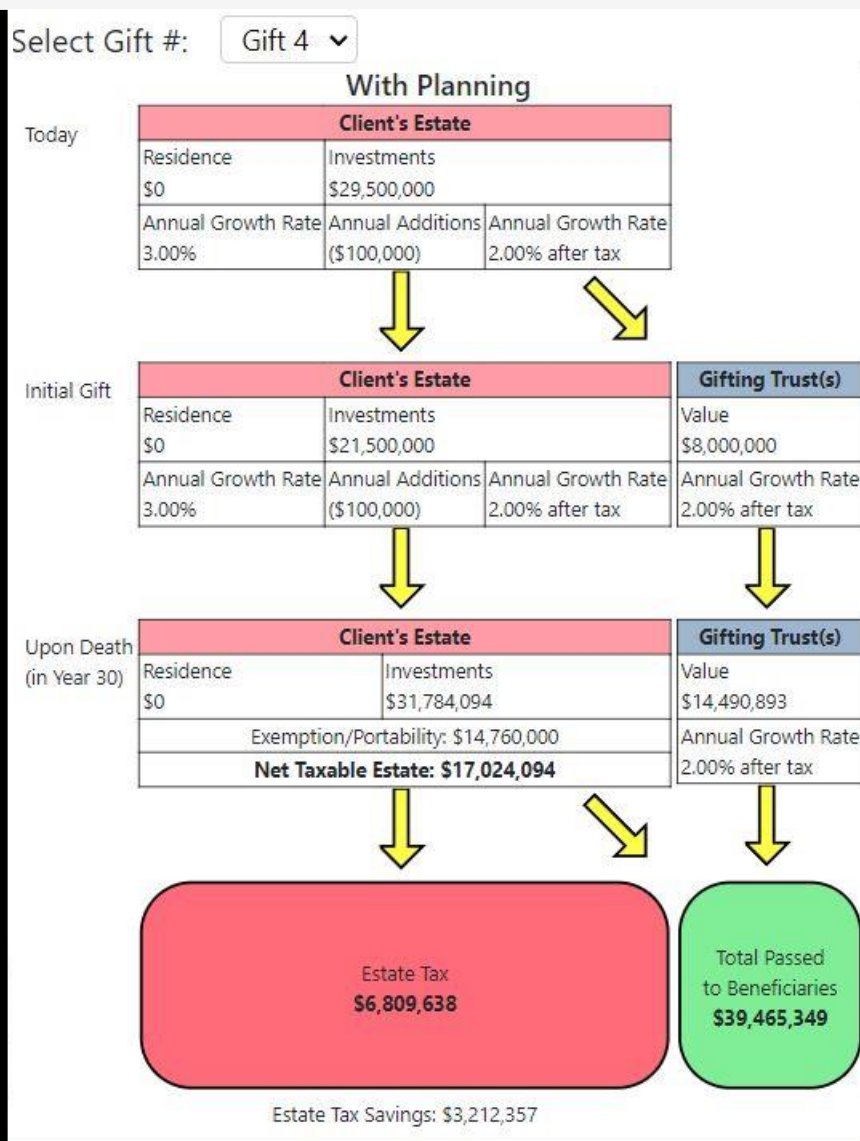
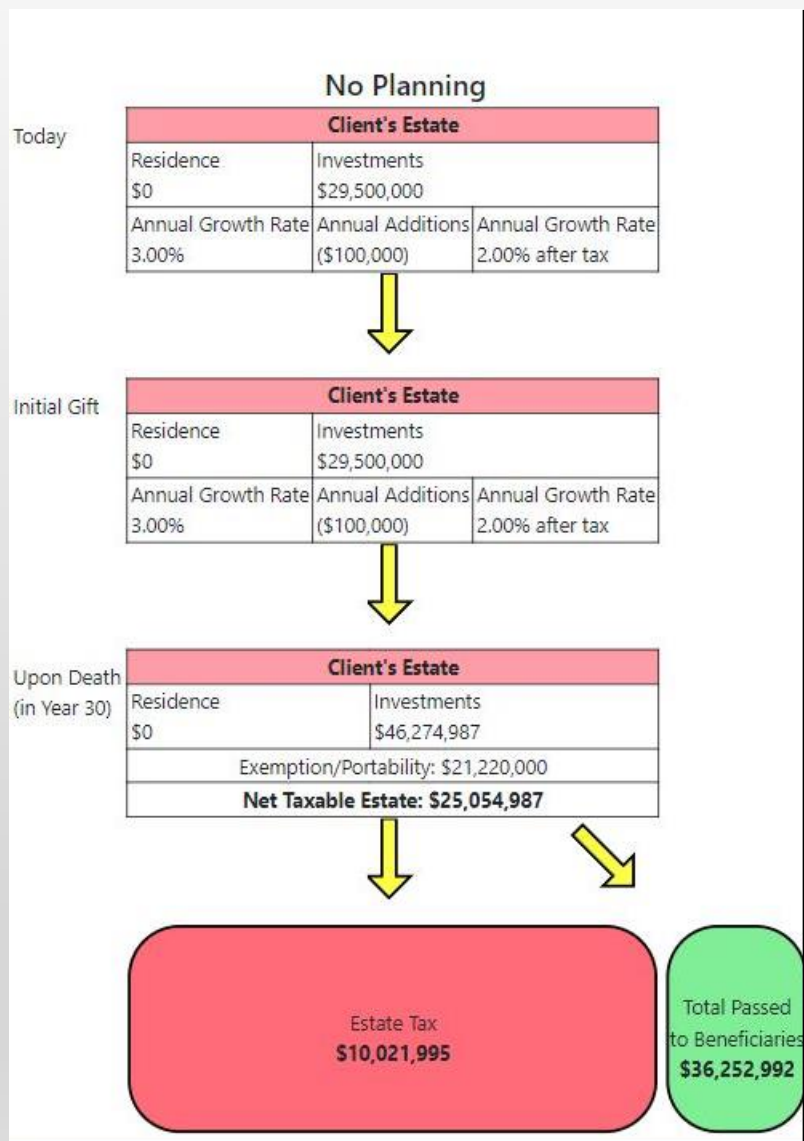
Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished)
agassman@gassmanpa.com

GASSMAN CROTTY DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

The Mathematics of Estate Tax Planning

24

LARGE GIFT CALCULATOR



All calculators include the following:

1. What you see in this PowerPoint deck.
2. 3 instructional videos:
 - A. A laymen's overview of the technique.
 - B. Instructions on how to use the calculator.
 - C. A deep dive discussion on techniques and issues. Presenters will include Jerry Hesch, Jonathan Blattmachr, Bob Keebler, Marty Shenkman, Brandon Ketron, Alan Gassman and others.
3. Ability to produce PowerPoint Summary of each scenario.
4. Ability to export the calculator itself with preloaded data to clients and colleagues for 12 days of free use.
5. Show the income and estate tax impact (“The Burn”) and toggling off in any given year.
6. Save selected data on your computer for later use.



SAMPLE INPUT GUIDANCE

CLAT 1 Duplicate Delete

Standard ☒ Advanced

Income Tax Treatment: **Grantor CLAT**

Transfer Date: 12/29/2023

Lowest Available § 7520: 5.40%

Best to use lowest rate.

Oct	Nov	Dec
5.40%	5.60%	5.80%

Grantor Age (Nearest Birthday): 64

Date of Birth: 07/29/1959 Age at Nearest Birthday: 64

Table2010CM Life Expectancy: 83.8 (19.8 years)

Term of CLAT: 20

Grantor Yr of Death: 85 (Year 21)

of Years Illustrated: 30

Payment Terms: Shark-fin

Annuity Amount Setting (\$ / %): Percentage of Value

Initial Annuity Amount: 1.00%

Automatically informs the user of possible 7520 rates and the best 7520 rate.

Inform the user to use the nearest (not last) birthday and allows entry of birthday to determine this.

Automatically informs the user of the clients life expectancy.

Warns the user that the IRS has not approved Shark-fin CLATs and that it is safest to provide an "increasing by 20% per year" payment schedule.

Gift Value Setting (\$ / %)

Flat \$

Target Gift Value

\$5,000

Asset Growth Rate

7.50%

Income Tax Rate

37.00%

Ordinary Income Setting (\$ / %)

Percentage of Value

Ordinary Income

2.00%

Discountable Assets (e.g. Corp)

\$800,000

Discount Rate

25.00%

Discounted Amount

\$600,000.00

Non-Discountable Assets (e.g. cash)

\$0

Combined Value Before Discounts

\$800,000.00

Combined Value After Discounts

\$600,000.00

Time Value of Money, Illustration, Rate

4.80%

Inform the user that it may be best to not completely zero out the CLAT.

Inform the user that valuation discounts on an LLC that will make annual distributions may be limited.

Can inform the user of the actual present value of future dollar amounts.



CLAT CALCULATOR

CLAT Summaries

[Alter Summary Columns](#)



CLAT #	Term of CLAT	Grantor Age	Life Expectancy	Income Tax Treatment	Value Before Discounts	Discount Rate	Value After Discounts	Asset Growth Rate	Payment Terms	1st Yr Annuity Amt	Total Charitable Payments	Yr 1 Income Tax Savings	Percent to Charity	Percent to Remainder	Yr 1 Inc Tx Savings + PV of Remaindr	Illustrated End Value
1	20	70	15.4	Grantor	\$1,000,000	0%	\$1,000,000	7.50%	Level	\$82,986	\$1,659,723	\$362,628	78%	22%	\$640,953	\$1,348,247
2	20	70	15.4	Grantor	\$1,000,000	0%	\$1,000,000	7.50%	Increasing 20%	\$11,783	\$2,199,698	\$362,366	69%	31%	\$802,505	\$2,132,102
3	20	70	15.4	Grantor	\$1,000,000	0%	\$1,000,000	7.50%	Sharkfin	\$5,000	\$2,790,445	\$362,341	64%	36%	\$932,843	\$2,763,601
4	20	70	15.4	Grantor	\$1,000,000	0%	\$1,000,000	7.50%	Sharkfin	\$5,000	\$2,790,445	\$362,600	64%	36%	\$933,102	\$2,763,601
5	20	70	15.4	Grantor	\$1,000,000	20%	\$800,000	7.50%	Sharkfin	\$8,000	\$2,174,361	\$288,352	49%	51%	\$1,188,243	\$3,889,275
6	25	70	15.4	Grantor	\$1,000,000	20%	\$800,000	7.50%	Sharkfin	\$8,000	\$2,775,676	\$288,352	47%	53%	\$1,277,840	\$4,276,511

Easily calculate the payment amounts to achieve a zeroed-out CLAT or “almost zeroed out” under various alternative payment structures.

The illustrated scenarios provide a comparison of charitable payments that are level, increasing by 20% per year, and utilizing a Sharkfin structure (starting at a low level with a sharp increase in the final year). The illustration also compares contributions of discounted assets and the income tax deductions generated for the year of contribution, and income tax expenses in subsequent years.

Most meaningfully, the display shows the percentage of assets and total dollar amounts that will go to charity and the remainder assets that will pass to non-charitable beneficiaries using net present values.



CLAT CALCULATOR

CLAT Details

Alter Detail Columns Below

CLAT 1

CLAT 2

CLAT 3

CLAT 4

CLAT 5

CLAT 6

Export to Excel

Show Every 2 Year(s):



2



Year	Year #	Grantor Age	Probability Survival To Year	Beginning Value	Growth	Annuity Amount	End Value	Ordinary Income	Income Tax Savings / Expense	PV Inc Tx Savings / Expense
2025	2	72	95.95%	\$1,067,000.00	\$80,025.00	\$8,000.00	\$1,139,025.00	\$22,060.25	(\$8,162.29)	(\$7,403.44)
2027	4	74	91.30%	\$1,216,451.88	\$91,233.89	\$8,000.00	\$1,299,685.77	\$25,161.38	(\$9,309.71)	(\$7,659.12)
2029	6	76	86.00%	\$1,389,162.20	\$104,187.16	\$8,000.00	\$1,485,349.36	\$28,745.12	(\$10,635.69)	(\$7,936.52)
2031	8	78	80.00%	\$1,588,750.56	\$119,156.29	\$8,000.00	\$1,699,906.85	\$32,886.57	(\$12,168.03)	(\$8,235.80)
2033	10	80	73.22%	\$1,819,399.86	\$136,454.99	\$8,000.00	\$1,947,854.85	\$37,672.55	(\$13,938.84)	(\$8,557.24)
2035	12	82	65.68%	\$2,085,943.96	\$156,445.80	\$8,000.00	\$2,234,389.76	\$43,203.34	(\$15,985.24)	(\$8,901.18)
2037	14	84	57.48%	\$2,393,968.99	\$179,547.67	\$8,000.00	\$2,565,516.66	\$49,594.86	(\$18,350.10)	(\$9,268.05)
2038	15	85	53.11%	\$2,565,516.66	\$192,413.75	\$8,000.00	\$2,749,930.41	\$53,154.47	(\$19,667.15)	(\$9,460.24)
2039	16	86	48.61%	\$2,749,930.41	\$206,244.78	\$8,000.00	\$2,948,175.19	\$0.00	\$0.00	\$0.00
2041	18	88	39.38%	\$3,161,288.33	\$237,096.62	\$8,000.00	\$3,390,384.95	\$0.00	\$0.00	\$0.00
2043	20	90	30.26%	\$3,636,663.82	\$272,749.79	\$8,000.00	\$3,901,413.61	\$0.00	\$0.00	\$0.00
2045	22	92	21.80%	\$4,186,019.63	\$313,951.47	\$8,000.00	\$4,491,971.10	\$0.00	\$0.00	\$0.00
2047	24	94	14.56%	\$4,820,868.93	\$361,565.17	\$8,000.00	\$5,174,434.10	\$0.00	\$0.00	\$0.00
2048	25	95	11.51%	\$5,174,434.10	\$388,082.56	\$2,583,675.77	\$2,978,840.89	\$0.00	\$0.00	\$0.00
2049	26	96	8.89%	\$2,978,840.89	\$223,413.07	\$0.00	\$3,202,253.96	\$0.00	\$0.00	\$0.00
2051	28	98	4.90%	\$3,442,423.01	\$258,181.73	\$0.00	\$3,700,604.74	\$0.00	\$0.00	\$0.00
2053	30	100	2.41%	\$3,978,150.10	\$298,361.26	\$0.00	\$4,276,511.36	\$0.00	\$0.00	\$0.00
Totals:					\$6,052,187.13	\$2,775,675.77			\$105,025.45	\$157,590.56



Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished)
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

The Mathematics of Estate Tax Planning

SCIN CALCULATOR

Sale/Note Summaries

Alter Summary Columns



Sale #	Grantor Age	2nd Life Age	Life Expectancy	Year of Death	Term of Note	Year One Gift	Value Before Discounts	Value After Discounts	Note Type	Payment Type	Premium Type	\$ 7520 Rate	AFR	Principal Risk Premium	Note Amount	Interest Rate Risk Premium	Interest Rate With Premium	Annual Payment	Total Estate Tax Savings	Exhaustion Year
1	60	N/A	23	9	23	\$100,000	\$1,000,000	\$750,000	SCIN	Interest Only	Interest Rate	5.80%	4.41%	N/A	\$750,000	3.3995%	7.8095%	\$58,571	\$2,793,134	N/A
2	60	N/A	23	12	23	\$100,000	\$1,000,000	\$700,000	SCIN	Interest Only	Interest Rate	5.80%	4.41%	N/A	\$700,000	3.3995%	7.8095%	\$54,667	\$2,651,987	N/A
3	60	N/A	23	18	20	\$100,000	\$1,000,000	\$650,000	Conv.	Interest Only	Interest Rate	5.80%	4.41%	N/A	\$650,000	N/A	4.4100%	\$28,665	\$2,651,580	N/A
4	60	N/A	23	25	15	\$100,000	\$1,000,000	\$700,000	Conv.	Interest Only	Interest Rate	5.80%	4.41%	N/A	\$700,000	N/A	4.4100%	\$30,870	\$2,511,794	N/A

The **Self-Canceling Installment Note ("SCIN")/Installment Sale Calculator** allows the planner to instantly know what the premium and total interest rate or principal gross up will be on a SCIN, and provides spreadsheets based upon any seed capital gift, discounted or non-discounted assets being sold, expected payments, and estate tax savings upon death and each year for the number of years illustrated.

A conventional sale (not self-canceling) at the lowest applicable federal rate can compared “side by side” to the SCIN alternative.

The term of the note can be set to extend beyond the life expectancy of the individual, and a SCIN for two lives can be setup for a married couple.



SCIN CALCULATOR

Sale/Note Details

Alter Detail Columns Below

Sale 1

Sale 2

Sale 3

Sale 4

Export to Excel



Show Every 2 Year(s):




Year #	Grantor Age	2nd Life Age	Probability Survival Through Year	Growth	Addl Income	Payment	Income Tax Paid By Trust	End Value	Beginning Note Balance	Interest	End Note Balance	Estate Tax Savings From Trust Assets	Income Tax (Burn) on Trust Income	Estate Tax Savings From Burn	Total Estate Tax Savings
2	62	0	97.18%	\$86,372.25	\$0.00	(\$30,870.00)	\$0.00	\$1,207,132.25	\$700,000.00	(\$30,870.00)	\$700,000.00	\$162,852.90	(\$8,727.42)	\$7,073.31	\$169,926.21
4	64	0	94.99%	\$95,009.79	\$0.00	(\$30,870.00)	\$0.00	\$1,330,936.96	\$700,000.00	(\$30,870.00)	\$700,000.00	\$212,374.78	(\$9,611.62)	\$15,954.76	\$228,329.55
6	66	0	92.46%	\$104,991.54	\$0.00	(\$30,870.00)	\$0.00	\$1,474,008.77	\$700,000.00	(\$30,870.00)	\$700,000.00	\$269,603.51	(\$10,633.42)	\$27,035.83	\$296,639.34
8	68	0	89.54%	\$116,526.71	\$0.00	(\$30,870.00)	\$0.00	\$1,639,346.14	\$700,000.00	(\$30,870.00)	\$700,000.00	\$335,738.45	(\$11,814.23)	\$40,786.04	\$376,524.50
10	70	0	86.20%	\$129,857.03	\$0.00	(\$30,870.00)	\$0.00	\$1,830,414.13	\$700,000.00	(\$30,870.00)	\$700,000.00	\$412,165.65	(\$13,178.81)	\$57,767.80	\$469,933.45
12	72	0	82.39%	\$145,261.89	\$0.00	(\$30,870.00)	\$0.00	\$2,051,217.08	\$700,000.00	(\$30,870.00)	\$700,000.00	\$500,486.83	(\$14,755.76)	\$78,653.89	\$579,140.72
14	74	0	78.02%	\$163,064.13	\$0.00	(\$30,870.00)	\$0.00	\$2,306,382.48	\$700,000.00	(\$30,870.00)	\$700,000.00	\$602,552.99	(\$16,578.11)	\$104,248.27	\$706,801.26
15	75	0	75.61%	\$172,978.69	\$0.00	(\$730,870.00)	\$0.00	\$1,748,491.17	\$700,000.00	(\$30,870.00)	\$0.00	\$659,396.47	(\$15,003.03)	\$118,068.10	\$777,464.57
16	76	0	73.05%	\$131,136.84	\$0.00	(\$0.00)	\$0.00	\$1,879,628.01	\$0.00	(\$0.00)	\$0.00	\$711,851.20	(\$13,424.04)	\$132,292.82	\$844,144.03
18	78	0	67.44%	\$151,545.01	\$0.00	(\$0.00)	\$0.00	\$2,172,145.12	\$0.00	(\$0.00)	\$0.00	\$828,858.05	(\$15,513.16)	\$165,291.42	\$994,149.47
20	80	0	61.14%	\$175,129.20	\$0.00	(\$0.00)	\$0.00	\$2,510,185.20	\$0.00	(\$0.00)	\$0.00	\$964,074.08	(\$17,927.39)	\$205,356.81	\$1,169,430.89
22	82	0	54.20%	\$202,383.68	\$0.00	(\$0.00)	\$0.00	\$2,900,832.77	\$0.00	(\$0.00)	\$0.00	\$1,120,333.11	(\$20,717.34)	\$253,889.34	\$1,374,222.45
24	84	0	46.69%	\$233,879.64	\$0.00	(\$0.00)	\$0.00	\$3,352,274.87	\$0.00	(\$0.00)	\$0.00	\$1,300,909.95	(\$23,941.48)	\$312,554.05	\$1,613,464.00
25	85	0	42.74%	\$251,420.62	\$0.00	(\$0.00)	\$0.00	\$3,603,695.49	\$0.00	(\$0.00)	\$0.00	\$1,401,478.19	(\$25,737.09)	\$335,995.60	\$1,737,473.80
26	86	0	38.70%	\$270,277.16	\$0.00	(\$0.00)	\$0.00	\$3,873,972.65	\$0.00	(\$0.00)	\$0.00	\$1,509,589.06	(\$27,667.37)	\$361,195.27	\$1,870,784.33



PRIVATE ANNUITY CALCULATOR

Private Annuity Summaries [Alter Summary Columns](#)  

Annuity #	Grantor Age	2nd Life Age	Life Expectancy	Year of Death	# of Years Illustrated	Year One Gift	Value Before Discounts	Value After Discounts	Growth Rate	Deferral Period	Payment Terms	\$ 7520 Rate	Annuity Factor	YR1 Annual Annuity	Remainder Value	Total Estate Tax Savings	Exhaustion Test Requirement Important Information: 
1	70	N/A	15.4	15	30	\$0	\$10,000,000	\$10,000,000	7.50%	4	Graduated 4.00%	5.80%	7.7031	\$1,298,179	\$13,343,459	\$7,803,261	\$25,988,841
2	70	N/A	15.4	15	30	\$0	\$10,000,000	\$10,000,000	7.50%	4	Graduated 4.00%	5.80%	7.7031	\$1,298,179	\$13,343,459	\$7,803,261	\$25,988,841
3	70	N/A	15.4	15	30	\$0	\$10,000,000	\$10,000,000	7.50%	6	Graduated 4.00%	5.80%	5.8952	\$1,696,295	\$16,718,611	\$9,423,029	\$29,050,943

The **Private Annuity Calculator** computes and illustrates multiple scenarios of a private annuity transaction between one or two individuals and a Grantor Trust.

The calculator displays the annual annuity payment and the amount needed to satisfy the IRS Exhaustion Test. The program allows the user to defer the annuity payments until a designated year and to increase the payments by a certain percentage each year or to customize the increase on a year-by-year basis.

Calculations can be made on discounted assets and even assets that throw off annual income above and beyond an imputed growth rate.



PRIVATE ANNUITY CALCULATOR

Private Annuity 1

Private Annuity 2

Private Annuity 3

Export to Excel

Show Every 1 Year(s):

-

1

+



Year	Year #	Grantor Age	2nd Life Age	Beginning Value	Growth	Addl Income (After Taxes)	Annuity Amount	End Value	Estate Tax Savings From Trust Assets	Income Tax (Burn) on Trust Income	Estate Tax Savings From Burn	Total Estate Tax Savings
2024	1	71	0	\$10,000,000.00	\$750,000.00	\$0.00	\$0.00	\$10,750,000.00	\$4,300,000.00	(\$76,775.00)	\$30,710.00	\$4,330,710.00
2025	2	72	0	\$10,750,000.00	\$806,250.00	\$0.00	\$0.00	\$11,556,250.00	\$4,622,500.00	(\$82,533.13)	\$66,026.50	\$4,688,526.50
2026	3	73	0	\$11,556,250.00	\$866,718.75	\$0.00	\$0.00	\$12,422,968.75	\$4,969,187.50	(\$88,723.11)	\$106,467.73	\$5,075,655.23
2027	4	74	0	\$12,422,968.75	\$931,722.66	\$0.00	\$0.00	\$13,354,691.41	\$5,341,876.56	(\$95,377.34)	\$152,603.75	\$5,494,480.31
2028	5	75	0	\$13,354,691.41	\$1,001,601.86	\$0.00	\$0.00	\$14,356,293.26	\$5,742,517.30	(\$102,530.64)	\$205,061.29	\$5,947,578.59
2029	6	76	0	\$14,356,293.26	\$1,076,721.99	\$0.00	\$0.00	\$15,433,015.26	\$6,173,206.10	(\$110,220.44)	\$264,529.06	\$6,437,735.16
2030	7	77	0	\$15,433,015.26	\$1,157,476.14	\$0.00	\$1,696,295.29	\$14,894,196.11	\$5,957,678.44	(\$112,210.68)	\$329,253.01	\$6,286,931.46
2031	8	78	0	\$14,894,196.11	\$1,117,064.71	\$0.00	\$1,764,147.10	\$14,247,113.72	\$5,698,845.49	(\$107,822.85)	\$397,076.13	\$6,095,921.61
2032	9	79	0	\$14,247,113.72	\$1,068,533.53	\$0.00	\$1,834,712.99	\$13,480,934.26	\$5,392,373.70	(\$102,593.78)	\$467,894.35	\$5,860,268.05
2033	10	80	0	\$13,480,934.26	\$1,011,070.07	\$0.00	\$1,908,101.51	\$12,583,902.82	\$5,033,561.13	(\$96,439.90)	\$541,562.38	\$5,575,123.51
2034	11	81	0	\$12,583,902.82	\$943,792.71	\$0.00	\$1,984,425.57	\$11,543,269.97	\$4,617,307.99	(\$89,270.54)	\$617,887.78	\$5,235,195.76
2035	12	82	0	\$11,543,269.97	\$865,745.25	\$0.00	\$2,063,802.59	\$10,345,212.63	\$4,138,085.05	(\$80,987.39)	\$696,624.31	\$4,834,709.37
2036	13	83	0	\$10,345,212.63	\$775,890.95	\$0.00	\$2,146,354.69	\$8,974,748.89	\$3,589,899.55	(\$71,483.86)	\$777,464.68	\$4,367,364.24
2037	14	84	0	\$8,974,748.89	\$673,106.17	\$0.00	\$2,232,208.88	\$7,415,646.17	\$2,966,258.47	(\$60,644.46)	\$860,032.32	\$3,826,290.79
2038	15	85	0	\$7,415,646.17	\$556,173.46	\$0.00	\$2,321,497.23	\$5,650,322.40	\$2,260,128.96	(\$48,344.08)	\$924,534.74	\$3,184,663.70



QPRT CALCULATOR

QPRT Summaries

Alter Summary Columns



Speaker	QPRT #	Term of QPRT	Prob of Surviving Term	Year of Death	Value of Home	Owner-ship %	Valuation Discount %	Discounted Value	Amount of Gift	Projected Value of Property Interest	Cash From Rent	Total Subject to Estate Tax	Total Removed by QPRT	Remainder Value Of Gift	Annual Annuity After Sale	Total Estate Tax Savings
 	1	12	78.67%	21	\$2,000,000	100%	0%	\$2,000,000	\$799,816	\$4,897,123	\$0	\$0	\$4,897,123	\$1,016,722	\$154,034	\$1,638,923
 	2	14	73.18%	21	\$2,000,000	100%	0%	\$2,000,000	\$664,664	\$4,897,123	\$0	\$0	\$4,897,123	\$908,302	\$157,061	\$1,692,983
 	3	16	66.98%	21	\$2,000,000	100%	0%	\$2,000,000	\$543,468	\$4,897,123	\$0	\$0	\$4,897,123	\$811,446	\$160,273	\$1,741,462
 	4	16	66.98%	21	\$2,000,000	100%	0%	\$2,000,000	\$543,468	\$4,897,123	\$0	\$0	\$4,897,123	\$811,446	\$160,273	\$1,741,462
 	5	16	66.98%	6	\$2,000,000	100%	0%	\$2,000,000	\$543,468	\$4,613,320	\$0	\$4,613,320	\$0	\$811,446	\$160,273	\$0

The **QPRT Calculator** shows the reportable gift values, including discounts for transfers of partial interests of a primary and second home by one or both spouses, and the probability of the individuals surviving the term, thereby avoiding estate inclusion.

The program also calculates the annuity payments that must be paid back to the Grantors from proceeds if the home is sold during the provisory term. Alternatively, it calculates the rental payments that the Grantors must pay to the trust beneficiaries if they wish to continue residing in the home after the provisory term ends, and the resulting “burn” from income taxes paid on the trust’s income.

Can additionally show income tax cost resulting from the loss of stepped-up basis when the Grantor survives the provisory term.



QPRT CALCULATOR

QPRT Details [Alter Detail Columns Below](#)

QPRT 1 QPRT 2 QPRT 3 QPRT 4 **QPRT 5**

[Export to Excel](#) Show Every 1 Year(s): [-](#) [+](#)

Year	Year #	Age	2nd Life Age	Probability Survival To Year	Probability Of Death	Beginning Value	Rent Amount Due	Growth	End Value	Cash From Rent	Assets Subject To Estate Tax	Assets Passing Outside Estate	Estate Tax Savings	Tax Basis	Gain on Sale	Capital Gains Tax (24.00%)	Capital Gains Tax	Estate Tax Savings Less Capital Gains Tax	Estate Tax Savings Less Capital Gains Tax
2024	1	65	0	98.82%	1.27%	\$2,000,000.00	\$0.00	\$60,600.00	\$2,060,600.00	\$0.00	\$2,060,600.00	\$0.00	\$0.00	\$500,000.00	\$1,560,600.00	\$0.00	\$0.00		
2025	2	66	0	97.55%	1.37%	\$2,060,600.00	\$0.00	\$62,436.18	\$2,123,036.18	\$0.00	\$2,123,036.18	\$0.00	\$0.00	\$500,000.00	\$1,623,036.18	\$0.00	\$0.00		
2026	3	67	0	96.19%	1.47%	\$2,123,036.18	\$0.00	\$64,328.00	\$2,187,364.18	\$0.00	\$2,187,364.18	\$0.00	\$0.00	\$500,000.00	\$1,687,364.18	\$0.00	\$0.00		
2027	4	68	0	94.72%	1.57%	\$2,187,364.18	\$0.00	\$66,277.13	\$2,253,641.31	\$0.00	\$2,253,641.31	\$0.00	\$0.00	\$500,000.00	\$1,753,641.31	\$0.00	\$0.00		
2028	5	69	0	93.15%	1.68%	\$2,253,641.31	\$0.00	\$68,285.33	\$2,321,926.64	\$0.00	\$2,321,926.64	\$0.00	\$0.00	\$500,000.00	\$1,821,926.64	\$0.00	\$0.00		
2029	6	70	0	91.47%	1.79%	\$2,321,926.64	\$0.00	\$70,354.38	\$2,392,281.02	\$0.00	\$2,392,281.02	\$0.00	\$0.00	\$500,000.00	\$1,892,281.02	(\$454,147.44)	(\$454,147.44)		
2030	7	71	0	89.68%	1.92%	\$2,392,281.02	\$0.00	\$72,486.11	\$2,464,767.13	\$0.00	\$2,464,767.13	\$0.00	\$0.00	\$500,000.00	\$1,964,767.13	(\$471,544.11)	(\$471,544.11)		
2031	8	72	0	87.76%	2.05%	\$2,464,767.13	\$0.00	\$74,682.44	\$2,539,449.58	\$0.00	\$2,539,449.58	\$0.00	\$0.00	\$500,000.00	\$2,039,449.58	(\$489,467.90)	(\$489,467.90)		
2032	9	73	0	85.71%	2.20%	\$2,539,449.58	\$0.00	\$76,945.32	\$2,616,394.90	\$0.00	\$2,616,394.90	\$0.00	\$0.00	\$500,000.00	\$2,116,394.90	(\$507,934.78)	(\$507,934.78)		
2033	10	74	0	83.52%	2.35%	\$2,616,394.90	\$0.00	\$79,276.77	\$2,695,671.67	\$0.00	\$2,695,671.67	\$0.00	\$0.00	\$500,000.00	\$2,195,671.67	(\$526,961.20)	(\$526,961.20)		
2034	11	75	0	81.17%	2.50%	\$2,695,671.67	\$0.00	\$81,678.85	\$2,777,350.52	\$0.00	\$2,777,350.52	\$0.00	\$0.00	\$500,000.00	\$2,277,350.52	(\$546,564.12)	(\$546,564.12)		
2035	12	76	0	78.67%	2.66%	\$2,777,350.52	\$0.00	\$84,153.72	\$2,861,504.24	\$0.00	\$2,861,504.24	\$0.00	\$0.00	\$500,000.00	\$2,361,504.24	(\$566,761.02)	(\$566,761.02)		
2036	13	77	0	76.00%	2.83%	\$2,861,504.24	\$0.00	\$86,703.58	\$2,948,207.82	\$0.00	\$2,948,207.82	\$0.00	\$0.00	\$500,000.00	\$2,448,207.82	(\$587,569.88)	(\$587,569.88)		
2037	14	78	0	73.18%	3.02%	\$2,948,207.82	\$0.00	\$89,330.70	\$3,037,538.51	\$0.00	\$3,037,538.51	\$0.00	\$0.00	\$500,000.00	\$2,537,538.51	(\$609,009.24)	(\$609,009.24)		
2038	15	79	0	70.16%	3.19%	\$3,037,538.51	\$0.00	\$92,037.42	\$3,129,575.93	\$0.00	\$3,129,575.93	\$0.00	\$0.00	\$500,000.00	\$2,629,575.93	(\$631,098.22)	(\$631,098.22)		
2039	16	80	0	66.98%	3.36%	\$3,129,575.93	\$0.00	\$94,826.15	\$3,224,402.08	\$0.00	\$3,224,402.08	\$0.00	\$0.00	\$500,000.00	\$2,724,402.08	(\$653,856.50)	(\$653,856.50)		



NEST™ CALCULATOR

NEST Stands for Needs/Estimated Savings Tabulation

NEST Summaries

Alter Summary Columns



NEST #	Age	Spouse Age	Life Expectancy	Retirement Age	Age of Death	Years Illustrated	Current Home(s)	Current Investments	Annual Return Before Rtrment	Annual Return After Rtrment	Desired Rtrment Income	YR1 Annual Savings Surplus/Deficit	OR YR1 Addl Investment Req'd	Actual Req'd Rtrment Age	OR Req'd Rtrment Income	Desired Estate At Death	Inflation Rate	Current Annual Savings	OR YR1 Addl Investment Req'd	Actual Req'd Rtrment Age	OR Req'd Rtrment Income
1	40	38	40.4	60	85	47	\$750,000	\$1,000,000	4.25%	3.25%	\$175,000	(\$40,035)	\$750,815	64	\$115,919	\$1,500,000	3.75%	\$30,000	\$750,815	64	\$115,919
2	40	38	40.4	62	85	47	\$750,000	\$1,000,000	4.25%	3.25%	\$175,000	\$57,949	\$0	58	\$199,019	\$1,500,000	3.75%	\$105,000	\$0	58	\$199,019
3	40	38	40.4	62	85	47	\$750,000	\$1,000,000	4.25%	3.25%	\$175,000	\$31,543	\$0	60	\$168,748	\$1,500,000	4.25%	\$105,000	\$0	60	\$168,748
4	40	38	40.4	62	85	47	\$750,000	\$1,000,000	3.25%	3.25%	\$175,000	\$18,626	\$0	61	\$157,060	\$1,500,000	4.25%	\$105,000	\$0	61	\$157,060

Financial planners and colleagues can estimate how much an individual or married couple will need to save each year in order to comfortably retire.

The program's colorful spreadsheet displays categories of saving and expense as well as the estimated surplus or shortfall resulting from their current financial plan (or lack thereof). This illustration can serve as a reality check to educate clients and encourage them prioritize savings over spending.

The NEST calculator also forecasts the amount of life insurance needed to replace the income from a primary earner in the event of death before retirement.



NEST CALCULATOR

NEST Details [Alter Detail Columns Below](#)

Life Insurance

NEST 1

NEST 2

NEST 3

NEST 4

Export to Excel

Show Every 1 Year(s):

-

1

+



Year	Year #	Age	Spouse Age	Probability of Survival	Beginning Investments Value	Life Insurance Needed	Year #	Calculated Debt Balance	Annual Debt Payments	Growth (less fees and tax)	Combined Expenses	Combined Additions	End Investments Value	Personal Home(s) Value	Net Worth	Life Insurance Needed
2024	1	41	39	99.83%	\$1,000,000.00	\$6,214,396.75	1	(\$200,000.00)	(\$22,868.99)	\$32,500.00	(\$30,368.99)	\$105,000.00	\$1,107,131.01	\$783,975.00	\$1,691,106.01	\$6,214,396.75
2025	2	42	40	99.64%	\$1,107,131.01	\$6,116,973.55	2	(\$191,131.01)	(\$22,868.99)	\$35,981.76	(\$30,368.99)	\$109,200.00	\$1,221,943.78	\$819,489.07	\$1,850,301.84	\$6,116,973.55
2026	3	43	41	99.44%	\$1,221,943.78	\$6,003,932.97	3	(\$181,641.20)	(\$22,868.99)	\$39,713.17	(\$30,368.99)	\$113,568.00	\$1,344,855.97	\$856,611.92	\$2,019,826.69	\$6,003,932.97
2027	4	44	42	99.22%	\$1,344,855.97	\$5,874,249.20	4	(\$171,487.09)	(\$22,868.99)	\$43,707.82	(\$30,368.99)	\$118,110.72	\$1,476,305.52	\$895,416.44	\$2,200,234.87	\$5,874,249.20
2028	5	45	43	98.97%	\$1,476,305.52	\$5,726,841.50	5	(\$160,622.20)	(\$22,868.99)	\$47,979.93	(\$212,866.92)	\$122,835.15	\$1,434,253.67	\$935,978.81	\$2,209,610.28	\$5,726,841.50
2029	6	46	44	98.71%	\$1,434,253.67	\$5,560,571.49	6	(\$148,996.77)	(\$22,868.99)	\$46,613.24	(\$30,368.99)	\$127,748.55	\$1,578,246.49	\$978,378.65	\$2,407,628.37	\$5,560,571.49
2030	7	47	45	98.42%	\$1,578,246.49	\$5,374,240.41	7	(\$136,557.55)	(\$22,868.99)	\$51,293.01	(\$30,368.99)	\$132,858.50	\$1,732,029.01	\$1,022,699.20	\$2,618,170.65	\$5,374,240.41
2031	8	48	46	98.10%	\$1,732,029.01	\$5,166,586.11	8	(\$123,247.59)	(\$22,868.99)	\$56,290.94	(\$30,368.99)	\$138,172.84	\$1,896,123.80	\$1,069,027.47	\$2,841,903.68	\$5,166,586.11
2032	9	49	47	97.76%	\$1,896,123.80	\$4,936,279.99	9	(\$109,005.94)	(\$22,868.99)	\$61,624.02	(\$30,368.99)	\$143,699.75	\$2,071,078.58	\$1,117,454.42	\$3,079,527.06	\$4,936,279.99
2033	10	50	48	97.38%	\$2,071,078.58	\$4,681,923.82	10	(\$93,767.36)	(\$22,868.99)	\$67,310.05	(\$478,080.91)	\$149,447.74	\$1,809,755.47	\$1,168,075.10	\$2,884,063.20	\$4,681,923.82
2034	11	51	49	96.97%	\$1,809,755.47	\$4,402,046.32	11	(\$77,462.09)	(\$22,868.99)	\$58,817.05	(\$22,868.99)	\$155,425.65	\$2,001,129.18	\$1,220,988.91	\$3,144,655.99	\$4,402,046.32
2035	12	52	50	96.52%	\$2,001,129.18	\$4,095,099.66	12	(\$60,015.45)	(\$22,868.99)	\$65,036.70	(\$22,868.99)	\$161,642.68	\$2,204,939.57	\$1,276,299.70	\$3,421,223.82	\$4,095,099.66
2036	13	53	51	96.05%	\$2,204,939.57	\$3,759,455.78	13	(\$41,347.55)	(\$22,868.99)	\$71,660.54	(\$22,868.99)	\$168,108.38	\$2,421,839.50	\$1,334,116.08	\$3,714,608.03	\$3,759,455.78
2037	14	54	52	95.53%	\$2,421,839.50	\$3,393,402.53	14	(\$21,372.89)	(\$22,868.99)	\$78,709.78	(\$22,868.99)	\$174,832.72	\$2,652,513.01	\$1,394,551.54	\$4,025,691.66	\$3,393,402.53
2038	15	55	53	94.98%	\$2,652,513.01	\$2,995,139.61	15	\$0.00	\$0.00	\$86,206.67	\$0.00	\$181,826.03	\$2,920,545.71	\$1,457,724.72	\$4,378,270.43	\$2,995,139.61
2039	16	56	54	94.40%	\$2,920,545.71	\$2,562,774.41	16	\$0.00	\$0.00	\$94,917.74	\$0.00	\$189,099.07	\$3,204,562.52	\$1,523,759.65	\$4,728,322.17	\$2,562,774.41
2040	17	57	55	93.77%	\$3,204,562.52	\$2,094,317.52	17	\$0.00	\$0.00	\$104,148.28	\$0.00	\$196,663.03	\$3,505,373.83	\$1,592,785.96	\$5,098,159.79	\$2,094,317.52
2041	18	58	56	93.11%	\$3,505,373.83	\$1,587,678.19	18	\$0.00	\$0.00	\$113,924.65	\$0.00	\$204,529.55	\$3,823,828.03	\$1,664,939.17	\$5,488,767.20	\$1,587,678.19
2042	19	59	57	92.39%	\$3,823,828.03	\$1,040,659.47	19	\$0.00	\$0.00	\$124,274.41	\$0.00	\$212,710.73	\$4,160,813.18	\$1,740,360.91	\$5,901,174.09	\$1,040,659.47
2043	20	60	58	91.63%	\$4,160,813.18	\$450,953.13	20	\$0.00	\$0.00	\$135,226.43	\$0.00	\$300,099.60	\$4,596,139.20	\$1,819,199.26	\$6,415,338.46	\$450,953.13
2044	21	61	59	90.83%	\$4,596,139.20	\$0.00	21	\$0.00	\$0.00	\$149,374.52	\$0.00	\$312,103.58	\$5,057,617.30	\$1,901,608.99	\$6,959,226.29	\$0.00
2045	22	62	60	89.97%	\$5,057,617.30	\$0.00	22	\$0.00	\$0.00	\$164,372.56	\$0.00	\$324,587.72	\$5,546,577.59	\$1,987,751.88	\$7,534,329.47	\$0.00



Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished)
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

The Mathematics of Estate Tax Planning

37

LIFE INSURANCE ESTIMATOR

You no longer need to wait for estimated life insurance costs. Our Life Insurance Estimator provides instant estimates of representative rates for term and life pay universal policies.*

Mary and Bob Sample

Prepared by EstateView for John Planner

Mary

Female ▾

Age

- 68 +

Premium Multiplier

- 1 +

	Risk Class	10 yr	20 yr	25 yr	30 yr	Universal For Life
Annual Premium Per \$1,000,000	Standard	\$11,046	\$16,699	Probably not available	Probably not available	\$37,508
Annual Premium Per \$1,000,000	Preferred	\$7,364	\$11,851	Probably not available	Probably not available	\$34,822

Clients should be advised to discuss life insurance planning with an appropriately licensed advisor. Rates will vary significantly upon health status and policy terms.

Bob Sample

Male ▾

Age

- 70 +



Premium Multiplier

- 1 +

	Risk Class	10 yr	20 yr	25 yr	30 yr	Universal For Life
Annual Premium Per \$1,000,000	Standard	Probably not available	\$29,706	Probably not available	Probably not available	\$46,219
Annual Premium Per \$1,000,000	Preferred	Probably not available	\$21,300	Probably not available	Probably not available	\$42,441



AMORTIZATION CALCULATOR

Amortization Summaries [Alter Summary Columns](#)  

Amort #	🕒 Answer Needed	Principal Amount	Interest Rate	Number Of Payments	Payment Amount	Payment Frequency	Total Interest Paid	Final Payoff Date
1	Interest Rate	\$1,024,999.55	🕒 4.83%	147.00	\$9,248.90	Monthly	\$335,100.78	03-28-2036
2	Interest Rate	\$999,999.55	🕒 5.77%	153.00	\$9,248.90	Monthly	\$414,716.69	09-28-2036
3	Interest Rate	\$999,999.55	🕒 5.77%	153.00	\$9,248.90	Monthly	\$414,716.69	09-28-2036

Use our Amortization program to determine any of the four following items by providing the other 3 variables:

1. Payment amount
2. Number of payments (months or years)
3. Principal amount
4. Interest rate (provides AFR and prime rate at the push of a button)

Will also create an amortization table providing totals for calendar year interest payments.



AMORTIZATION CALCULATOR

Amortization Details

[Alter Detail Columns Below](#)

Amortization 1

Amortization 2

Amortization 3

[Export to Excel](#)

Show Every 1 Year(s):

-

1

+



Payment Date	Payment Number	Payment Amount	Interest Paid	Total Interest Paid	Principal Paid	Total Principal Paid	Balance
12-28-2023	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$999,999.55
01-28-2024	1	\$9,248.90	\$4,808.33	\$4,808.33	\$4,440.57	\$4,440.57	\$995,558.98
02-28-2024	2	\$9,248.90	\$4,786.98	\$9,595.31	\$4,461.92	\$8,902.50	\$991,097.06
03-28-2024	3	\$9,248.90	\$4,765.53	\$14,360.84	\$4,483.38	\$13,385.88	\$986,613.68
04-28-2024	4	\$9,248.90	\$4,743.97	\$19,104.80	\$4,504.94	\$17,890.81	\$982,108.74
05-28-2024	5	\$9,248.90	\$4,722.31	\$23,827.11	\$4,526.60	\$22,417.41	\$977,582.14
06-28-2024	6	\$9,248.90	\$4,700.54	\$28,527.65	\$4,548.36	\$26,965.77	\$973,033.78
07-28-2024	7	\$9,248.90	\$4,678.67	\$33,206.32	\$4,570.23	\$31,536.01	\$968,463.54
08-28-2024	8	\$9,248.90	\$4,656.70	\$37,863.02	\$4,592.21	\$36,128.22	\$963,871.34
09-28-2024	9	\$9,248.90	\$4,634.61	\$42,497.63	\$4,614.29	\$40,742.51	\$959,257.05
10-28-2024	10	\$9,248.90	\$4,612.43	\$47,110.06	\$4,636.48	\$45,378.98	\$954,620.57
11-28-2024	11	\$9,248.90	\$4,590.13	\$51,700.19	\$4,658.77	\$50,037.75	\$949,961.80
12-28-2024	12	\$9,248.90	\$4,567.73	\$56,267.93	\$4,681.17	\$54,718.92	\$945,280.63
01-28-2025	13	\$9,248.90	\$4,545.22	\$60,813.15	\$4,703.68	\$59,422.60	\$940,576.95
02-28-2025	14	\$9,248.90	\$4,522.61	\$65,335.76	\$4,726.30	\$64,148.90	\$935,850.65



RMD CALCULATOR WITH CHARITABLE DISTRIBUTIONS

RMD Summaries						
Alter Summary Columns						
RMD #	Grantor Age	Life Expectancy	Year of Death	# of Years Illustrated	Growth Rate	Illustrated End Value
1	63	20.6	23	30	7.50%	\$2,831,563
2	70	15.4	16	30	7.50%	\$1,225,045

Show your clients when they must start taking distributions, the amount of their required distributions, their net after-tax distribution, and the impact of making direct qualified charitable distributions (QCDs).

Show clients the present value and expected growth as illustrated on the next page.



RMD CALCULATOR WITH CHARITABLE DISTRIBUTIONS

RMD Details

Alter Detail Columns Below

RMD 1

RMD 2

Without Charity

With Charity

Year	Year #	Grantor Age	Probability Survival To Year	Beginning Value	Growth	RMD Percentage	RMD Amount	RMD Tax	Net Distribution	End Value	Charitable Donation	Distribution After Charity	Tax on Net	Net Amount	End Value (same as left)
2023	1	70	100.00%	\$1,000,000.00	\$75,000.00	0.00%	\$0.00	\$0.00	\$0.00	\$1,075,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,075,000.00
2024	2	71	98.04%	\$1,075,000.00	\$80,625.00	0.00%	\$0.00	\$0.00	\$0.00	\$1,155,625.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,155,625.00
2025	3	72	95.95%	\$1,155,625.00	\$86,671.88	0.00%	\$0.00	\$0.00	\$0.00	\$1,242,296.88	\$0.00	\$0.00	\$0.00	\$0.00	\$1,242,296.88
2026	4	73	93.70%	\$1,242,296.88	\$93,172.27	3.77%	(\$46,879.13)	(\$17,345.28)	(\$29,533.85)	\$1,288,590.02	(\$46,879.13)	\$0.00	\$0.00	\$0.00	\$1,288,590.02
2027	5	74	91.30%	\$1,288,590.02	\$96,644.25	3.92%	(\$50,532.94)	(\$18,697.19)	(\$31,835.75)	\$1,334,701.33	(\$50,532.94)	\$0.00	\$0.00	\$0.00	\$1,334,701.33
2028	6	75	88.73%	\$1,334,701.33	\$100,102.60	4.07%	(\$54,256.15)	(\$20,074.78)	(\$34,181.38)	\$1,380,547.78	(\$54,256.15)	\$0.00	\$0.00	\$0.00	\$1,380,547.78
2029	7	76	86.00%	\$1,380,547.78	\$103,541.08	4.22%	(\$58,250.96)	(\$21,552.86)	(\$36,698.11)	\$1,425,837.90	(\$58,250.96)	\$0.00	\$0.00	\$0.00	\$1,425,837.90
2030	8	77	83.09%	\$1,425,837.90	\$106,937.84	4.37%	(\$62,263.66)	(\$23,037.56)	(\$39,226.11)	\$1,470,512.07	(\$62,263.66)	\$0.00	\$0.00	\$0.00	\$1,470,512.07
2031	9	78	80.00%	\$1,470,512.07	\$110,288.41	4.55%	(\$66,841.46)	(\$24,731.34)	(\$42,110.12)	\$1,513,959.03	(\$66,841.46)	\$0.00	\$0.00	\$0.00	\$1,513,959.03
2032	10	79	76.70%	\$1,513,959.03	\$113,546.93	4.74%	(\$71,751.61)	(\$26,548.10)	(\$45,203.52)	\$1,555,754.34	(\$71,751.61)	\$0.00	\$0.00	\$0.00	\$1,555,754.34
2033	11	80	73.22%	\$1,555,754.34	\$116,681.58	4.95%	(\$77,017.54)	(\$28,496.49)	(\$48,521.05)	\$1,595,418.38	(\$77,017.54)	\$0.00	\$0.00	\$0.00	\$1,595,418.38
2034	12	81	69.54%	\$1,595,418.38	\$119,656.38	5.15%	(\$82,238.06)	(\$30,428.08)	(\$51,809.98)	\$1,632,836.70	(\$82,238.06)	\$0.00	\$0.00	\$0.00	\$1,632,836.70
2035	13	82	65.68%	\$1,632,836.70	\$122,462.75	5.41%	(\$88,261.44)	(\$32,656.73)	(\$55,604.71)	\$1,667,038.01	(\$88,261.44)	\$0.00	\$0.00	\$0.00	\$1,667,038.01
2036	14	83	61.65%	\$1,667,038.01	\$125,027.85	5.65%	(\$94,182.94)	(\$34,847.69)	(\$59,335.25)	\$1,697,882.92	(\$94,182.94)	\$0.00	\$0.00	\$0.00	\$1,697,882.92
2037	15	84	57.48%	\$1,697,882.92	\$127,341.22	5.95%	(\$101,064.46)	(\$37,393.85)	(\$63,670.61)	\$1,724,159.68	(\$100,000.00)	(\$1,064.46)	(\$393.85)	(\$670.61)	\$1,724,159.68
2038	16	85	53.11%	\$1,724,159.68	\$129,311.98	6.25%	(\$107,759.98)	(\$39,871.19)	(\$67,888.79)	\$1,745,711.68	(\$100,000.00)	(\$7,759.98)	(\$2,871.19)	(\$4,888.79)	\$1,745,711.68
2039	17	86	48.61%	\$1,745,711.68	\$130,928.38	6.58%	(\$114,849.45)	(\$42,494.30)	(\$72,355.16)	\$1,761,790.61	(\$100,000.00)	(\$14,849.45)	(\$5,494.30)	(\$9,355.16)	\$1,761,790.61
2040	18	87	44.02%	\$1,761,790.61	\$132,134.30	6.94%	(\$122,346.57)	(\$45,268.23)	(\$77,078.34)	\$1,771,578.34	(\$100,000.00)	(\$22,346.57)	(\$8,268.23)	(\$14,078.34)	\$1,771,578.34
2041	19	88	39.38%	\$1,771,578.34	\$132,868.38	7.30%	(\$129,312.29)	(\$47,845.55)	(\$81,466.74)	\$1,775,134.43	(\$100,000.00)	(\$29,312.29)	(\$10,845.55)	(\$18,466.74)	\$1,775,134.43
2042	20	89	34.77%	\$1,775,134.43	\$133,135.08	7.75%	(\$137,607.32)	(\$50,914.71)	(\$86,692.61)	\$1,770,662.19	(\$100,000.00)	(\$37,607.32)	(\$13,914.71)	(\$23,692.61)	\$1,770,662.19
2043	21	90	30.26%	\$1,770,662.19	\$132,799.66	8.20%	(\$145,136.25)	(\$53,700.41)	(\$91,435.83)	\$1,758,325.60	(\$100,000.00)	(\$45,136.25)	(\$16,700.41)	(\$28,435.83)	\$1,758,325.60



ADDITIONAL FEATURES

7. Calculates Charitable Remainder Trust 5% and 10% tests using pro-rated first-year payments as required by Treasury Regulations.
8. Displays discounted present values for CLAT charitable and remainder interests.
9. Shows impact of rent payments after QPRT term, or impact of QPRT SLAT with surviving spouse paying no rent, and impact of loss of step-up in basis/capitol gain tax on sale of home.
10. Generates customizable and exportable spreadsheets for each chosen technique application and automatically transfers the client's data into illustrated PowerPoint slides.



ADDITIONAL FEATURES

11. Provides client-specific PowerPoint illustrations, general explanations, checklists for each technique as well as sample language for drafting applicable document provisions.
12. Generates a client-specific net worth and savings spreadsheet that can be used by financial planners to illustrate possible retirement scenarios and amounts of life insurance needed in the event a primary earner dies prematurely.
13. Provides estimated life insurance rates by age and sex for standard and preferred non-smokers – for 10, 20 and 30 yr. terms and for lifetime universal.



ADDITIONAL FEATURES

14. Life insurance planning is enhanced with input fields to capture the details of an unlimited number of existing policies showing comparable results with and without utilization of ILITs. The software recognizes the 3-year rule to avoid estate inclusion.
15. Large gift module has columns for three different tiers of income/spending by year or age, DSUE etc. temporary exemption, and permanent exemption to demonstrate savings from making large gifts that exceed the available DSUE and permanent exemption before 2026 – It also accommodates spousal gift splitting and shows “the burn” from the income taxes paid on the trust’s income.

Special timeline display along with “private annuity rescue”
“SCIN” rescue enables planner to show that exhaustion of trust can be delayed.

Allows illustration of a SLAT and a Credit Shelter Trusts and marital deduction assets passing to surviving spouse with estate

tax payable on second death.



ADDITIONAL FEATURES

16. Illustrates the use of a FLIP NIMCRUT for Donors who have highly appreciated, low-yield assets and want to support a charity while generating income that makes up for years when the trust's earnings fall below a designated percentage requires that the original contribution value must remain in the trust when the makeup payments or payment occur and until the "FLIP".
17. **The Comprehensive planning module** illustrates the estate tax savings at each step from utilizing any combination of up to 9 techniques in the following order:
 - a) Bypass/Credit Shelter Trust.
 - b) Use or loss of DSUE.
 - c) Exemption dropping in half in 2026 (or not).



ADDITIONAL FEATURES

- d) Annual gifting to Crummey Trust and/or descendants.
- e) Annual gifting of discounted assets to any of the above.
- f) One or two QPRT's - SLAT QTIP.
- g) Life insurance before and after planning for each spouse and second-to-die policies.
- h) Making a large gift which may or may not be split in year one.
- i) Making a large gift in year one which may or may not be split with spouse
- j) Testamentary charitable or CLAT disposition.
- k) Comprehensive Plan modules also generate a detailed letter to the client.



ADDITIONAL FEATURES

18. Email illustrations and calculator with a link and security password to clients and colleagues to enable them to change variables and use software for up to 14 days with a simple e-mail link.
19. Clearly informs the user of when to use the closest calendar age versus the last birthday for each technique.
20. Clearly tells the user whether they can use the present 7520 rate or the lowest or highest of this month or the previous two months and which is best. Does the same thing with the short term, mid term or long term applicable federal rate.



WARNING WILL
ROBINSON!!!!

ADDITIONAL FEATURES

21. Provides warnings when settings may violate reasonable practices such as:
- a) When the probability of exhaustion test may be violated for a private annuity arrangement.
 - b) When any valuation discount exceeds 40%.
 - c) When a valuation discount for an LLC used in a GRAT or CLAT with a short payout (under 10 years) exceeds a 20% discount.
 - d) Warns the planner not to use private annuity if grantor trust status has been toggled off.



Free art picture from
pixabay.com



**DANGER! DANGER!
DANGER!**

ADDITIONAL FEATURES



- d) When a SCIN Term Exceeds the 2010 Mortality Life Expectancy Table (which may be permissible).
- e) Whether the latest birth date age or closest to calendar year age is to be used.
- f) When a seed capital gift is less than 10% of an installment sale or SCIN sale amount.
- g) When a SCIN interest rate exceeds or approaches a usurious rate (18%).
- h) When a donors assets may run out to require less gifting or toggling off grantor trust status and when.
- i) And more.

Free art picture from
pixabay.com



ADDITIONAL FEATURES

22. The software automatically selects:

- a) The lowest available AFR for the month of a sale and the 2 preceding months.
- b) The lowest available AFR for a non-sale loan.
- c) The best available 7520 rate for a Charitable Remainder Trust or Charitable Lead Trust is the best of the month of funding or the preceding 2 months.



ADDITIONAL FEATURES

- d) The maximum credit shelter trust that can be funded at a future date based upon the anticipated chained inflation rate and other techniques being used.
- e) The amortization calculator allows the user to solve for any of the following 4 items by providing the other 3 variables:
 - i) Payment amount.
 - ii) Principal loaned.
 - iii) Interest rate.
 - iv) Frequency and length of term.



ADDITIONAL FEATURES

- 24. Our simple “STANDARD PLAN MODE” defines primary terms and significant traps for the unwary on the same screen that shows the planning numbers outcomes.
- 25. Select newsfeed and ticker tape featuring summaries and 30-minute updates.
- 26. Chat function and room to be moderated by a tax and estate planning lawyer, accessible only to subscribers.



ADDITIONAL FEATURES

Advanced Spreadsheet Operations Include the following:

1. Every calculator spreadsheet can be exported to Excel.
2. Show every year, every other year or every third year, etc.
3. Select the columns you would like to see.
4. Change the order of the columns.
5. Export spreadsheet to Excel or PDF.
6. Summaries and details for each calculator.

Select Columns for Use

Recommended columns in yellow.

Your choices are saved to your device.

- ☒ GRAT #
- ☒ Term of GRAT
- ☒ Grantor Age
- ☒ Life Expectancy
- ☒ Year of Death
- ☒ # of Years Illustrated
- ☒ Payment Terms
- ☐ Value Before Any Discounts
- ☒ Value After Any Discounts
- ☒ Growth Rate
- ☒ § 7520 Rate
- ☒ YR1 Annuity Amount
- ☒ Annuity Factor
- ☒ Value of Annuity
- ☒ Gift Value
- ☒ Remainder Value
- ☒ Probability Grantor Survives Term
- ☒ Total Estate Tax Savings



ADDITIONAL FEATURES

28. Almost 24/7 customer service - Monday through Saturday - by four tax lawyers and law students at Gassman, Crotty & Denicolo, P.A. during normal business hours EST and technical assistance "almost 24/7" by our full-time programmer, and U.S. and Philippine-based lawyers and legal assistants employed by Gassman, Crotty & Denicolo, P.A.



EstateView is absolutely free to anyone until May 1, 2024

BE A FOUNDING SUBSCRIBER

Those who commit to purchase before May 1, 2024 will receive 2 extra months for free (May 1, 2025 – June 30, 2025) and guaranteed no increase in pricing for 24 calendar months thereafter.

Updates at pro-rata pricing will be available during the first year.



ADDITIONAL FEATURES

29. Pricing:

- a) Standard version will include most items provided by competitors, plus side-by-side strategy comparisons and comprehensive modules (\$199.95 per year).
- b) Professional PRO version will include PowerPoints and comprehensive letters (\$399.95 per year).
- c) Professional PRO-Plus version will include all features (\$499.95 per year.)



VOLUME USER DISCOUNTS

Units	Discount	Professional	Professional PRO	Professional PRO-PLUS
2-5	15%	\$170.10	\$339.95	\$424.95
6-10	20%	\$159.96	\$319.96	\$399.96
11-15	25%	\$149.96	\$299.96	\$374.96
16-20	30%	\$139.96	\$279.96	\$349.96
21-30	35%	\$129.96	\$259.96	\$324.96
31-35	40%	\$119.97	\$239.97	\$299.97
36-40	45%	\$109.97	\$219.97	\$274.97
41-45	50%	\$99.50	\$199.97	\$249.97
46-50	55%	\$89.97	\$179.97	224.97
51-55	60%	\$79.98	\$159.98	\$199.98
56-100	65%	\$69.98	\$139.98	\$174.98
101-200	70%	\$59.98	\$199.98	\$149.98
201-300	75%	\$49.98	\$99.98	\$124.98

300+ purchasers will include a free pizza or please call 24 hours ahead for Peking duck.



A TYPICAL CALCULATOR POWERPOINT

(Output is instantly automated to include the before, after, and during numbers with optional information slides)

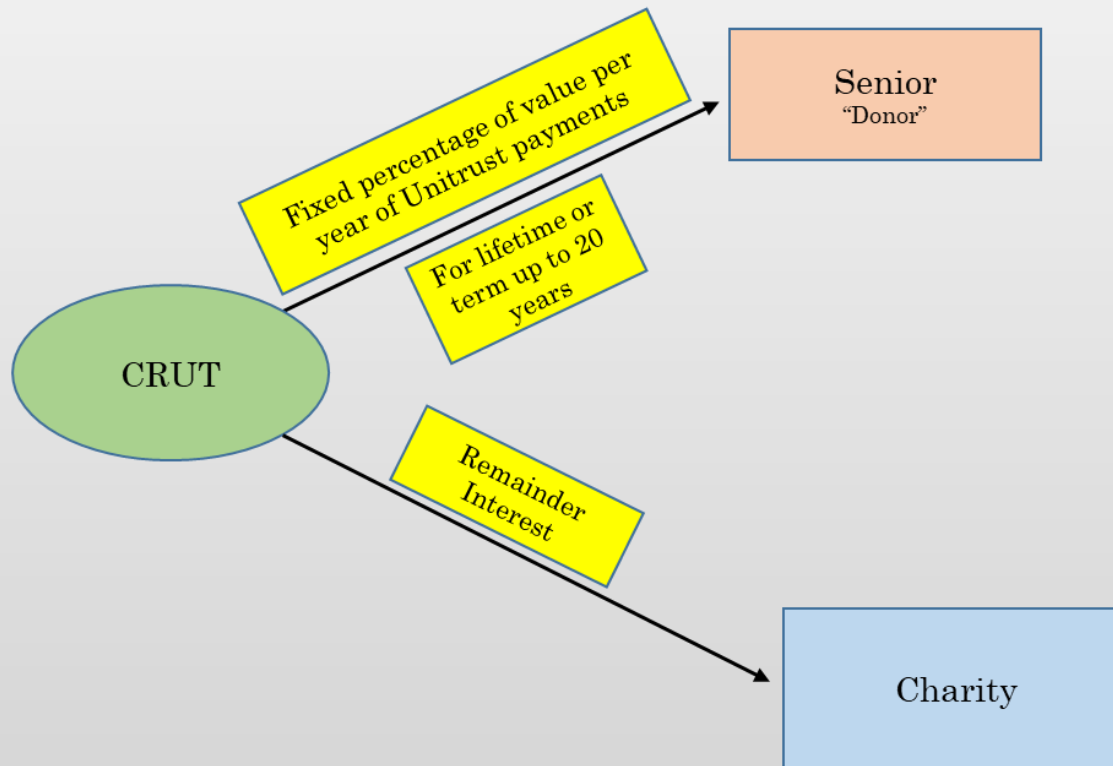
Estate Planning with a Charitable Remainder Unitrust (CRUT)



Prepared for:
Bob Sample



Anatomy of a CRUT



Important Characteristics of CRATS and CRUTS

	CRAT	CRUT
Minimum Annual Payment	Yes	No
Pays Greater Amounts if Values Increase	No	Yes
Annual Valuations Required	No	Yes
Complexity of Annual Valuation and Payment	No	Yes
Payments Can Be Deferred (NIMCRUT and Flip-NIMCRUT)	No	Yes
"5% Probability of Exhaustion Test" Applies	Yes	No
10% Minimum Remainder Requirement	Yes	Yes



CRUT May Be Structured As Grantor Or Non-Grantor For Income Tax Purposes

A Grantor Lifetime CRUT

- Grantor gets charitable income tax deduction for full amount of gift. (charitable deduction is recaptured if Grantor dies during the term)
- Grantor pays income tax on trust income during the term.
- The transfer does not use any lifetime gift tax exemption.

Non-Grantor or Testamentary CRUT

- No charitable income tax deduction for the assets transferred.
- The trust is treated as a complex trust; the trust pays income tax on its distributable net income.
- The transfer does not use any lifetime gift tax exemption.

Charitable Remainder Unitrust

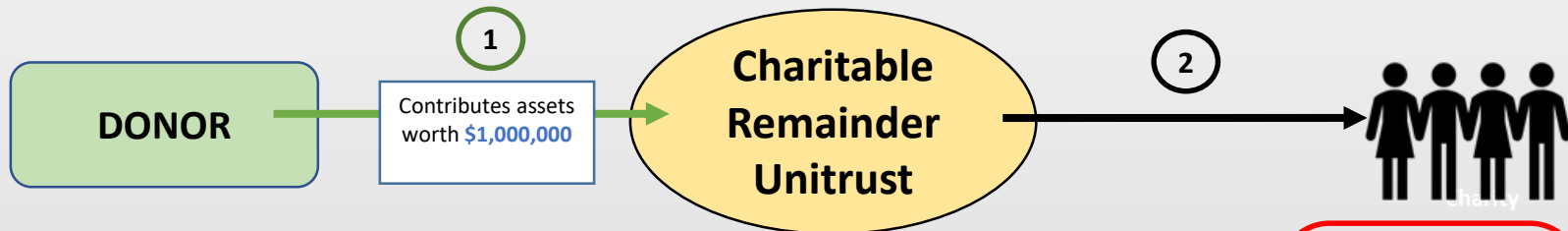
Trustee is not the Grantor



Remaining assets
after payment term
are transferred to
charity or charities.



Set up a Grantor CRUT



Donor transfers **\$1,000,000** assets to CRUT and receives income tax deduction of approximately **\$1,000,002**

Assets may include:

- Stocks & Bonds
- Promissory Notes
- Non-voting LLC interests
- C corporation stock

Not suitable for:

- IRAs
- S corporation stock

Trust makes payments of a **[Payout Rate]** fixed percentage of the net fair market value of the property under the trust, valued and paid annually, to non-charitable beneficiaries for Donor's lifetime or a term of **10** years.

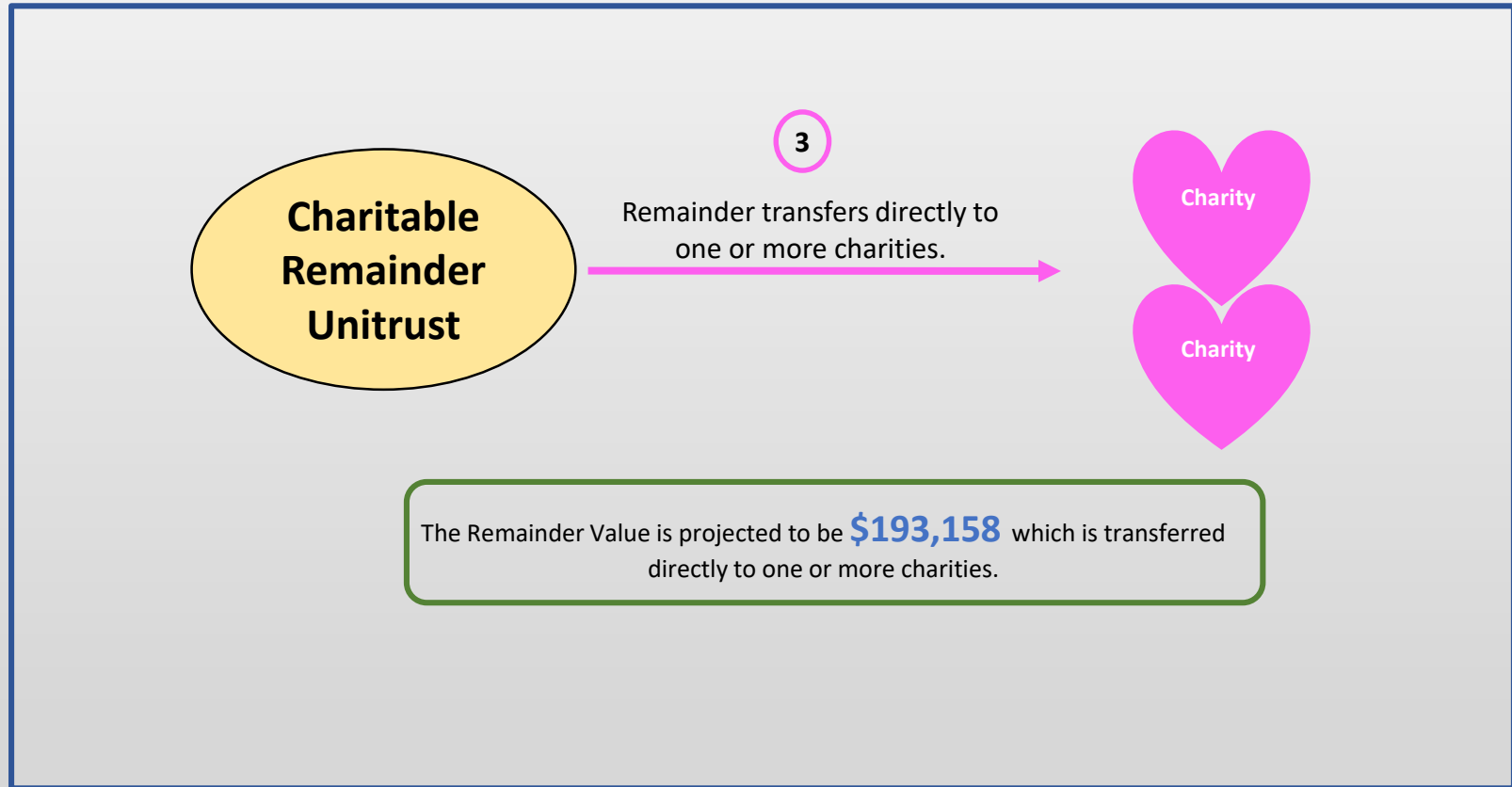
The total payments to non-charitable beneficiaries are projected to be **[Total Payments]**.

GST Warning:

Beneficiaries may not include any person from two or more generations below the Grantor – or anyone who is at least 37.5 years younger than the Grantor.



After Grantor CRUT Term Ends . . .



Summary

Charitable Remainder Unitrust

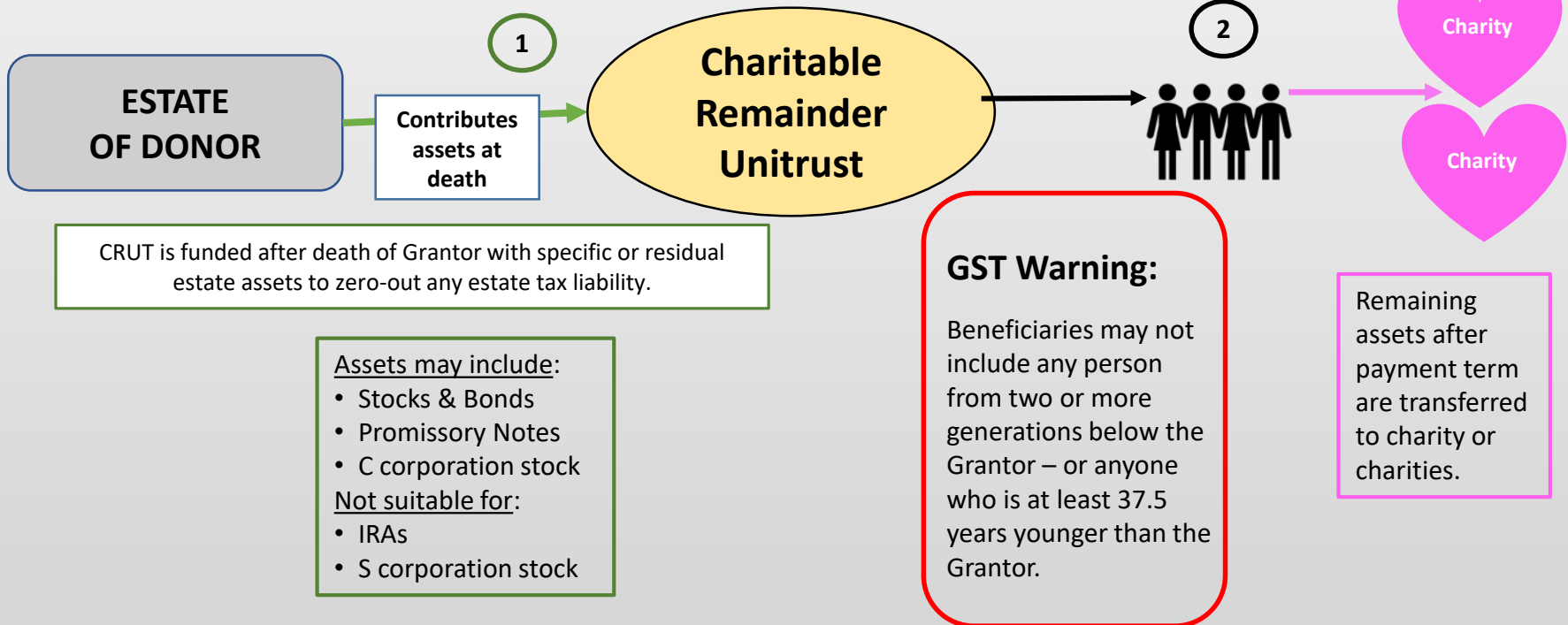
The **\$193,158** “End Value” at the termination of the term is the remainder that passes to charity or charities.

Year #	Grant or Age	Beginning Value	Growth	Payment	End Value
1	71	\$1,000,000	\$75,000	\$132,032	\$942,968
2	72	\$942,968	\$70,723	\$132,032	\$881,658
3	73	\$881,658	\$66,124	\$132,032	\$815,750
4	74	\$815,750	\$61,181	\$132,032	\$744,899
5	75	\$744,899	\$55,867	\$132,032	\$668,734
6	76	\$668,734	\$50,155	\$132,032	\$586,856
7	77	\$586,856	\$44,014	\$132,032	\$498,838
8	78	\$498,838	\$37,413	\$132,032	\$404,219
9	79	\$404,219	\$30,316	\$132,032	\$302,503
10	80	\$302,503	\$22,688	\$132,032	\$193,158

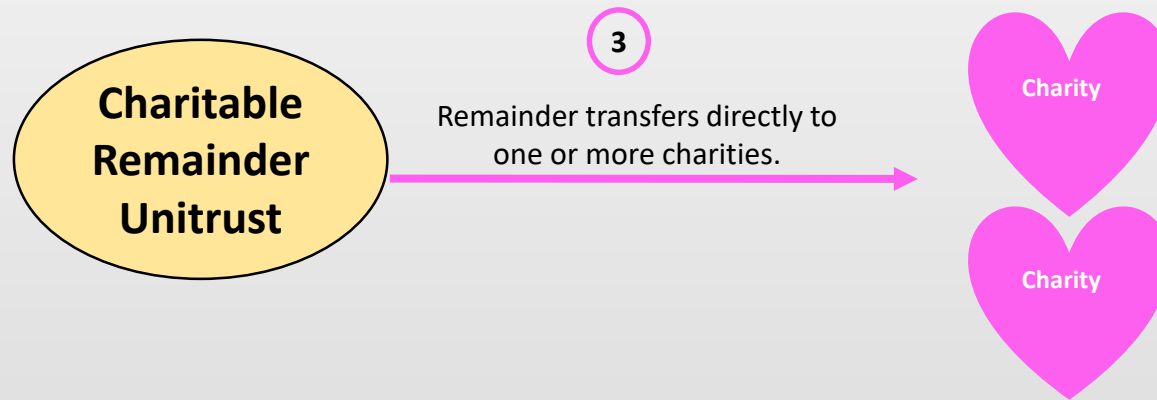


Pre-plan to Create a Testamentary CRUT

- Testamentary CRUT is taxed as a Complex Trust
- Testamentary CRUT can qualify for estate tax charitable deduction to zero-out estate tax liability of estate



After Testamentary CRUT Term Ends . . .



A testamentary CRUT can be funded with the Grantor's residual assets to completely eliminate estate tax liability.



EstateView Visualization 9: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Dies this year with no planning leaves an estimated \$6.2m Estate Tax liability:

Show/Hide Options

Shortcuts to Assumptions

Strategies^

Planner^

Clients^

Rates^

Investments^

Residences^

QPRT

Bypass Trust

Annual Gifting

Life Insurance

Installment Sale

Testamentary Charity

Use Bypass Trust?

Use QPRT?

Use Annual Gifting?

Use Gift Discounts?

Use Life Insurance?

Use Large Gift?

Use Installment Sale?

Use Testamentary Charity?

Planner

Client

Spouse 1

Amir

First Name

Amir

Last Name

DOB

Mar

27

1964

Age

60

Sex

Male

Tobacco User?

Actuarial Year of Death (in Year 19)

2043

Illustrated Year of Death (in Year 20)

2044

Lifetime Gift Exemption Used

\$0

Net Annual Savings/(Spending) While Both Alive to age 64 (in Year 4)

\$0

Age of Savings/Spending Change (Year 4)

64

Net Annual Savings/(Spending) While Both Alive After Change

(\$150,000)

Spouse 2

Deceased or None

Dalia

First Name

Dalia

Last Name

DOB

Mar

27

1964

Home

File

Generate Client Letter

Generate PowerPoint

Share With Client

Help

Calculators

Account

Humor

Trust Logistics

Timeline

Details

Annual Amts

DIES IN YEAR ONE - NO PLANNING

Both spouses die in one year

Today

Amir & Dalia

Residence

\$9,000,000

Investments

\$31,000,000

Annual Growth Rate

3.00%

Annual Additions

\$0

Annual Growth Rate

7.50% less 0.40% fees and 2.00% tax

Explained

Life Ins. - Amir

Death Benefit

\$1,000,000

Annual Premium

\$5,247

Life Ins. - Dalia

Death Benefit

\$1,000,000

Annual Premium

\$5,551

Upon 1st Death (in Year 1)

Amir

Residence

\$9,270,000

Investments

\$32,570,202

Annual Growth Rate

3.00%

Annual Additions

\$0

Annual Growth Rate

7.50% less 0.40% fees and 2.00% tax

Explained

Life Ins. - Amir

Death Benefit

\$1,000,000

Annual Premium

\$5,247

Life Ins. - Dalia

Death Benefit

\$1,000,000

Annual Growth Rate

7.50% less 0.40% fees

Upon 2nd Death (in Year 1)

Amir's Estate

Residence

\$9,270,000

Investments

\$32,570,202

Exemption/Portability: (\$28,220,000)

Net Taxable Estate: \$15,620,202

Life Ins. - Amir

Value

\$1,000,000

Life Ins. - Dalia

Value

\$1,000,000

Estate Tax

\$6,248,081

Total Passed to Beneficiaries

\$37,592,121

Scenarios

Show/Hide Images

DIES IN YEAR ONE - NO PLANNING

DIES IN YEAR ONE - WITH PLANNING

NO PLANNING (25 YEARS)

BYPASS TRUST (FUNDED YEAR 20) - OFF

QPRT

ANNUAL GIFTING (2 DONEES) - OFF

DISCOUNTED GIFTING (25% DISCOUNT) - OFF

LIFE INSURANCE TRUST PLANNING (25 YEARS)

LARGE GIFT (25 YEARS)

YEAR 1 GIFT / INSTALLMENT SALE (15 YEAR NOTE) - OFF

TESTAMENTARY CHARITY

Feedback

© 2024 Haddon Hall Publishing, LLC

Terms

Privacy

You can pull up this scenario for the next 14 days using the following: Link:

<https://tinyurl.com/kxxjvtvr> Passcode: 123456

[EstateView.link](https://estateview.link)

Basic Estate Tax Calculation

Federal Tax Calculations

- Decedent died with a gross estate valued at \$20 million
- Decedent made a taxable gift of \$5 million in 2012
- Decedent directs that \$2 million passes to charity at death
- Balance of estate passes to children
- No state estate tax due



Basic Estate Tax Calculation

Federal Tax Calculations

Total gross estate	\$20 million
Total allowable deductions	\$2 million
<u>Taxable estate</u>	<u>\$18 million</u>
Adjusted taxable gifts	\$5 million
Tentative tax base	\$23 million
<u>Tentative tax</u>	<u>\$9.2 million</u>
Basic exclusion amount	\$13.61 million
Applicable credit amount	\$5.44 million
<u>Tax due</u>	<u>\$3,756,000</u>
 <u>Taxes as percentage of property received</u>	 <u>18%</u>



Basic Estate Tax Calculation

State Tax Calculations

- Decedent died in Maryland with a gross estate valued at \$20 million
- Decedent made a taxable gift of \$5 million in 2012
- Decedent directs that \$2 million passes to charity at death
- Balance of estate passes to children
- Maryland imposes a state-level estate tax with a \$5 million exemption



Basic Estate Tax Calculation

State Tax Calculations

Total gross estate	\$20 million
Total allowable deductions	\$2 million
<u>Taxable estate</u>	<u>\$18 million</u>
Maryland estate tax exclusion	\$5 million
Maryland tax base	\$13 million
<u>Tax due</u>	<u>\$1,546,800</u>



Basic Estate Tax Calculation

Federal Tax Calculations

Total gross estate	\$20 million
Total allowable deductions	\$3,546,800
<u>Taxable estate</u>	<u>\$16,453,200</u>
Adjusted taxable gifts	\$5 million
Tentative tax base	\$21,453,200
<u>Tentative tax</u>	<u>\$8,581,280</u>
Basic exclusion amount	\$13.61 million
Applicable credit amount	\$5.44 million
<u>Federal tax due</u>	<u>\$3,141,280</u>
<u>Total tax due</u>	<u>\$4,688,080</u>

Taxes as percentage of property received 23%



Basic Generation-Skipping Transfer Tax Calculation

Direct Skip

- Taxpayer transfers \$2 million outright to grandchild
- Taxpayer pays the resulting GST tax on the transfer



Basic Generation-Skipping Transfer Tax Calculation

Federal Tax Calculations

Total value of direct skip	\$2 million
<u>GST tax due</u>	<u>\$800,000</u>
Total taxable gift	\$2.8 million
<u>Gift tax due</u>	<u>\$1.12 million</u>
<u>Total tax due</u>	<u>\$1.92 million</u>
<u>Taxes as percentage of property received</u>	<u>96%</u>



Basic Generation-Skipping Transfer Tax Calculation

Taxable Termination

- Taxpayer previously funded trust for the benefit of child and grandchild with \$1 million
- When value of trust's assets reaches \$5 million, child dies and leaves grandchild as sole current beneficiary



Basic Generation-Skipping Transfer Tax Calculation

Federal Tax Calculations

Value of trust at creation	\$1 million
<u>Gift tax due</u>	<u>\$400,000</u>
Value of trust at termination	\$5 million
<u>GST tax due</u>	<u>\$2 million</u>
Total tax due	\$2.4 million
<u>Remaining trust assets</u>	<u>\$3 million</u>
<u>Taxes as percentage of property received</u>	<u>80%</u>



Basic Generation-Skipping Transfer Tax Calculation

Taxable Distribution

- Taxpayer previously funded trust for the benefit of child and grandchild with \$1 million
- When value of trust's assets reaches \$5 million, trustee makes \$1 million distribution to grandchild
- As grandchild does not have sufficient assets to pay the resulting GST tax liability, the trust will pay such tax



Basic Generation-Skipping Transfer Tax Calculation

Federal Tax Calculations

Initial taxable distribution	\$1 million
<u>GST tax due</u>	<u>\$400,000</u>
Additional GST tax due on taxes paid	\$266,666
<u>Total tax due</u>	<u>\$666,666</u>
 <u>Taxes as percentage of property received</u>	 <u>67%</u>

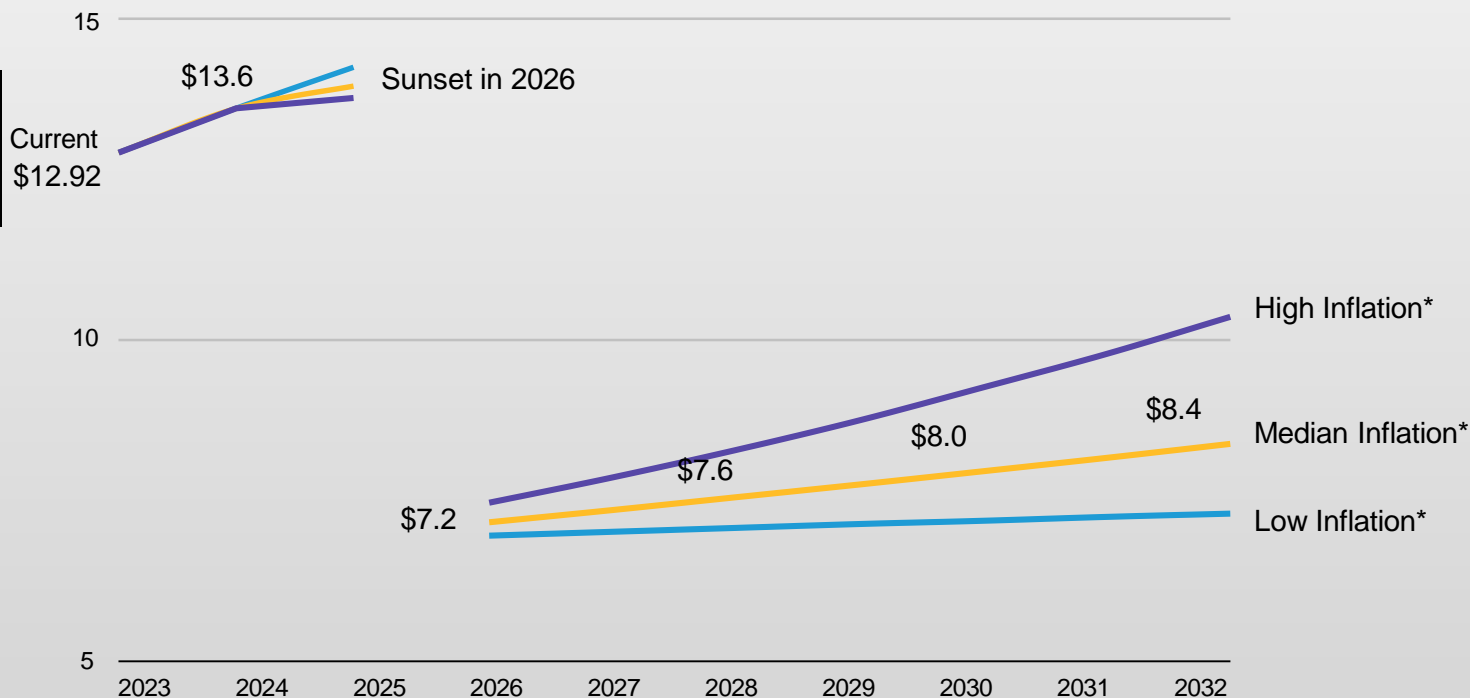


Projected Basic Exclusion Amount under Current Tax Law

Basic Exclusion Amount Nominal (USD millions)

The Basic Exclusion Amount, \$12.92 million in 2023, has increased to \$13.61 million in 2024

In 2026, it will sunset to an inflation-adjusted \$7.2 million, absent action by a future Congress



*Based on projected increases in "chained" CPI-U, rounded to the nearest \$100,000 in this display. Basic exclusion amount shown is for an individual, based upon 10th ("high"), 50th ("median"), and 90th ("low") percentile outcomes for the inflation-adjusted basic exclusion amount.

Based on Bernstein's estimated range of returns for the applicable capital markets. **Data do not represent past performance and are not a promise of actual results or a range of future results.** See Notes on Bernstein Wealth Forecasting System in the Appendix for further details.

Source: AB



Impact of Drop in Exclusion

Federal Tax Calculations

Total gross estate	\$20 million
Total allowable deductions	\$2 million
<u>Taxable estate</u>	<u>\$18 million</u>
Adjusted taxable gifts	\$5 million
Tentative tax base	\$23 million
<u>Tentative tax</u>	<u>\$9.2 million</u>
Basic exclusion amount	\$7.2 million
Applicable credit amount	\$2.88 million
<u>Tax due</u>	<u>\$6.32 million</u>
 <u>Taxes as percentage of property received</u>	 <u>34%</u>



Impact of Drop in Exclusion

Federal Tax Calculations

Total gross estate	\$15 million
Total allowable deductions	\$2 million
<u>Taxable estate</u>	<u>\$13 million</u>
Adjusted taxable gifts	\$10 million
Tentative tax base	\$23 million
<u>Tentative tax</u>	<u>\$9.2 million</u>
Basic exclusion amount	\$10 million
Applicable credit amount	\$4 million
<u>Tax due</u>	<u>\$5.2 million</u>
 <u>Taxes as percentage of property received</u>	 <u>26%</u>



Exceptions from Anti-Claw Back Regulations

- Property included in the taxable estate under IRC Sections 2035-2038 and 2042
- Transfers made by enforceable promise if not satisfied before death
- Certain transfers subject to special valuation rules under IRC Sections 2701 and 2702
- A transfer that would have triggered an exception barring a transfer, relinquishment, or elimination of an interest, power, or property within 18 months of death



Case Study: Meet Amir and Dalia

Amir and Dalia are both 60 years of age and residents of Nevada.

- Their assets total \$40.0 million, of which \$22.0 million is liquid.
- Their after-tax income should cover their expenses through 2027. Beginning in 2028, they will need to support annual inflation-adjusted living expenses of \$300,000, in today's dollars, from their portfolio.
- They are considering creating non-reciprocal SLATs to be funded as follows:

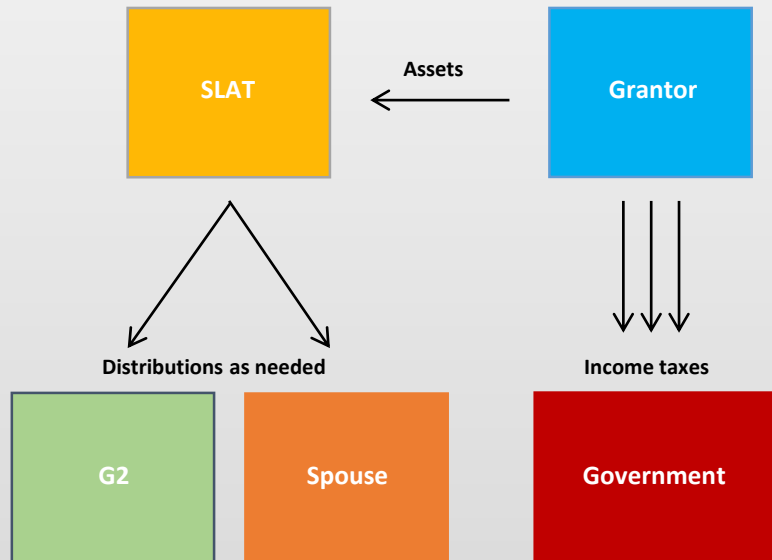
	Amir	Dalia	Joint	Total
Marketable Securities/Cash (Contributed to Trusts)	\$6.92 million	\$7.92 million		\$14.84 million
Marketable Securities/Cash (Remaining in Estate)	\$0.08 million	\$2.08 million	\$2.0 million	\$4.16 million
Real Estate	\$6.0 million (rental)		\$3.0 million (home)	\$9.0 million
Retirement Assets	\$2.0 million	\$1.0 million		\$3.0 million
Business Interests	\$4.0 million (active)	\$5.0 million (passive)		\$9.0 million
Total	\$19.0 million	\$16.0 million	\$5.0 million	\$40.0 million

■ Liquid assets remaining in estate
 ■ Assets contributed to trusts

Hypothetical case study for illustration purposes only.



Spousal Lifetime Access Trust



Key points:

- Can benefit children, grandchildren, and grantor's spouse, or benefit can be restricted to the grantor's spouse during life.
- The trust assets should be protected from the grantor's and beneficiary's creditors.
- A married couple could fund two SLATs, one for each spouse's benefit. However, each trust must be carefully drafted to avoid being considered reciprocal.*
- Grantor pays taxes on trust income.
- When structured properly, trust assets should not be included in the estate of the grantor or spouse.
- The significant risks to consider are death and divorce. At the beneficiary spouse's death, the grantor spouse no longer has a means of accessing the trust assets.

*When creating two SLATs, each trust must be carefully drafted and funded to avoid the trusts being considered identical or substantially similar. The issue arises from the IRS' application of the reciprocal trust doctrine, created by law in response to the perceived tax-avoidance motive, where two parties create identical trusts for each other and, as a result, end up in approximately the same economic position. Bernstein does not provide tax, valuation, or legal advice; please consult professionals in these fields prior to making any decisions regarding strategies modeled in this analysis.

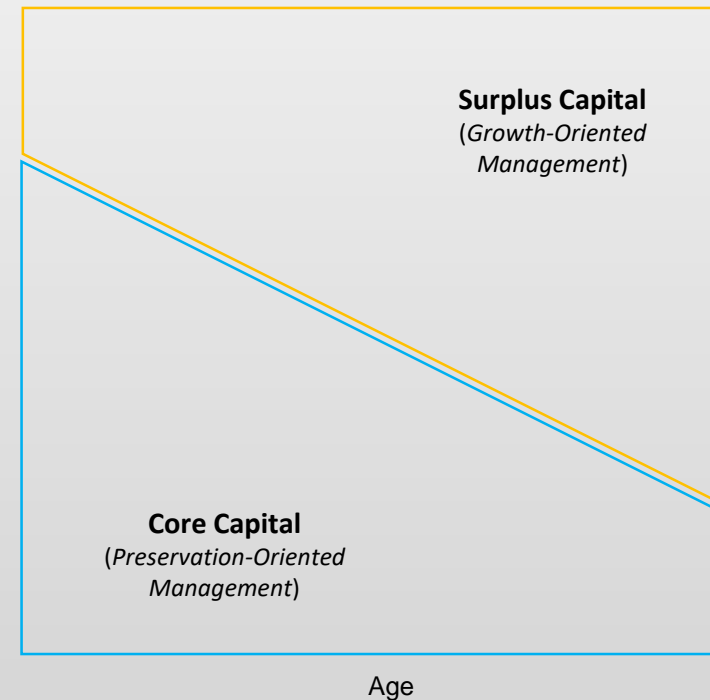
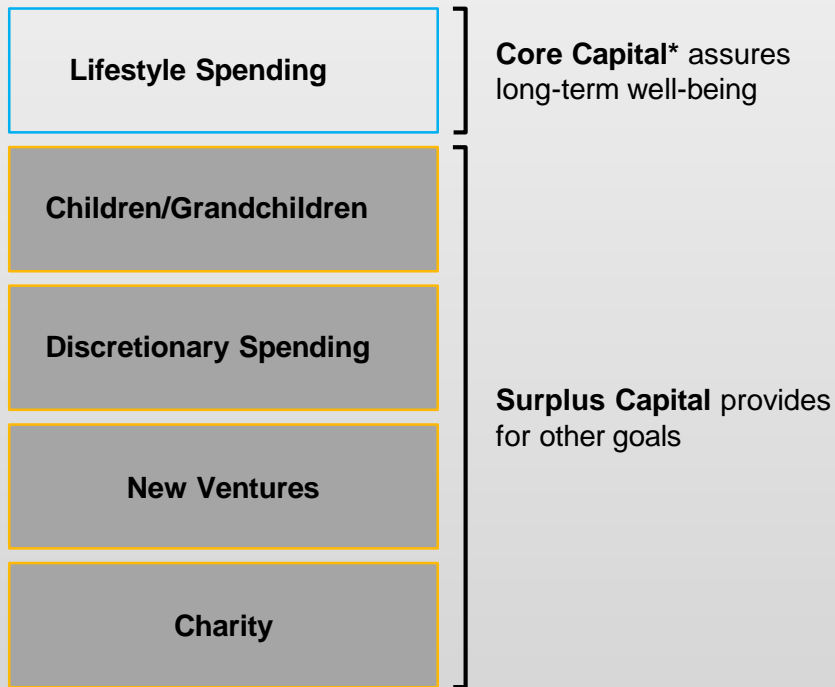
Source: AB



Core and Surplus Capital

• Hierarchy of Objectives

- The Critical Goal: Meeting Lifetime Spending Needs
-



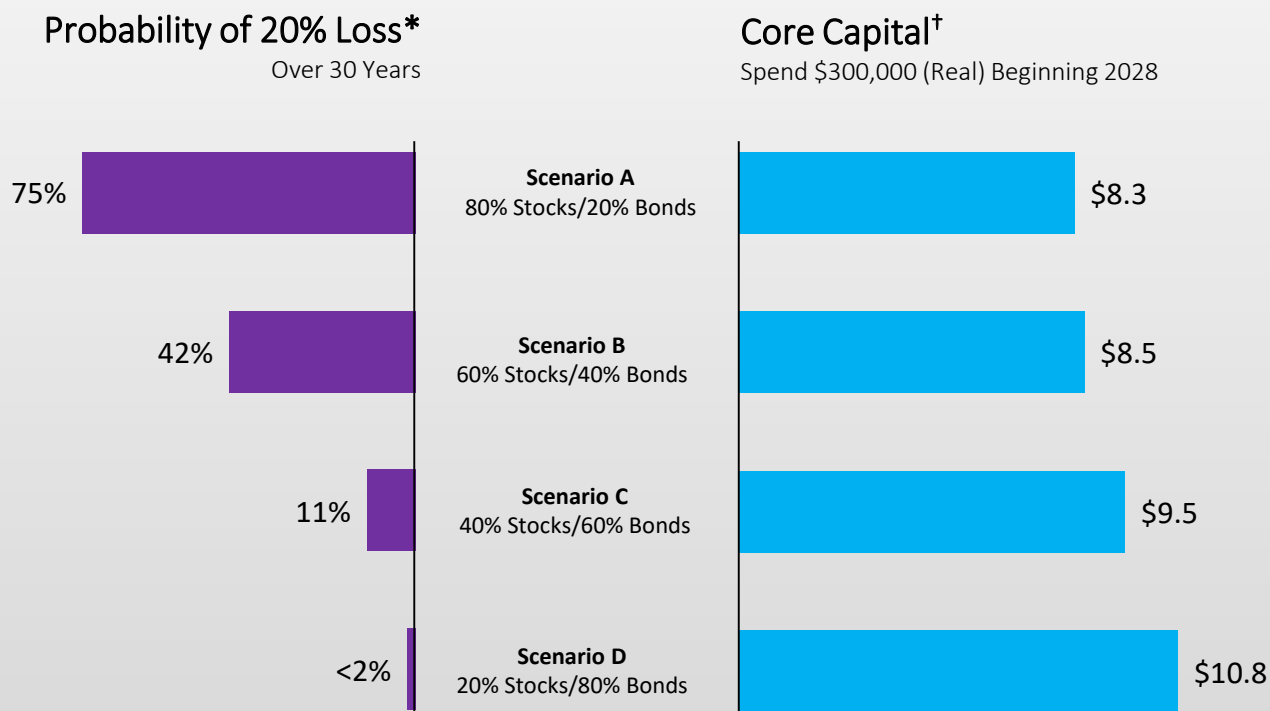
*The amount needed to support your lifestyle as long as you live.

Source: AB



Your Core Capital Needs Vary by Asset Allocation

• USD millions



*Projections indicate the probability of a peak-to-trough decline in pre-cash-flow cumulative returns of 20% over the next 30 years. Because the Bernstein Wealth Forecasting SystemSM uses annual capital market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years.

†Core capital represents the assets required today to support annual inflation-adjusted spending of \$300,000 beginning in 5 years for the mortality-adjusted lifetime at a 90% level of confidence. Assumes no income or spending during first 5 years of the analysis. Based on Bernstein's estimates of the range of returns for the applicable capital-markets over the periods analyzed. **Data do not represent past performance and are not a promise of actual future results or range of future results.** See Notes on the Bernstein Wealth Forecasting SystemSM at the end of this presentation for further details.



Additional Tax Reserve Needed for Liquid SLAT Assets of \$7.92 Million

- USD millions

Required Tax Reserve*
30 Years of Taxes Paid | 90% Level of Confidence
60% Stocks/40% Bonds



\$3.2

Tax Reserve for Liquid SLAT Assets

*Required tax reserve represents the amount of taxable assets needed to pay the income tax liability of a \$7.92 million SLAT for the next 30 years with a 90% level of confidence. Assumes taxable and SLAT portfolios are invested in 60% global stocks and 40% bonds. Assumes top marginal federal tax rates for the personal taxable portfolio. Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 30 years. **Data does not represent past performance and is not a promise of actual or range of results.** See Notes on the Bernstein Wealth Forecasting SystemSM at the end of this presentation for further details. Bernstein does not provide tax, legal or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.



Personal Liquid Assets After Funding Dalia's Trust and Creating a Tax Reserve Compared to Potential Core Capital Needs

- USD millions



- Bernstein does not provide tax, legal, valuation, or accounting advice; please consult professionals in these fields prior to making any decisions regarding strategies modeled in this analysis.
- Source: AB



But Can't They Take Distributions from the SLATs?

Yes but...consider that an express or implied understanding of a retained or reserved interest in transferred property can trigger estate tax inclusion under IRC § 2036(a)(1).*

- ***Estate of McCabe vs. U.S.*[†]**—Taxpayer-created trust for benefit of spouse and children and trust made no distributions for 19 years—until taxpayer retired and needed liquidity. Trust made distributions based on written requests prepared by taxpayer and signed by spouse. Court held that distributions in response to change in taxpayer's financial circumstances and taxpayer's involvement in requests for funds evidenced pre-existing arrangement and trust assets were included in taxpayer's taxable estate.
- ***Estate of Strangi vs. Commissioner*[‡]**—Taxpayer transferred 98% of his assets to a limited partnership in exchange for a 99% limited partner interest. Court noted that lack of reserved liquidity to support spending demonstrated implied understanding that taxpayer would meet such needs from transferred assets. Court held that it would be unreasonable to assume that taxpayer would sell remaining illiquid assets for this purpose.

• *Treas. Reg. § 20.2036-1(c).

• †475 F.2d 1142 (Ct. Cl. 1973).

• ‡85 T.C.M. 1331 (2003).



How Can You Defend Against Inclusion?

Burden of disproving an implied understanding with circumstantial evidence falls on the estate.*

Past cases have looked to pre-funding analysis to dispel assertions of an implied understanding.

Consider Estate of Wells v. Commissioner†:

- Taxpayer transferred assets to a fully discretionary irrevocable trust of which she was a beneficiary and named her son as trustee.
- Her son distributed the trust's income to her two to four times a year.
- Estate was able to successfully defend against a claim of an implied understanding of a retained interest by:
 - Showing that the taxpayer consulted with her accountant about her cash flow and only made the gift after being assured that she would have no need to access these funds in the future.
 - She used the distributions for extraordinary expenses that she didn't incur prior to creating the trust.
 - She didn't request distributions from the trust.

- *Estate of McCabe v. U.S., 475 F.2d 1142, 1146 (Ct. Cl. 1973).
- †42 T.C.M. 1305 (1981).



Intentionally Defective Grantor Trusts (IDGTs)



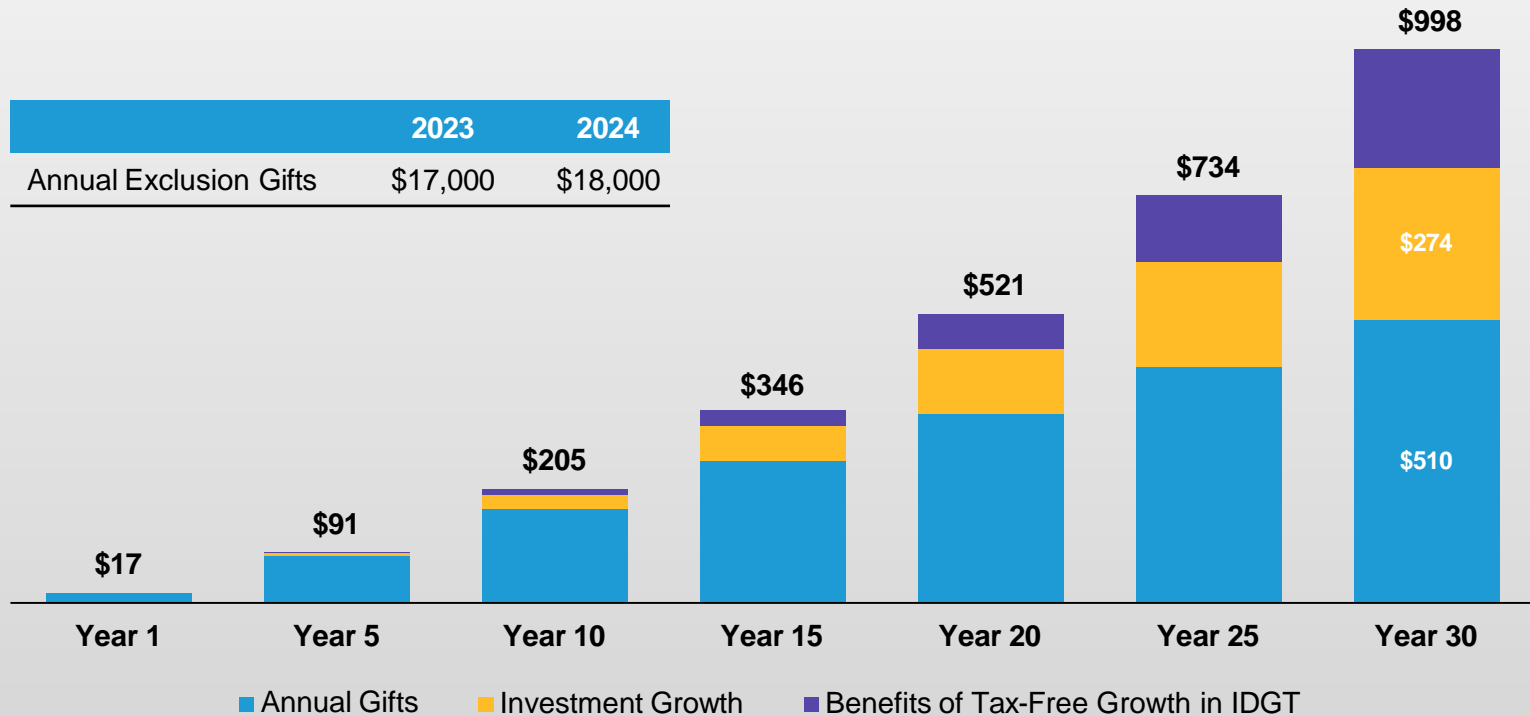
- Assets of an “intentionally defective grantor trust” (IDGT) are considered “owned” by the donor for income tax purposes but not includible in the donor’s taxable estate for estate tax purposes
- Donor is responsible for all income taxes on trust’s income, thereby allowing the trust to grow “tax free”
- The IRS has ruled that:
 - Donor’s payment of income tax liability does not constitute a gift to the trust for gift tax purposes
 - Transactions between an IDGT and donor are ignored for income tax purposes, meaning these transactions do not trigger a recognition of gain

*Bernstein does not provide tax, legal, or accounting advice. In considering this message, you should discuss your individual circumstances with professionals in those areas before making any decisions.



Cumulative Value of Annual Exclusion Gifts

Boost the benefit of annual exclusion gifts by using IDGTs median wealth (USD real, thousands)



Initial annual gift is \$17,000, indexed for inflation. All accounts are invested 100% in stocks. Stocks are modeled as 13% US diversified, 17% US value, 17% US growth, 7% US small-and mid-cap, 10% US low vol, 20% developed international, 11% emerging markets, and 5% high-risk Int'l. Federal tax rates: top marginal; State tax rates: 5%. If the assets were liquidated, additional capital gains or losses would be realized that are not reflected here. Based on Bernstein's estimates of the range of returns for the applicable capital markets as of March 30, 2020. **Data do not represent past performance and are not a promise of actual future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System in the Appendix.

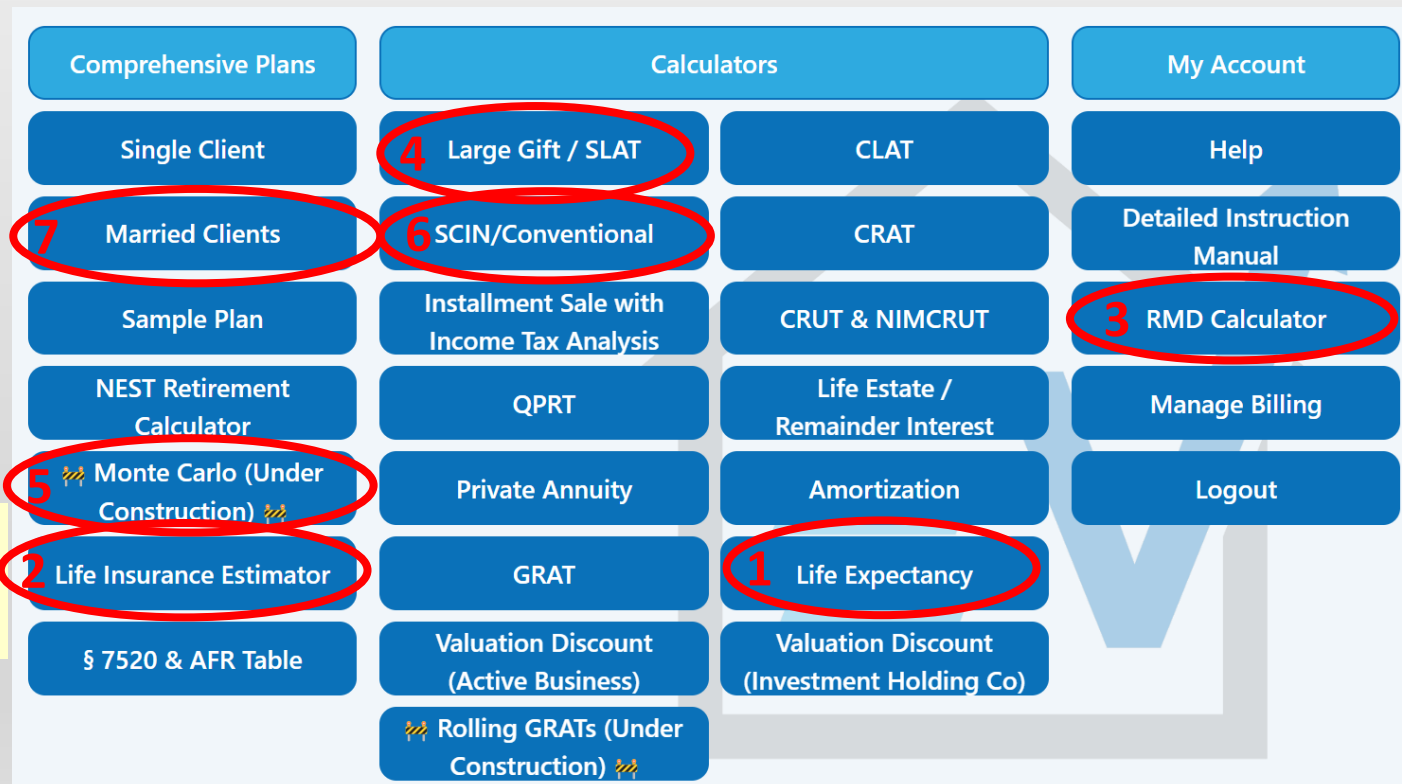


EstateView Case Study: Amir and Dalia (Continued!)

EstateView provides visual insights to highlight tax-saving opportunities.
Amir and Dalia can see visualizations of:

1. Life Expectancy projections
2. Life Insurance Estimates
3. Required Minimum Distributions (RMDs)
4. Monte Carlo
5. Large Gifts to a SLAT
6. Installment Sale
7. Married Clients

[EstateView.link](#)



Put “EstateView.link” in your browser to use the software.



EstateView Visualization 1: Life Expectancy

Life Expectancy

Center Screenshot

Life 1 Duplicate Delete

Number of Lives: Two

Person 1 Age: 60

Person 2 Age: 60

Mortality Table: Table 2010CM

- EstateView's Life Expectancy Calculator considers:
 - The number of lives;
 - Amir's and Dalia's ages; and
 - A specified mortality table (here, Table 2010CM).
- Results show a spreadsheet of probability of survival:
 - For each person;
 - For both surviving that year; and
 - For at least one survivor that year.

LE # Person 1 Age Person 1 Life Expectancy Person 2 Age Person 2 Life Expectancy Survivor Life Expectancy

1 60 23 60 23 28.6

Life Expectancy 1

Show Every 5 Year(s)

Export to Excel

Year	Year #	Person 1 Age	Person 1 Probability of Survival	Person 2 Age	Person 2 Probability of Survival	Probability of Both Surviving	Probability of At Least One Surviving
2025	1	61	99.12%	61	99.12%	98.24%	99.99%
2030	6	66	93.77%	66	93.77%	87.93%	99.61%
2035	11	71	86.20%	71	86.20%	74.30%	98.10%
2040	16	76	75.61%	76	75.61%	57.18%	94.05%
2045	21	81	61.14%	81	61.14%	37.39%	84.90%
2050	26	86	42.74%	86	42.74%	18.27%	67.21%
2055	31	91	22.78%	91	22.78%	5.19%	40.37%
2060	36	96	7.82%	96	7.82%	0.61%	15.02%
2065	41	101	1.42%	101	1.42%	0.02%	2.82%
2070	46	106	0.12%	106	0.12%	0.00%	0.23%
2074	50	110	0.00%	110	0.00%	0.00%	0.00%

[EstateView.link](https://www.estateview.link)



EstateView Visualization 1: Life Expectancy

Life 1 Duplicate Delete ^

Number of Lives Two ▼

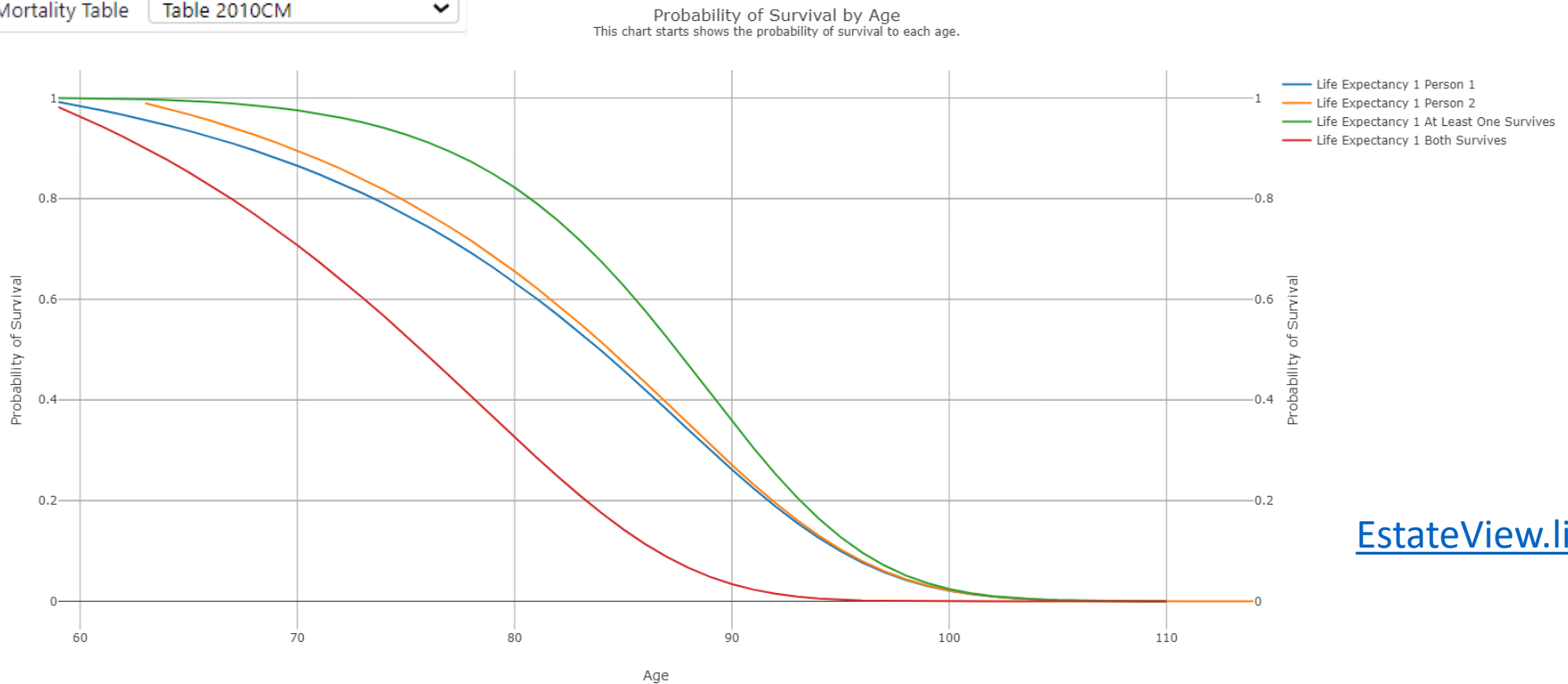
Person 1 Age - 58 +

Person 2 Age - 62 +

Mortality Table Table 2010CM ▼

- The Life Expectancy Calculator also shows a graph for Amir and Dalia to visualize their likelihood of survival over time.

Note: Ages modified to prevent completely overlapping lines



[EstateView.link](#)



EstateView Visualization 2: Life Insurance Estimates

Life Insurance Estimates

Amir and Dalia

Prepared by EstateView for John Planner

* Actual rates and availability may vary significantly.

EstateView does not sell or recommend any particular life insurance or confirm the need thereof.

Amir

Male

Age

60

Premium Multiplier

1

	Risk Class	10 yr	20 yr	25 yr	30 yr	Universal For Life
Annual Premium Per \$1,000,000	Standard	\$5,193	\$8,270	Probably not available	Probably not available	\$30,819
Annual Premium Per \$1,000,000	Preferred	\$3,462	\$5,247	Probably not available	Probably not available	\$25,997

Dalia

Female

Age

60

Premium Multiplier

1

	Risk Class	10 yr	20 yr	25 yr	30 yr	Universal For Life
Annual Premium Per \$1,000,000	Standard	\$4,368	\$5,551	Probably not available	Probably not available	\$25,274
Annual Premium Per \$1,000,000	Preferred	\$2,875	\$3,684	Probably not available	Probably not available	\$24,247

- After a physical arranged with their insurance provider, clients will learn if they are in the standard or preferred risk class

Example:

- Amir can expect (per \$1m):
 - \$5,193/yr for 10 yr coverage at standard risk
 - \$5,247/yr for 20 yr coverage at preferred risk
- Dalia can expect (per \$1m):
 - \$5,551/yr for 20 yr coverage at standard risk

[EstateView.link](#)



EstateView Visualization 3: RMDs

[EstateView.link](#)

- Required Minimum Distributions start once client reaches age 73
- Assuming: 1) \$3m in retirement accounts this year at age 60;
2) 7.5% asset growth rate; and
3) 30% income tax rate (RMD is not only their retirement income)

Show Every ☐ 1 Year(s) ☒ Year of Death ☐ First Year RMD

Year	Year #	Grantor Age	Probability Survival To Year	Beginning Value	Growth	RMD Percentage	RMD Amount	Tax on RMD	Net After Taxes	End Value	Cumulative After Charity	Cumulative Taxes On Net	Cumulative Net After Taxes
2024	1	60	100.00%	\$3,000,000.00	\$225,000.00	0.00%	\$0.00	\$0.00	\$0.00	\$3,225,000.00	\$0.00	\$0.00	\$0.00
2025	2	61	99.12%	\$3,225,000.00	\$241,875.00	0.00%	\$0.00	\$0.00	\$0.00	\$3,466,875.00	\$0.00	\$0.00	\$0.00
2026	3	62	98.18%	\$3,466,875.00	\$260,015.62	0.00%	\$0.00	\$0.00	\$0.00	\$3,726,890.62	\$0.00	\$0.00	\$0.00
2027	4	63	97.18%	\$3,726,890.62	\$279,516.80	0.00%	\$0.00	\$0.00	\$0.00	\$4,006,407.42	\$0.00	\$0.00	\$0.00
2028	5	64	96.12%	\$4,006,407.42	\$300,480.56	0.00%	\$0.00	\$0.00	\$0.00	\$4,306,887.98	\$0.00	\$0.00	\$0.00
2029	6	65	94.99%	\$4,306,887.98	\$323,016.60	0.00%	\$0.00	\$0.00	\$0.00	\$4,629,904.58	\$0.00	\$0.00	\$0.00
2030	7	66	93.77%	\$4,629,904.58	\$347,242.84	0.00%	\$0.00	\$0.00	\$0.00	\$4,977,147.42	\$0.00	\$0.00	\$0.00
2031	8	67	92.46%	\$4,977,147.42	\$373,286.06	0.00%	\$0.00	\$0.00	\$0.00	\$5,350,433.48	\$0.00	\$0.00	\$0.00
2032	9	68	91.05%	\$5,350,433.48	\$401,282.51	0.00%	\$0.00	\$0.00	\$0.00	\$5,751,715.99	\$0.00	\$0.00	\$0.00
2033	10	69	89.54%	\$5,751,715.99	\$431,378.70	0.00%	\$0.00	\$0.00	\$0.00	\$6,183,094.69	\$0.00	\$0.00	\$0.00
2034	11	70	87.92%	\$6,183,094.69	\$463,732.10	0.00%	\$0.00	\$0.00	\$0.00	\$6,646,826.79	\$0.00	\$0.00	\$0.00
2035	12	71	86.20%	\$6,646,826.79	\$498,512.01	0.00%	\$0.00	\$0.00	\$0.00	\$7,145,338.80	\$0.00	\$0.00	\$0.00
2036	13	72	84.36%	\$7,145,338.80	\$535,900.41	0.00%	\$0.00	\$0.00	\$0.00	\$7,681,239.21	\$0.00	\$0.00	\$0.00
2037	14	73	82.39%	\$7,681,239.21	\$576,092.94	3.77%	(\$289,858.08)	(\$101,450.33)	(\$188,407.75)	\$7,967,474.07	\$289,858.08	\$101,450.33	\$188,407.75
2038	15	74	80.28%	\$7,967,474.07	\$597,560.55	3.92%	(\$312,449.96)	(\$115,606.49)	(\$196,843.48)	\$8,252,584.65	\$602,308.05	\$217,056.82	\$385,251.23
2039	16	75	78.02%	\$8,252,584.65	\$618,943.85	4.07%	(\$335,470.92)	(\$100,641.28)	(\$234,829.64)	\$8,536,057.58	\$937,778.97	\$317,698.09	\$620,080.88
2040	17	76	75.61%	\$8,536,057.58	\$640,204.32	4.22%	(\$360,171.21)	(\$108,051.36)	(\$252,119.84)	\$8,816,090.70	\$1,297,950.17	\$425,749.45	\$872,200.72
2041	18	77	73.05%	\$8,816,090.70	\$661,206.80	4.37%	(\$384,982.13)	(\$115,494.64)	(\$269,487.49)	\$9,092,315.37	\$1,682,932.30	\$541,244.09	\$1,141,688.21
2042	19	78	70.34%	\$9,092,315.37	\$681,923.65	4.55%	(\$413,287.06)	(\$123,986.12)	(\$289,300.94)	\$9,360,951.96	\$2,096,219.36	\$665,230.21	\$1,430,989.15
2043	20	79	67.44%	\$9,360,951.96	\$702,071.40	4.74%	(\$443,647.01)	(\$133,094.10)	(\$310,552.91)	\$9,619,376.35	\$2,539,866.37	\$798,324.31	\$1,741,542.06
2044	21	80	64.38%	\$9,619,376.35	\$721,453.23	4.95%	(\$476,206.75)	(\$142,862.02)	(\$333,344.72)	\$9,864,622.83	\$3,016,073.12	\$941,186.34	\$2,074,886.79
2045	22	81	61.14%	\$9,864,622.83	\$739,846.71	5.15%	(\$508,485.71)	(\$152,545.71)	(\$355,940.00)	\$10,095,983.82	\$3,524,558.84	\$1,093,732.05	\$2,430,826.78
2046	23	82	57.75%	\$10,095,983.82	\$757,198.79	5.41%	(\$545,728.86)	(\$163,718.66)	(\$382,010.20)	\$10,307,453.76	\$4,070,287.69	\$1,257,045.71	\$2,812,836.98
2047	24	83	54.20%	\$10,307,453.76	\$773,059.03	5.65%	(\$582,342.02)	(\$174,702.61)	(\$407,639.41)	\$10,498,170.77	\$4,652,629.71	\$1,432,153.32	\$3,220,476.40
2048	25	84	50.54%	\$10,498,170.77	\$787,362.81	5.95%	(\$624,891.12)	(\$187,467.34)	(\$437,423.78)	\$10,660,642.46	\$5,277,520.83	\$1,619,620.65	\$3,657,900.18
2049	26	85	46.69%	\$10,660,642.46	\$799,548.18	6.25%	(\$666,290.15)	(\$199,887.05)	(\$466,403.11)	\$10,793,900.49	\$5,943,810.98	\$1,819,507.70	\$4,124,303.29
2050	27	86	42.74%	\$10,793,900.49	\$809,542.54	6.58%	(\$710,125.03)	(\$213,037.51)	(\$497,087.52)	\$10,893,317.99	\$6,653,936.02	\$2,032,545.21	\$4,621,390.81
2051	28	87	38.70%	\$10,893,317.99	\$816,998.85	6.94%	(\$756,480.42)	(\$226,944.12)	(\$529,536.29)	\$10,953,836.43	\$7,410,416.43	\$2,259,489.33	\$5,150,927.10
2052	29	88	34.63%	\$10,953,836.43	\$821,537.73	7.30%	(\$799,550.10)	(\$239,865.03)	(\$559,685.07)	\$10,975,824.05	\$8,209,966.54	\$2,499,354.36	\$5,710,612.17
2053	30	89	30.57%	\$10,975,824.05	\$823,186.80	7.75%	(\$850,839.07)	(\$255,251.72)	(\$595,587.35)	\$10,948,171.78	\$9,060,805.61	\$2,754,606.08	\$6,306,199.53
2054	31	90	26.60%	\$10,948,171.78	\$821,112.88	8.20%	(\$897,391.13)	(\$269,217.34)	(\$628,173.79)	\$10,871,893.53	\$9,958,196.74	\$3,023,823.42	\$6,934,373.32
Totals:					\$17,830,090.27		\$9,958,196.74	\$3,023,823.42	\$6,934,373.32				



EstateView Visualization 4: Monte Carlo

Monte Carlo #	Initial Value	Percentage Bonds	Percentage Equities	Number of Years Invested	10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
1	\$37,000,000	35.00%	65.00%	30	5.22%	6.59%	8.08%	9.45%	10.67%

Monte Carlo

portfolio growth analysis
based on 10,000 random
trials with variable gains or
losses

Assumptions

Portfolio Value - \$37m
Asset allocation - 65/35%
stocks/bonds
Annual spending - \$600k

Results (annual returns)

10th percentile = 5.22%
25th percentile = 6.59%
50th percentile = 8.08%
75th percentile = 9.45%
90th percentile = 10.67%

Year #	10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
1	\$35,038,905.82	\$37,290,409.93	\$39,886,549.80	\$42,531,341.15	\$44,888,310.84
2	\$35,702,038.75	\$39,000,209.92	\$42,832,693.45	\$46,961,397.75	\$50,918,518.31
3	\$36,785,853.29	\$41,090,515.49	\$46,112,808.10	\$51,503,286.09	\$56,865,195.40
4	\$38,151,567.21	\$43,353,036.67	\$49,618,813.78	\$56,636,215.58	\$63,261,529.91
5	\$39,740,993.52	\$45,823,493.66	\$53,461,819.76	\$62,027,895.68	\$70,647,693.26
6	\$41,699,846.59	\$48,650,634.08	\$57,709,413.42	\$67,555,034.45	\$78,196,574.82
7	\$43,636,049.30	\$51,910,407.44	\$62,005,850.62	\$73,791,165.80	\$86,276,082.20
8	\$45,888,097.72	\$55,149,918.25	\$66,828,476.52	\$80,583,760.15	\$95,174,301.41
9	\$47,940,798.93	\$58,578,749.67	\$72,023,680.48	\$87,794,383.67	\$105,014,937.72
10	\$50,601,901.75	\$62,226,974.56	\$77,491,286.54	\$95,998,565.58	\$115,280,956.71
11	\$53,295,454.17	\$66,151,784.85	\$83,973,458.89	\$104,673,355.20	\$128,092,960.81
12	\$56,014,078.34	\$70,738,709.56	\$90,633,752.14	\$114,683,258.40	\$141,210,449.14
13	\$59,366,751.32	\$75,460,564.60	\$97,631,657.96	\$124,842,418.19	\$154,447,863.57
14	\$62,893,127.88	\$80,371,536.26	\$104,944,835.92	\$136,198,726.42	\$170,684,542.83
15	\$67,044,216.02	\$85,795,512.63	\$113,902,013.68	\$148,398,093.65	\$187,164,774.57
16	\$70,385,387.83	\$92,237,408.36	\$123,377,974.33	\$161,988,687.29	\$206,827,994.52
17	\$75,453,018.22	\$98,934,572.63	\$132,897,164.33	\$177,119,368.01	\$227,485,009.72
18	\$80,426,685.98	\$106,049,656.58	\$143,412,866.48	\$193,367,935.51	\$251,142,226.11
19	\$85,157,256.26	\$113,720,280.60	\$154,872,954.05	\$210,535,649.10	\$275,873,028.51
20	\$90,328,449.81	\$121,333,971.71	\$167,911,240.74	\$229,294,144.45	\$303,136,732.18
21	\$96,010,848.56	\$130,497,717.66	\$182,209,769.21	\$250,891,290.03	\$332,754,499.17
22	\$101,732,391.80	\$140,231,884.40	\$197,394,817.48	\$273,672,647.54	\$364,679,256.01
23	\$108,067,077.74	\$150,674,148.59	\$214,110,612.96	\$299,429,819.64	\$400,966,781.10
24	\$114,559,554.56	\$160,675,773.66	\$231,482,672.48	\$327,005,176.40	\$439,978,318.96
25	\$121,729,276.94	\$173,330,843.17	\$251,232,230.97	\$356,306,704.26	\$479,773,973.18
26	\$130,762,566.31	\$186,019,845.33	\$273,489,968.09	\$388,441,953.13	\$528,729,164.16
27	\$139,633,941.54	\$200,199,062.71	\$295,824,308.14	\$425,738,254.47	\$580,923,785.29
28	\$148,735,818.54	\$214,844,328.87	\$322,375,808.99	\$466,046,142.18	\$643,075,410.11
29	\$158,450,994.74	\$232,712,029.61	\$349,680,832.14	\$511,469,707.66	\$707,643,801.48
30	\$170,323,895.13	\$251,131,052.69	\$380,318,736.63	\$556,144,184.70	\$775,547,912.40

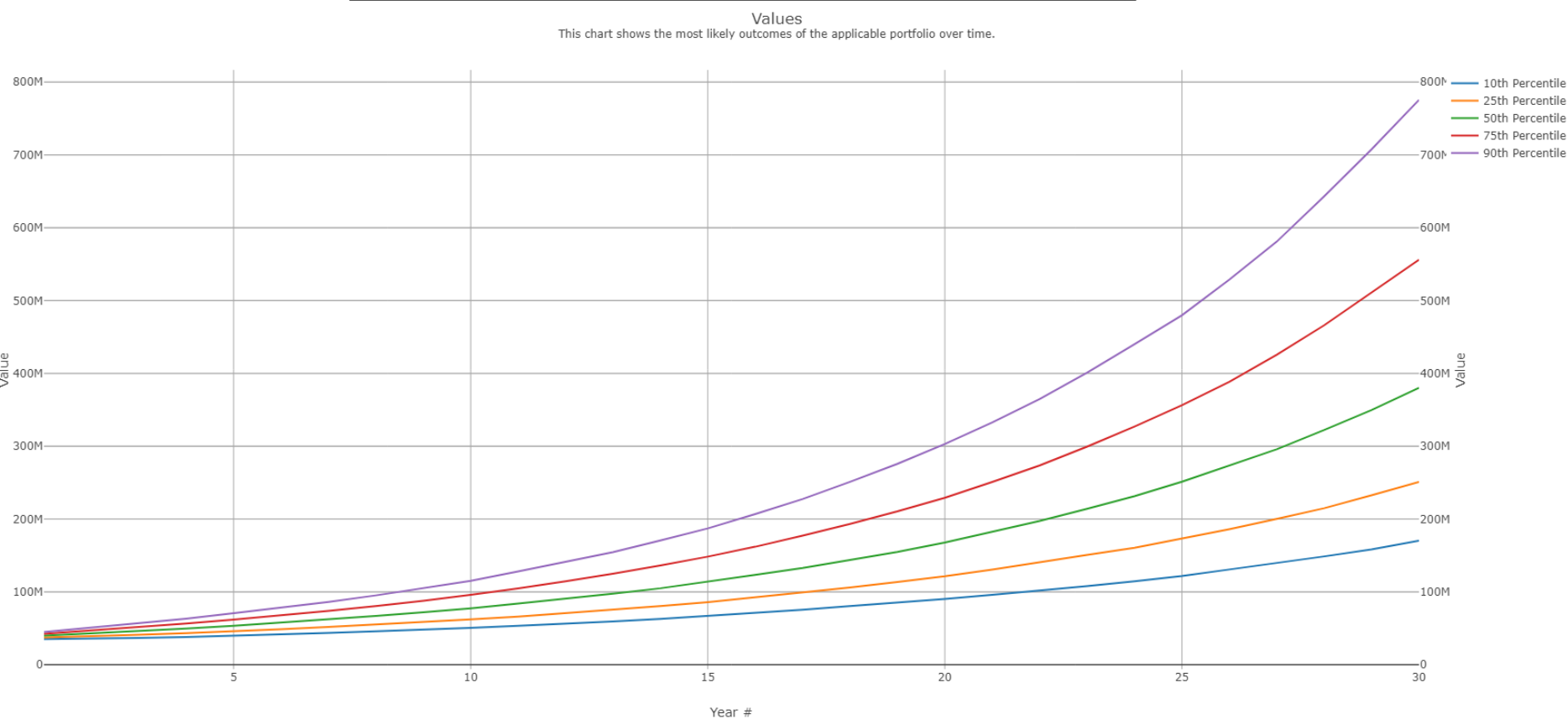
[EstateView.link](https://www.estateview.link)



EstateView Visualization 4: Monte Carlo

Monte Carlo #	Initial Value	Percentage Bonds	Percentage Equities	Number of Years Invested	10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
1	\$37,000,000	35.00%	65.00%	30	5.22%	6.59%	8.08%	9.45%	10.67%

Timeline of Portfolio Growth (Value)



[EstateView.link](#)

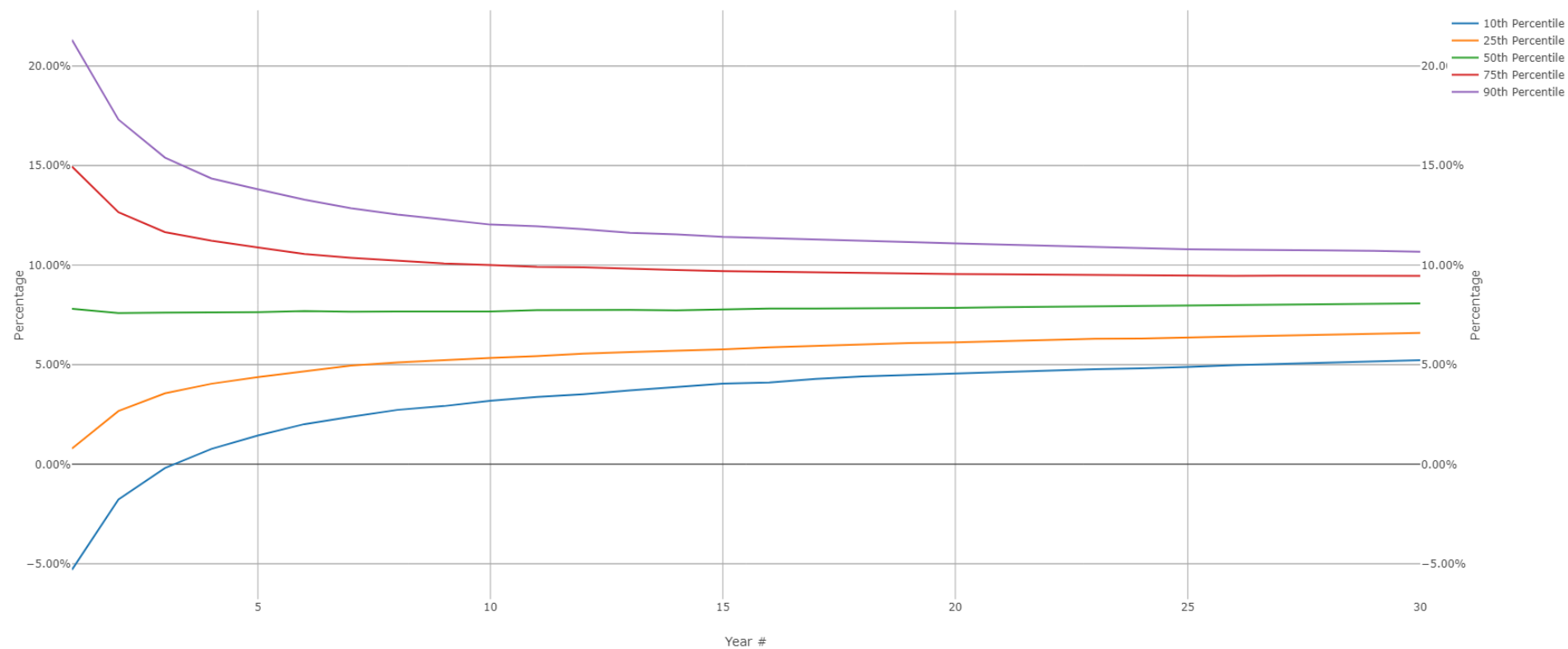


EstateView Visualization 4: Monte Carlo

Monte Carlo #	Initial Value	Percentage Bonds	Percentage Equities	Number of Years Invested	10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
1	\$37,000,000	35.00%	65.00%	30	5.22%	6.59%	8.08%	9.45%	10.67%

Timeline of Portfolio Growth (Percentage)

Percentages
This chart shows percentages of deviation from beginning to end of the applicable portfolio.



[EstateView.link](https://www.gassmanlaw.com/EstateView.link)



EstateView Visualization 5: Large Gift / SLAT

- The Large Gift / SLAT involves making irrevocable lifetime gifts of up to \$13.6m per individual to reduce estate tax.
- Amir and Dalia can move this amount into trusts this year to allow the assets to grow outside their estate.
- The result is over \$30m in Estate Tax Savings in 25 years!

Assumptions

Estate Tax Rate	40%	Annual Savings/(Spending)	(\$600k)
Lifetime Exemption drops 50% in 2026?	Yes	Residence Value	\$3m
Chained Inflation Rate	4.0%	Current Investments	\$37m
Current Age	60	Investments Growth Rate	5.5%
Projected Age of Death	85	Discount on Gifted Assets	None

[EstateView.link](https://www.gassmanlaw.com/EstateView.link)



EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
1	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$1,000,000	0.00%	Never	\$109,754,421	\$160,965,978	\$0	\$33,161,768	\$9,270,839	\$115,141,088	\$3,025,078	\$3,025,078	\$33,161,768
2	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$6,805,000	0.00%	Never	\$65,852,979	\$22,398,348	\$0	\$15,601,192	\$63,088,059	\$132,701,664	\$20,585,655	\$3,025,078	\$15,601,192
3	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$7,805,000	0.00%	Never	\$56,582,140	(\$3,180,189)	\$0	\$11,892,856	\$72,358,898	\$136,410,000	\$24,293,990	\$3,708,336	\$11,892,856
4	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$13,605,000	0.00%	24	\$10,888,323	(\$30,484,931)	\$0	\$0	\$113,671,753	\$142,912,509	\$35,088,856	\$0	\$0
5	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$20,840,000	0.00%	0	(\$6,113,426)	(\$34,584,941)	\$0	\$0	\$138,365,483	\$151,613,875	\$36,186,846	\$0	\$0
6	23	(\$600,000)	\$37,000,000	3.50%	\$3,000,000	\$20,840,000	0.00%	0	(\$9,203,019)	(\$34,584,941)	\$0	\$0	\$69,472,025	\$62,919,630	\$2,962,212	\$0	\$0

- Each row is an example of a large gift the clients could make with slight variations.

[EstateView.link](https://www.gassmanlaw.com/EstateView.link)



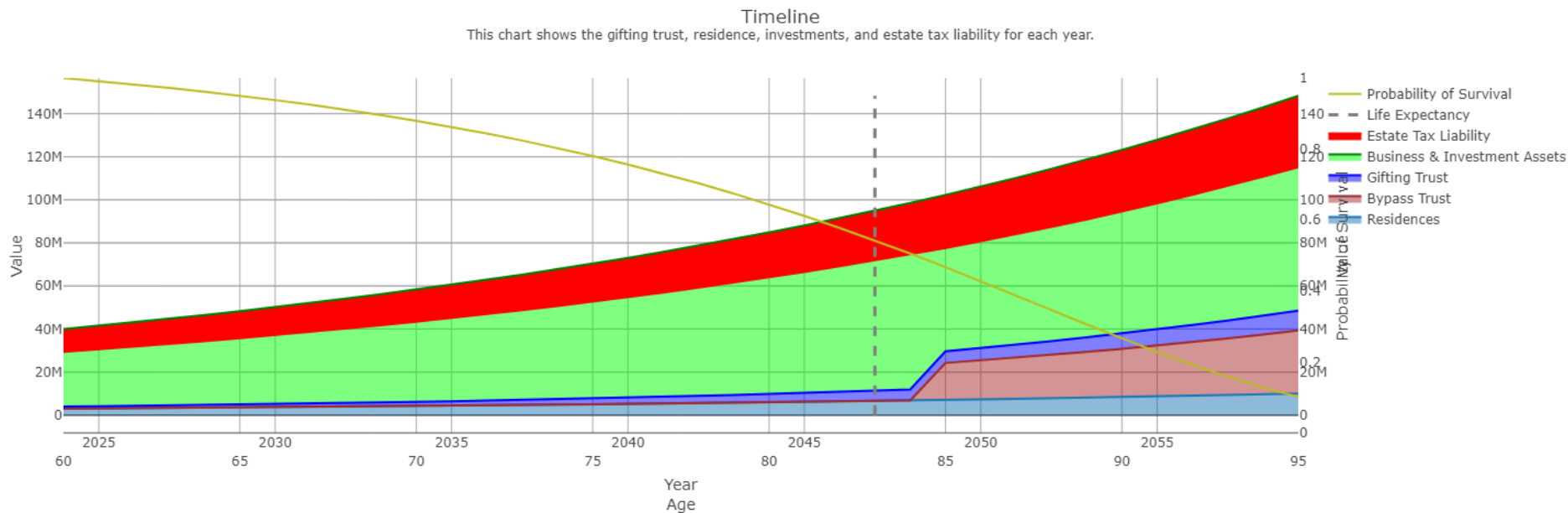
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
1	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$1,000,000	0.00%	Never	\$109,754,421	\$160,965,978	\$0	\$33,161,768	\$9,270,839	\$115,141,088	\$3,025,078	\$3,025,078	\$33,161,768

Gift 1 shows:

- \$1m year one gift saves \$3m in estate tax.



[EstateView.link](https://www.estateview.link)



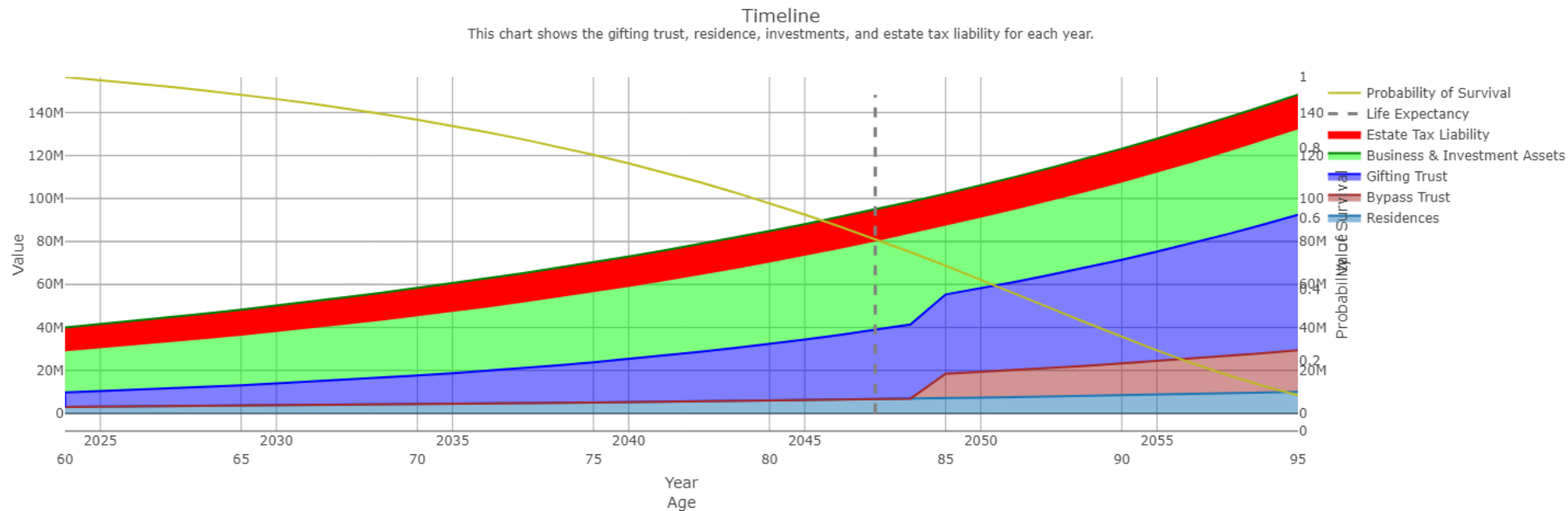
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
2	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$6,805,000	0.00%	Never	\$65,852,979	\$22,398,348	\$0	\$15,601,192	\$63,088,059	\$132,701,664	\$20,585,655	\$3,025,078	\$15,601,192

Gift 2 shows:

- \$6.8m year one gift saves \$20m in estate tax



[EstateView.link](https://www.estateview.link)



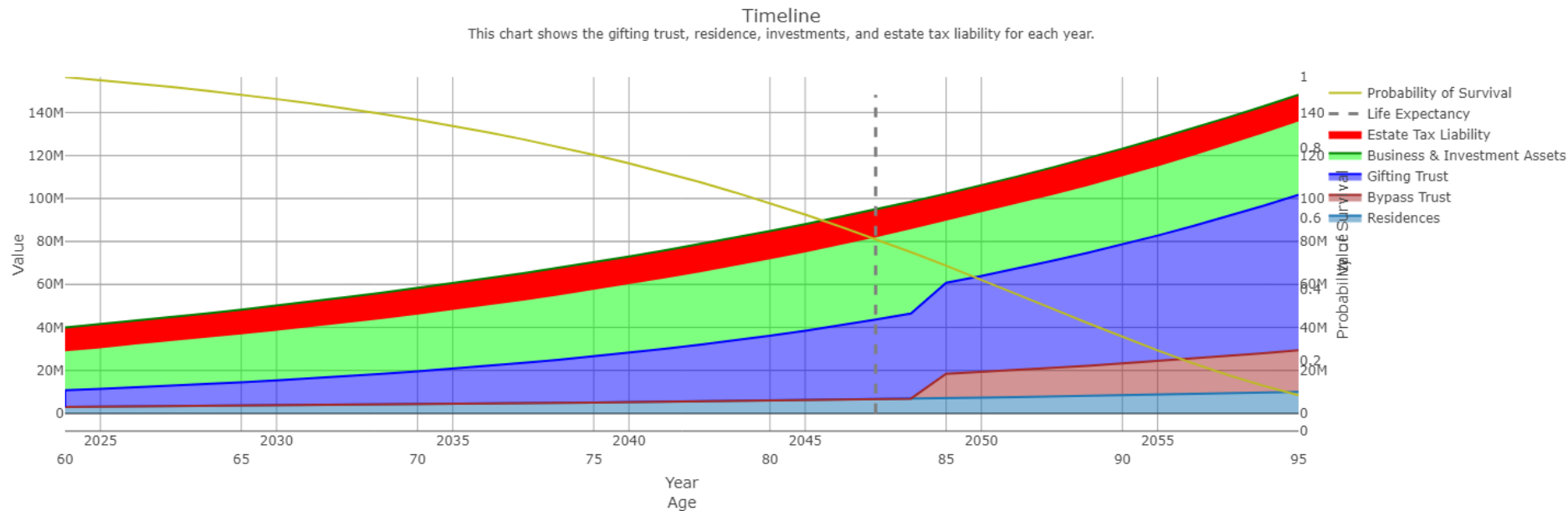
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
3	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$7,805,000	0.00%	Never	\$56,582,140	(\$3,180,189)	\$0	\$11,892,856	\$72,358,898	\$136,410,000	\$24,293,990	\$3,708,336	\$11,892,856

Gift 3 shows:

- \$7.8m year one gift saves \$24m in estate tax, \$3.7m more per incremental million!



[EstateView.link](https://www.estateview.link)



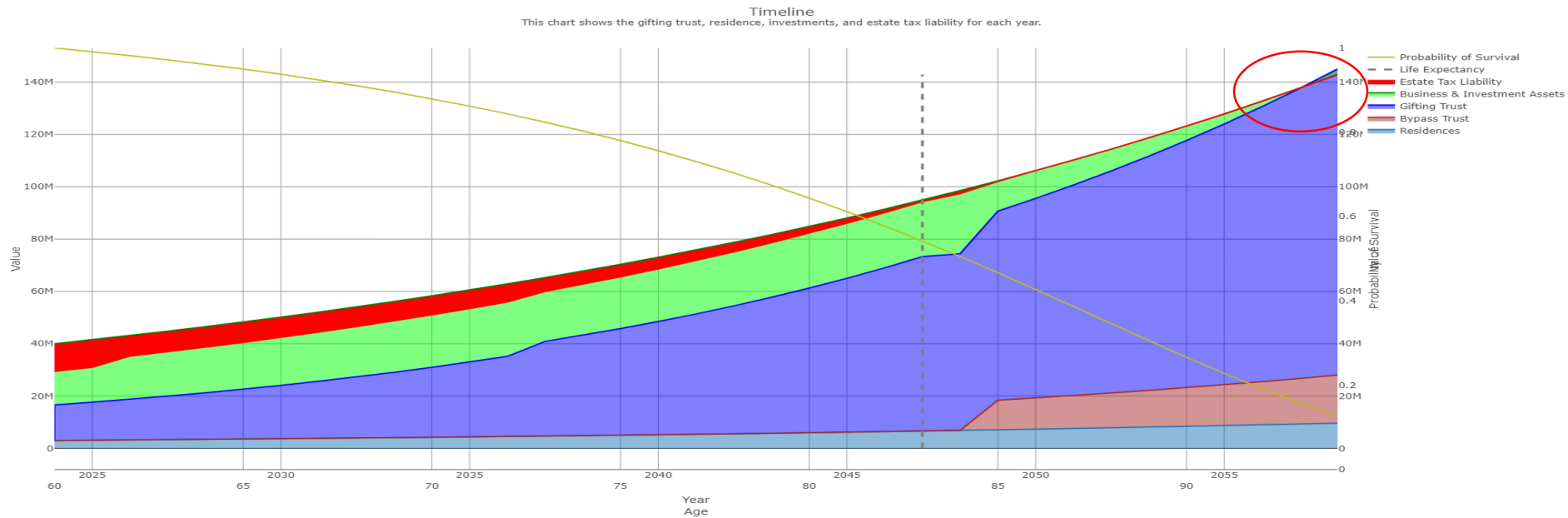
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Age	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
4	60	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$13,605,000	0.00%	Never	\$7,538,713	(\$30,484,931)	\$0	\$0	\$117,021,363	\$142,912,509	\$35,088,856	\$0	\$0

Gift 4a shows:

- \$13.6m year one gift saves \$35m in estate tax, but paying taxes depletes Grantor's estate.



[EstateView.link](https://www.estateview.link)



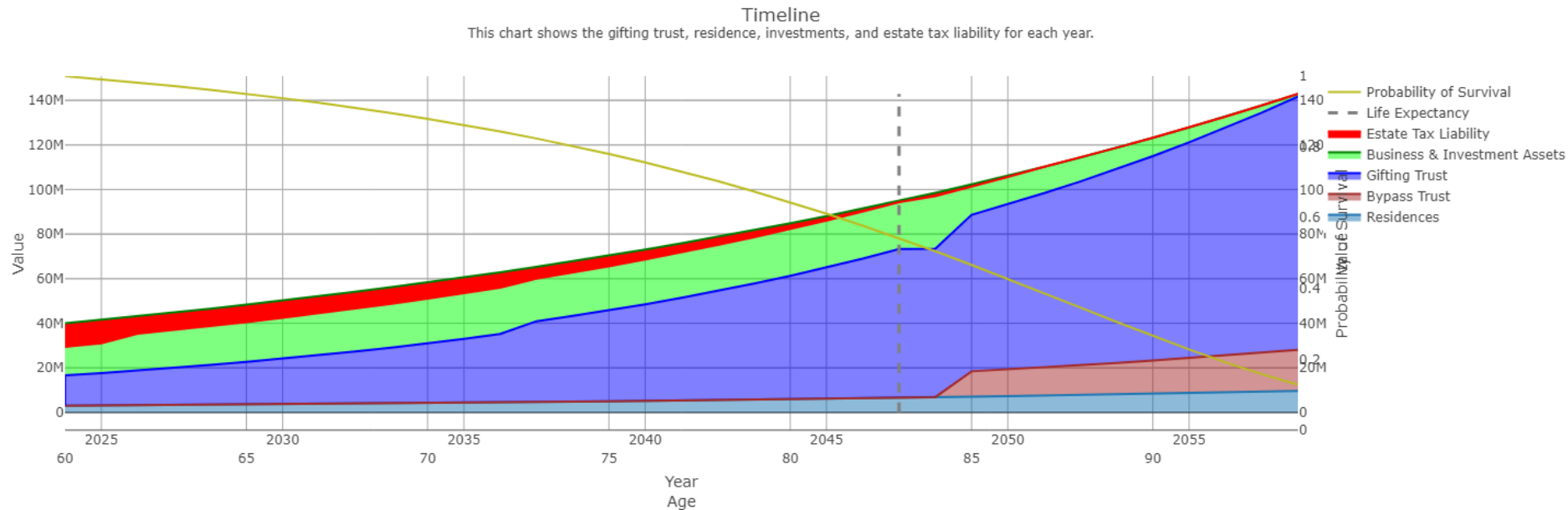
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
4	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$13,605,000	0.00%	24	\$10,888,323	(\$30,484,931)	\$0	\$0	\$113,671,753	\$142,912,509	\$35,088,856	\$0	\$0

Gift 4b shows:

- \$13.6m year one gift saves \$35m in estate tax, requires toggling Grantor Status @ year 24



[EstateView.link](https://www.estateview.link)



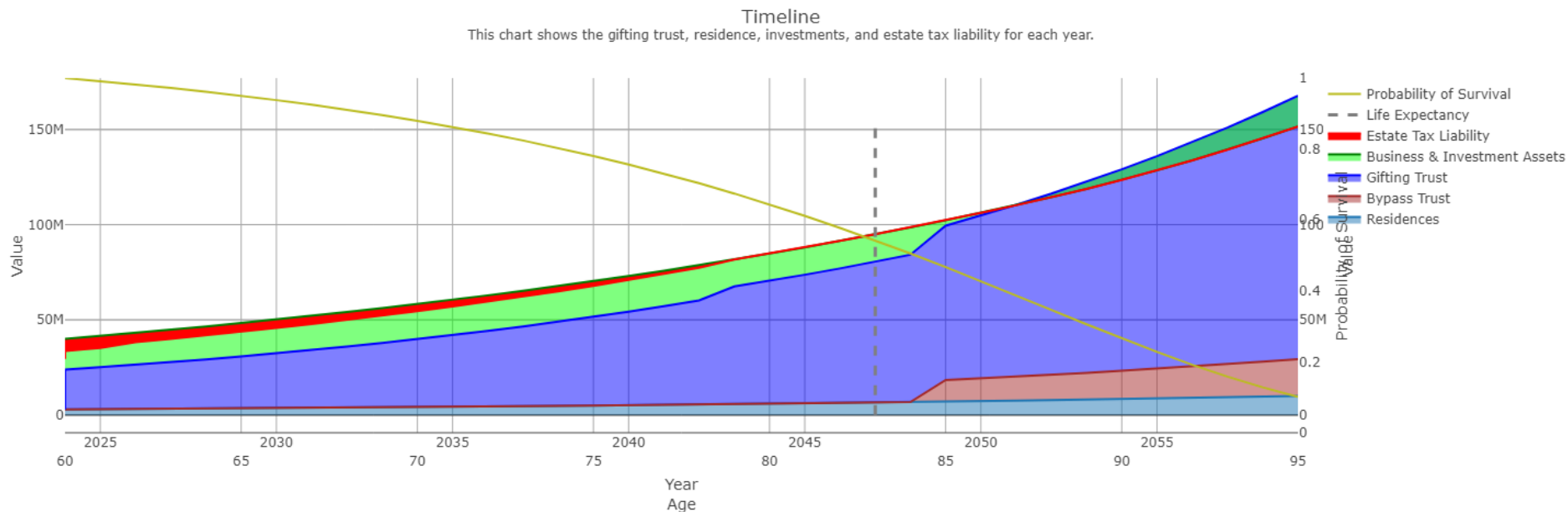
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
5	23	(\$600,000)	\$37,000,000	5.50%	\$3,000,000	\$20,840,000	0.00%	0	(\$6,113,426)	(\$34,584,941)	\$0	\$0	\$138,365,483	\$151,613,875	\$36,186,846	\$0	\$0

Gift 5 shows:

- \$20.8m year one gift saves \$36m in estate tax, but runs out of money!



[EstateView.link](https://www.estateview.link)



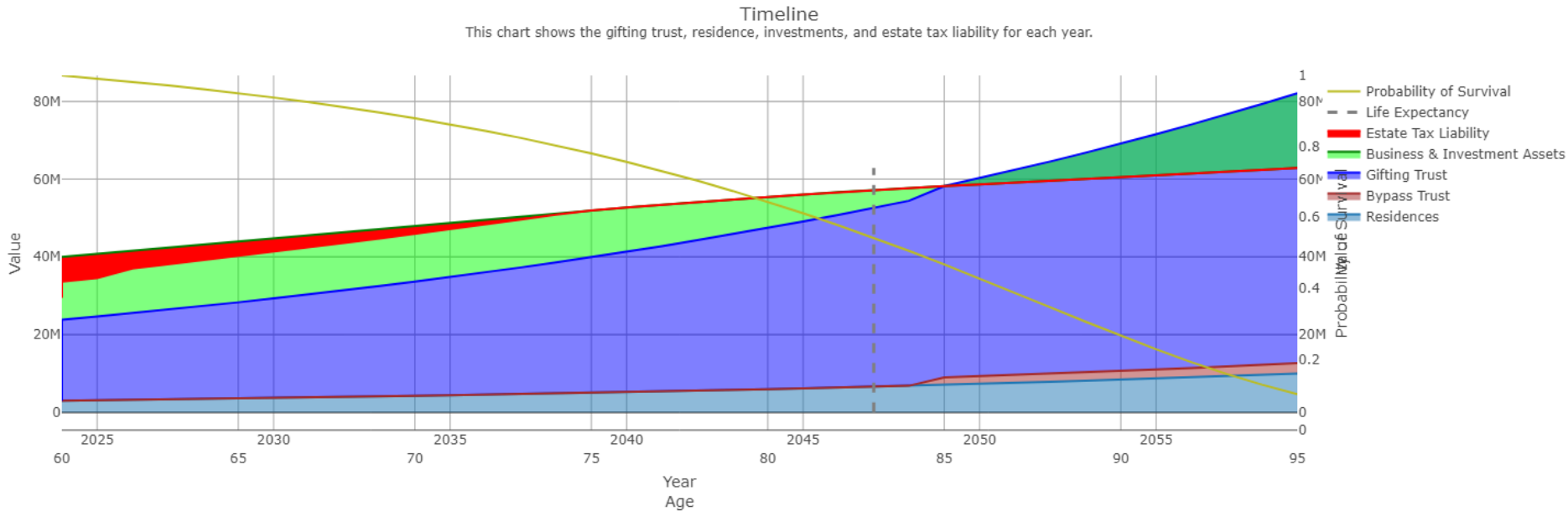
EstateView Visualization 5: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	Year One Gift	Gift Discount Rate	Grantor Status Toggle Year	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Incremental Savings Per Million Gifted	Estate Tax Due on 2nd Death
6	23	(\$600,000)	\$37,000,000	3.50%	\$3,000,000	\$20,840,000	0.00%	0	(\$9,203,019)	(\$34,584,941)	\$0	\$0	\$69,472,025	\$62,919,630	\$2,962,212	\$0	\$0

Gift 6 shows:

- \$20.8m year one gift, but lower investment growth depletes estate earlier!



[EstateView.link](https://www.estateview.link)

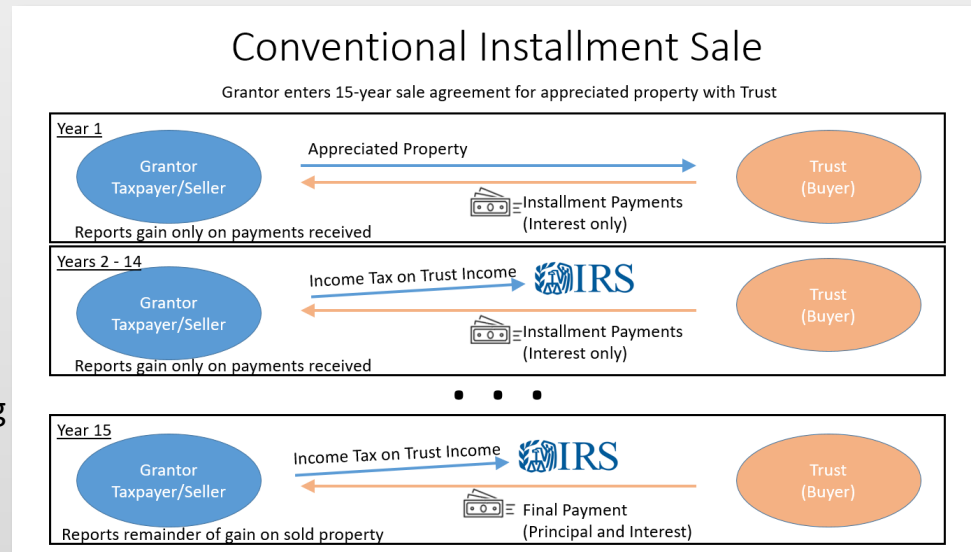


EstateView Visualization 6: Installment Sale (Conventional)

- Amir and Dalia can also make an Installment Sale to a trust to lower their projected Estate Tax.

Installment sales can be conventional or self-canceling:

- Self-Canceling Installment Sales have higher payments than conventional notes, but if the Grantor dies during the note term, the balance is forgiven.



[EstateView.link](#)



EstateView Visualization 6: Installment Sale (Conventional)

Standard Pro **Pro-Plus**

Center Screenshot

Sale 1 Duplicate Delete

Transfer Date 03/27/2024

\$ 7520 Rate 5.00%

Lowest Available AFR 4.14% [Look Up AFR](#)

Best to use lowest rate.

	Jan	Feb	Mar
	4.49%	4.14%	4.35%

Number of Lives One

Grantor Age (Nearest Birthday) 60

Date of Birth: mm/dd/yyyy Age at Nearest Birthday: 0

Table 2010CM Life Expectancy 63 (23 years)

Term of Note 15

Grantor Yr of Death 85 (Year 25)

of Years Illustrated 25

Mortality Table Table 2010CM (*)

Self-Canceling or Conventional Conventional

Premium Type Interest

Payment Type Interest-Only

Estate Tax Rate (%) 40.00%

Asset Growth Rate 7.50%

Assumptions

- Conventional Installment Note
- \$13.6m sale to trust over 15 years
- Initial seed gift of \$100k (normally \$1.36m)
- No discount on transferred assets
- 2% of trust value is taxable income
- Trust pays grantor interest annually
- Grantor pays the tax on trust income
- Estate tax rate of 40%

Year One Gift

Year One Gift \$100,000

Year One Gift Discount Rate 0.00%

Year One Gift Reportable Value \$100,000.00

EstateView.link

Sale Value

Discountable Assets (i.e. Before Discount) \$13,600,000

Discount Rate 0.00%

Discounted Value \$13,600,000.00

Non-Discountable Assets (e.g. cash) \$0

Combined Value Before Discounts \$13,600,000.00

Combined Value After Discounts \$13,600,000.00

Annual Addl Income \$0

Increase Annual Addl Income X% Per Year 2.00%

0.00% 100.00%

Income Tax Rate On Addl Income 37.00%

1.00% 60.00%

Show Grantor Pays Income Taxes? Yes

% of Trust that is Income 2.00%

Income Tax Rate 37.00%

1.00% 60.00%



EstateView Visualization 6: Installment Sale (Conventional)

- Results summary: EstateView tells you how much Estate Tax this can save!

Sale #	Grantor Age	Life Expectancy	Year of Death	Term of Note	Year One Gift	Value Before Discounts	Value After Discounts	Note Type	Payment Type	Note Amount	Interest Rate With Premium	Annual Payment	Total Estate Tax Savings
1	60	23	25	15	\$100,000	\$13,600,000	\$13,600,000	Conv.	Interest Only	\$13,600,000	4.1400%	\$563,040	\$13,464,476

- Spreadsheet of details for every couple years:

Project the annual income tax liability resulting from the trust payments!

Show Every 2 Year(s) Year Of Death End Of Term

Year #	Grantor Age	2nd Life Age	Growth	Addl Income	Payment	Income Tax Paid By Trust	End Value	Beginning Note Balance	Interest	End Note Balance	Estate Tax Savings From Trust Assets	Income Tax (Burn) on Trust Income	Estate Tax Savings From Burn	Total Estate Tax Savings
2	62	0	\$1,062,334.50	\$0.00	(\$563,040.00)	\$0.00	\$14,663,754.50	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$385,501.80	(\$106,664.39)	\$86,998.11	\$472,499.91
4	64	0	\$1,140,037.21	\$0.00	(\$563,040.00)	\$0.00	\$15,777,493.29	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$830,997.32	(\$114,618.56)	\$193,898.64	\$1,024,895.96
6	66	0	\$1,229,832.40	\$0.00	(\$563,040.00)	\$0.00	\$17,064,557.69	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$1,345,823.08	(\$123,810.60)	\$324,789.19	\$1,670,612.27
8	68	0	\$1,333,601.96	\$0.00	(\$563,040.00)	\$0.00	\$18,551,921.48	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$1,940,768.59	(\$134,433.14)	\$484,547.62	\$2,425,316.21
10	70	0	\$1,453,520.67	\$0.00	(\$563,040.00)	\$0.00	\$20,270,756.26	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$2,628,302.50	(\$146,708.82)	\$678,989.00	\$3,307,291.50
12	72	0	\$1,592,101.72	\$0.00	(\$563,040.00)	\$0.00	\$22,257,084.70	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$3,422,833.88	(\$160,894.90)	\$915,039.18	\$4,337,873.06
14	74	0	\$1,752,249.45	\$0.00	(\$563,040.00)	\$0.00	\$24,552,535.51	\$13,600,000.00	(\$563,040.00)	\$13,600,000.00	\$4,341,014.20	(\$177,288.69)	\$1,200,939.70	\$5,541,953.90
15	75	0	\$1,841,440.16	\$0.00	(\$14,163,040.00)	\$0.00	\$12,230,935.67	\$13,600,000.00	(\$563,040.00)	\$0.00	\$4,852,374.27	(\$136,098.84)	\$1,345,449.71	\$6,197,823.98
16	76	0	\$917,320.18	\$0.00	(\$0.00)	\$0.00	\$13,148,255.85	\$0.00	(\$0.00)	\$0.00	\$5,219,302.34	(\$93,903.01)	\$1,483,919.64	\$6,703,221.98
18	78	0	\$1,060,078.13	\$0.00	(\$0.00)	\$0.00	\$15,194,453.16	\$0.00	(\$0.00)	\$0.00	\$6,037,781.26	(\$108,516.66)	\$1,801,667.97	\$7,839,449.23
20	80	0	\$1,225,052.79	\$0.00	(\$0.00)	\$0.00	\$17,559,089.94	\$0.00	(\$0.00)	\$0.00	\$6,983,635.97	(\$125,404.57)	\$2,182,376.20	\$9,166,012.18
22	82	0	\$1,415,701.63	\$0.00	(\$0.00)	\$0.00	\$20,291,723.31	\$0.00	(\$0.00)	\$0.00	\$8,076,689.32	(\$144,920.66)	\$2,637,945.02	\$10,714,634.35
24	84	0	\$1,636,020.19	\$0.00	(\$0.00)	\$0.00	\$23,449,622.75	\$0.00	(\$0.00)	\$0.00	\$9,339,849.10	(\$167,473.93)	\$3,182,454.37	\$12,522,303.46
25	85	0	\$1,758,721.71	\$0.00	(\$0.00)	\$0.00	\$25,208,344.45	\$0.00	(\$0.00)	\$0.00	\$10,043,337.78	(\$180,034.48)	\$3,421,138.44	\$13,464,476.22

The **\$13.5m of Estate Tax savings** comes from:

- Assets transferring today and growing outside of their taxable estate
- Cash spent to pay income tax on trust income (burn)

[EstateView.link](https://www.estateview.link)



EstateView Visualization 6: Installment Sale (Conventional w/ Discount)

Standard Pro **Pro-Plus**

Center Screenshot

Sale 1 Duplicate Delete

Transfer Date 03/27/2024

\$ 7520 Rate 5.00%

Lowest Available AFR 4.14%

Best to use lowest rate.

	Jan	Feb	Mar
	4.49%	4.14%	4.35%

Number of Lives One

Grantor Age (Nearest Birthday) 60

Date of Birth: mm/dd/yyyy Age at Nearest Birthday: 0

Table 2010CM Life Expectancy 83 (23 years)

Term of Note 15

Grantor Yr of Death 85 (Year 25)

of Years Illustrated 25

Mortality Table Table 2010CM (*)

Self-Canceling or Conventional Conventional

Premium Type Interest

Payment Type Interest-Only

Estate Tax Rate (%) 40.00%

Asset Growth Rate 7.50%

Assumptions

- Conventional Installment Note
- \$13.6m sale to trust over 15 years
- 30% discount on transferred LLC assets
- Initial seed gift of \$100k, discounted 30%
- 2% of trust value is taxable income
- Trust pays grantor interest annually
- Grantor pays the tax on trust income
- Estate Tax rate of 40%

Year One Gift

Year One Gift	\$100,000
Year One Gift Discount Rate	30.00%
Year One Gift Reportable Value	\$70,000.00

[EstateView.link](https://www.estateview.link)

Sale Value

Discountable Assets (i.e. Before Discount)	\$13,600,000
Discount Rate	30.00%
Discounted Value	\$9,520,000.00
Non-Discountable Assets (e.g. cash)	\$0
Combined Value Before Discounts	\$13,600,000.00
Combined Value After Discounts	\$9,520,000.00
Annual Addl Income	\$0
Increase Annual Addl Income X% Per Year	2.00%
Income Tax Rate On Addl Income	37.00%
Show Grantor Pays Income Taxes?	Yes
% of Trust that is Income	2.00%
Income Tax Rate	37.00%



EstateView Visualization 6: Installment Sale (Conventional w/ Discount)

- Results summary:

EstateView tells you how much Estate Tax this can save!

Sale #	Grantor Age	Life Expectancy	Year of Death	Term of Note	Year One Gift	Value Before Discounts	Value After Discounts	Note Type	Payment Type	Note Amount	Interest Rate With Premium	Annual Payment	Total Estate Tax Savings
1	60	23	25	15	\$100,000	\$13,600,000	\$9,520,000	Conv.	Interest Only	\$9,520,000	4.1400%	\$394,128	\$21,169,250

- Spreadsheet of details for every couple years:

Project the annual income tax liability resulting from the trust payments!

Show Every Year(s) ☒ Year Of Death ☐ End Of Term Export to Excel

Year #	Grantor Age	2nd Life Age	Growth	Addl Income	Payment	Income Tax Paid By Trust	End Value	Beginning Note Balance	Interest	End Note Balance	Estate Tax Savings From Trust Assets	Income Tax (Burn) on Trust Income	Estate Tax Savings From Burn	Total Estate Tax Savings
2	62	0	\$1,075,002.90	\$0.00	(\$394,128.00)	\$0.00	\$15,014,246.90	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$2,169,698.76	(\$108,586.19)	\$88,035.57	\$2,257,734.33
4	64	0	\$1,180,964.06	\$0.00	(\$394,128.00)	\$0.00	\$16,533,023.47	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$2,777,209.39	(\$119,433.08)	\$198,449.19	\$2,975,658.58
6	66	0	\$1,303,415.42	\$0.00	(\$394,128.00)	\$0.00	\$18,288,159.65	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$3,479,263.86	(\$131,968.02)	\$336,073.88	\$3,815,337.74
8	68	0	\$1,444,923.27	\$0.00	(\$394,128.00)	\$0.00	\$20,316,438.90	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$4,290,575.56	(\$146,453.71)	\$506,704.96	\$4,797,280.52
10	70	0	\$1,608,453.29	\$0.00	(\$394,128.00)	\$0.00	\$22,660,369.10	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$5,228,147.64	(\$163,193.73)	\$717,282.52	\$5,945,430.16
12	72	0	\$1,797,432.66	\$0.00	(\$394,128.00)	\$0.00	\$25,369,073.44	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$6,311,629.38	(\$182,538.92)	\$976,107.36	\$7,287,736.74
14	74	0	\$2,015,821.95	\$0.00	(\$394,128.00)	\$0.00	\$28,499,319.90	\$9,520,000.00	(\$394,128.00)	\$9,520,000.00	\$7,563,727.96	(\$204,894.70)	\$1,293,096.45	\$8,856,824.41
15	75	0	\$2,137,448.99	\$0.00	(\$9,914,128.00)	\$0.00	\$20,722,640.89	\$9,520,000.00	(\$394,128.00)	\$0.00	\$8,261,056.36	(\$182,121.25)	\$1,462,927.19	\$9,723,983.54
16	76	0	\$1,554,198.07	\$0.00	(\$0.00)	\$0.00	\$22,276,838.96	\$0.00	(\$0.00)	\$0.00	\$8,882,735.58	(\$159,098.08)	\$1,636,285.95	\$10,519,021.54
18	78	0	\$1,796,070.14	\$0.00	(\$0.00)	\$0.00	\$25,743,672.02	\$0.00	(\$0.00)	\$0.00	\$10,269,468.81	(\$183,857.71)	\$2,038,019.13	\$12,307,487.93
20	80	0	\$2,075,583.56	\$0.00	(\$0.00)	\$0.00	\$29,750,030.98	\$0.00	(\$0.00)	\$0.00	\$11,872,012.39	(\$212,470.57)	\$2,525,162.31	\$14,397,174.70
22	82	0	\$2,398,596.25	\$0.00	(\$0.00)	\$0.00	\$34,379,879.55	\$0.00	(\$0.00)	\$0.00	\$13,723,951.82	(\$245,536.30)	\$3,114,569.74	\$16,838,521.55
24	84	0	\$2,771,877.79	\$0.00	(\$0.00)	\$0.00	\$39,730,248.30	\$0.00	(\$0.00)	\$0.00	\$15,864,099.32	(\$283,747.89)	\$3,826,272.96	\$19,690,372.28
25	85	0	\$2,979,768.62	\$0.00	(\$0.00)	\$0.00	\$42,710,016.92	\$0.00	(\$0.00)	\$0.00	\$17,056,006.77	(\$305,028.98)	\$4,113,243.43	\$21,169,250.20

The \$13.5m Estate Tax Savings becomes \$21.2m by putting assets into a multi-member LLC and taking discounts for lack of control and lack of marketability!

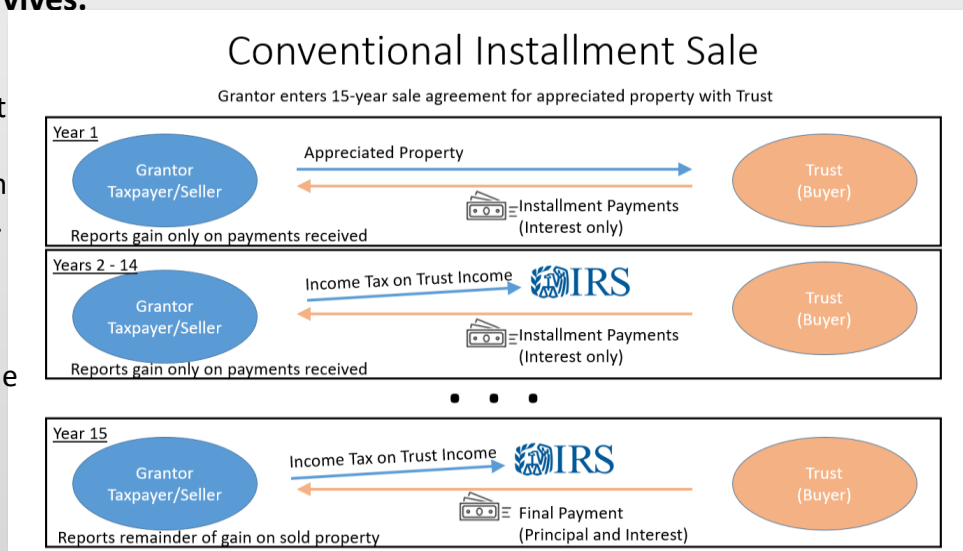
Discounts typically can be taken between 20-35% for non-voting LLC interests.

[EstateView.link](#)



EstateView Visualization 6: Installment Sale (Self-Canceling)

- Amir and Dalia can also make an Installment Sale with a Self-Canceling Installment Note (SCIN).
- Self-Canceling Installment Notes have the same payment flow as conventional notes as long as the Seller/Grantor survives.
- SCINs require higher interest rates because if the Grantor dies before the 15-year term then the balance is forgiven.
- An additional risk of non-payment requires an increased interest rate on the installment note.



[EstateView.link](https://www.estateview.com)



EstateView Visualization 6: Installment Sale (Self-Canceling)

Standard Pro **Pro-Plus**

Center Screenshot

Sale 1 Duplicate Delete

Transfer Date 03/27/2024

\$ 7520 Rate 5.00%

Lowest Available AFR 4.14%

Best to use lowest rate.

	Jan	Feb	Mar
	4.49%	4.14%	4.35%

Number of Lives One

Grantor Age (Nearest Birthday) 60

Date of Birth: mm/dd/yyyy Age at Nearest Birthday: 0

Table2010CM Life Expectancy 83 (23 years)

Term of Note 15

Grantor Yr of Death (Year 25) 85

of Years Illustrated 25

Mortality Table Table 2010CM (*)

Self-Canceling or Conventional Self-Canceling

Premium Type Interest

Payment Type Interest-Only

Estate Tax Rate (%) 40.00%

Asset Growth Rate 7.50%

Assumptions

- Conventional Installment Note
- \$13.6m sale to trust over 15 years
- 30% discount on transferred LLC assets
- Initial seed gift of \$100k, discounted 30%
- 2% of trust value is taxable income
- Trust pays grantor interest annually
- Grantor pays the tax on trust income
- Estate Tax rate of 40%

Year One Gift

Year One Gift	\$100,000
Year One Gift Discount Rate	30.00%
Year One Gift Reportable Value	\$70,000.00

EstateView.link

Sale Value

Discountable Assets (i.e. Before Discount)	\$13,600,000
Discount Rate	30.00%
Discounted Value	\$9,520,000.00
Non-Discountable Assets (e.g. cash)	\$0
Combined Value Before Discounts	\$13,600,000.00
Combined Value After Discounts	\$9,520,000.00
Annual Addl Income	\$0
Increase Annual Addl Income X% Per Year	2.00%
0.00% 100.00%	
Income Tax Rate On Addl Income	37.00%
1.00% 60.00%	
Show Grantor Pays Income Taxes?	Yes
% of Trust that is Income	2.00%
Income Tax Rate	37.00%
1.00% 60.00%	



EstateView Visualization 6: Installment Sale (Self-Canceling)

- Results summary:

EstateView tells you how much to adjust the note's interest rate!

Sale #	Grantor Age	Life Expectancy	Year of Death	Term of Note	Year One Gift	Value Before Discounts	Value After Discounts	Note Type	Payment Type	Note Amount	Interest Rate Risk Premium	Interest Rate With Premium	Annual Payment	Total Estate Tax Savings
1	60	23	25	15	\$100,000	\$13,600,000	\$9,520,000	SCIN	Interest Only	\$9,520,000	2.3935%	6.5335%	\$621,989	\$15,637,670

- Spreadsheet of every other year:

Project the annual income tax liability resulting from the trust payments!

Show Every Year(s) ☒ Year Of Death ☐ End Of Term Export to Excel

Year #	Grantor Age	2nd Life Age	Growth	Addl Income	Payment	Income Tax Paid By Trust	End Value	Beginning Note Balance	Interest	End Note Balance	Estate Tax Savings From Trust Assets	Income Tax (Burn) on Trust Income	Estate Tax Savings From Burn	Total Estate Tax Savings
2	62	0	\$1,057,913.31	\$0.00	(\$621,989.20)	\$0.00	\$14,541,434.91	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$5,788,573.96	(\$105,993.70)	\$86,636.05	\$5,875,210.01
4	64	0	\$1,125,754.00	\$0.00	(\$621,989.20)	\$0.00	\$15,513,818.13	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$6,177,527.25	(\$112,938.32)	\$192,310.53	\$6,369,837.78
6	66	0	\$1,204,152.40	\$0.00	(\$621,989.20)	\$0.00	\$16,637,528.48	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$6,627,011.39	(\$120,963.71)	\$320,850.91	\$6,947,862.30
8	68	0	\$1,294,751.54	\$0.00	(\$621,989.20)	\$0.00	\$17,936,116.26	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$7,146,446.51	(\$130,238.04)	\$476,814.85	\$7,623,261.36
10	70	0	\$1,399,450.18	\$0.00	(\$621,989.20)	\$0.00	\$19,436,796.77	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$7,746,718.71	(\$140,955.69)	\$665,624.80	\$8,412,343.51
12	72	0	\$1,520,442.55	\$0.00	(\$621,989.20)	\$0.00	\$21,171,020.67	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$8,440,408.27	(\$153,341.28)	\$893,726.77	\$9,334,135.04
14	74	0	\$1,660,264.35	\$0.00	(\$621,989.20)	\$0.00	\$23,175,133.18	\$9,520,000.00	(\$621,989.20)	\$9,520,000.00	\$9,242,053.27	(\$167,654.37)	\$1,168,777.58	\$10,410,830.85
15	75	0	\$1,738,134.99	\$0.00	(\$10,141,989.20)	\$0.00	\$14,771,278.97	\$9,520,000.00	(\$621,989.20)	\$0.00	\$5,880,511.59	(\$140,401.72)	\$1,312,596.59	\$7,193,108.18
16	76	0	\$1,107,845.92	\$0.00	(\$0.00)	\$0.00	\$15,879,124.89	\$0.00	(\$0.00)	\$0.00	\$6,323,649.96	(\$113,406.49)	\$1,456,403.93	\$7,780,053.89
18	78	0	\$1,280,254.44	\$0.00	(\$0.00)	\$0.00	\$18,350,313.70	\$0.00	(\$0.00)	\$0.00	\$7,312,125.48	(\$131,055.38)	\$1,787,901.10	\$9,100,026.58
20	80	0	\$1,479,494.04	\$0.00	(\$0.00)	\$0.00	\$21,206,081.27	\$0.00	(\$0.00)	\$0.00	\$8,454,432.51	(\$151,450.87)	\$2,187,303.91	\$10,641,736.42
22	82	0	\$1,709,740.30	\$0.00	(\$0.00)	\$0.00	\$24,506,277.67	\$0.00	(\$0.00)	\$0.00	\$9,774,511.07	(\$175,020.42)	\$2,667,719.41	\$12,442,230.48
24	84	0	\$1,975,818.64	\$0.00	(\$0.00)	\$0.00	\$28,320,067.13	\$0.00	(\$0.00)	\$0.00	\$11,300,026.85	(\$202,257.97)	\$3,244,689.62	\$14,544,716.47
25	85	0	\$2,124,005.03	\$0.00	(\$0.00)	\$0.00	\$30,444,072.16	\$0.00	(\$0.00)	\$0.00	\$12,149,628.86	(\$217,427.32)	\$3,488,041.34	\$15,637,670.21

The discounted SCIN saves an estimated \$15.6m in Estate Tax.

This is less than the non-discounted conventional note, which saved an estimated \$21,169,500.

With the assumptions from previous slides, the clients are better to use conventional installment sale with membership interests of an LLC, if both spouses will live 15 years.

[EstateView.link](#)



EstateView Visualization 7: Comprehensive – Married Clients

- Comprehensive plans combine the previously discussed techniques together.
- Start by using the calculator for a given technique with the goal of fine tuning that option.
- Then, move to the comprehensive plan to put multiple techniques together.

Example: Using the Installment Sale Calculator, we found a discounted conventional note projects more savings than a SCIN. We will use discounted conventional notes for any installment sale scenarios included in the clients comprehensive plan.

Amir and Dalia are looking to transfer \$13.6m, so we will build up two scenarios:

1. Use QPRT, Life Insurance, and a Large Gift to a SLAT
2. Use QPRT, Life Insurance, and an installment sale

The results will show us if the clients should include a Large Gift/SLAT or installment sale.

[EstateView.link](#)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

First, enter the basic assumptions as follows:

EstateView.link

Strategies To Activate			Client			Spouse 2		
Use Bypass Trust?	<input type="checkbox"/>		Spouse 1			Amir		
Use QPRT?	<input checked="" type="checkbox"/>		First Name			Amir		
Use Annual Gifting?	<input type="checkbox"/>		Last Name					
Use Gift Discounts?	<input type="checkbox"/>		DOB 🗓️			Mo ▼ 27 ▼ 19 ▼		
Use Life Insurance?	<input checked="" type="checkbox"/>		Age			- 60 +		
Use Large Gift?	<input checked="" type="checkbox"/>		Sex			Male ▼		
Use Installment Sale?	<input type="checkbox"/>		Tobacco User? 🚬			<input type="checkbox"/>		
Use Testamentary Charity?	<input type="checkbox"/>		Actuarial Year of Death (in Year 19)			2043		
			Illustrated Year of Death (in Year 20) 🕯️			- 2044 +		
			Lifetime Gift Exemption Used			- \$0 +		
			Net Annual Savings/(Spending) While Both Alive to age 64 (in Year 4)			- \$0 +		
			Age of Savings/Spending Change (Year 4)			- 64 +		
			Net Annual Savings/(Spending) While Both Alive After Change			- (\$150,000) +		
			Business and Investments					
			Current Value			- \$31,000,000 +		
			Annual Growth Rate			- 7.50% +		
			Annual Investment Costs Rate			- 0.40% +		
			Annual Investment Tax Rate (as % of assets)			- 2.00% +		
			Add Explosive Asset? (in addition to above)			<input type="checkbox"/>		
			Personal Residence and Property					
			Current Value			- \$9,000,000 +		
			Annual Growth Rate			- 3.00% +		
			Portability Option					
			Check Box if No Portability: ⚠️			<input type="checkbox"/>		
			2026 Exemption Adjustment					
			Check Box if Lifetime Exemption drops 50% in 2026:			<input checked="" type="checkbox"/>		
			Rates					
			Click for Chained CPI & Inflation History					
			Estate Tax Rate			- 40.00% +		
			Chained CPI			- 3.71% +		
			Real Inflation			- 4.01% +		



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Second, enter the technique-specific assumptions as follows:

Qualified Personal Residence Trust		Will Show If Checked: <input checked="" type="checkbox"/>
Number of QPRTs	- 2 +	
Percentage of Residence Value to QPRT(s)	- 100.00% +	
QPRT Residence Value	\$9,000,000	
QPRT 1 - Spouse 1 (Age 60)		
QPRT Interest Rate (\$ 7520 Rate)	- 5.00% +	
QPRT Term	- 8 +	
QPRT Exemption Used	\$2,357,157.00	
QPRT Annual Rent % After Possessory Term	- 8.00% +	
QPRT Valuation Discount Rate	- 15.00% +	
QPRT 2 - Spouse 2 (Age 60)		
QPRT 2 Term	- 12 +	
QPRT 2 Exemption Used	\$1,796,761.00	
QPRT 2 Annual Rent % After Possessory Term	- 8.00% +	
QPRT 2 Valuation Discount Rate	- 15.00% +	

Life Insurance		Will Show If Checked: <input checked="" type="checkbox"/>
Click for Life Insurance Estimates		Click for Explanation
Spouse 1 - Pre-planning		
+ Add Pre-Planning Policy		
Copy Pre-Planning Policies to Post-Planning		
Remove Policy		
Copy Policy To Next Pre-Planning Policy		
Policy 1 - Pre-Planning (Spouse 1)		
Held in ILIT?	<input type="checkbox"/>	
Term or Permanent	Term	
Number of Years	- 20 +	
Annual Premium	- \$5,247 +	
Death Benefit	- \$1,000,000 +	
Spouse 1 - Post-planning		
+ Add Post-Planning Policy		
Remove Policy		
Copy Policy To Next Post-Planning Policy		
Policy 1 - Post-Planning (Spouse 1)		
Held in ILIT?	<input checked="" type="checkbox"/>	
Term or Permanent	Term	
Number of Years	- 20 +	
Annual Premium	- \$5,247 +	
Death Benefit	- \$1,000,000 +	

Spouse 2 - Pre-planning		+ Add Pre-Planning Policy
		Copy Pre-Planning Policies to Post-Planning
Policy 1 - Pre-Planning (Spouse 2)		Remove Policy
		Copy Policy To Next Pre-Planning Policy
Held in ILIT?	<input type="checkbox"/>	
Term or Permanent	Term	
Number of Years	- 20 +	
Annual Premium	- \$5,551 +	
Death Benefit	- \$1,000,000 +	
Spouse 2 - Post-planning		+ Add Post-Planning Policy
		Remove Policy
Policy 1 - Post-Planning (Spouse 2)		Copy Policy To Next Post-Planning Policy
Held in ILIT?	<input checked="" type="checkbox"/>	
Term or Permanent	Term	
Number of Years	- 20 +	
Annual Premium	- \$5,551 +	
Death Benefit	- \$1,000,000 +	

Large Gift To Trust		Will Show If Checked: <input checked="" type="checkbox"/>
Value Gifted	- \$13,600,000 +	
Large Gift Discount Rate	- 0.00% +	
Large Gift Value After Discount	\$13,600,000	
Check Box to Split Large Gift	<input type="checkbox"/>	
Year to Toggle Off Grantor Status	- Never +	

Note: Be sure Installment Sale is unchecked to prevent transferring the same \$13.6m to different trusts within the same plan!

Installment Sale / Year 1 Gift to Irrevocable Trust	Will Show If Checked: <input type="checkbox"/>
--	--

[EstateView.link](https://www.gassmanpa.com/EstateView.link)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Third, scroll the scenarios on the right to display different levels of planning:

Shortcuts to Assumptions

- Strategies^
- Investments^
- Annual Gifting
- Planner^
- Residences^
- Life Insurance
- Clients^
- QPRT
- Installment Sale
- Rates^
- Bypass Trust
- Testamentary Charity

Strategies To Activate

- Use Bypass Trust? ☐
- Use QPRT? ☒
- Use Annual Gifting? ☐
- Use Gift Discounts? ☐
- Use Life Insurance? ☒
- Use Large Gift? ☒
- Use Installment Sale? ☐
- Use Testamentary Charity? ☐

Planner

Firm Name:

Planner Name:

Client

Spouse 1 Amir

First Name: Amir

Last Name:

DOB: Mar 27 1964

Age: 60

Sex: Male

Tobacco User? ☐

Actuarial Year of Death (in Year 19): 2043

Illustrated Year of Death (in Year 20): 2044

Lifetime Gift Exemption Used: \$0

Net Annual Savings/(Spending) While Both Alive to age 64 (in Year 4): \$0

Age of Savings/Spending Change (Year 4): 64

Net Annual Savings/(Spending) While Both Alive After Change: (\$150,000)

Spouse 2 ☐ Deceased or None Dalia

First Name: Dalia

Last Name:

DOB: Mar 27 1964

Timeline

Today

Amir & Dalia			Life Ins. - Amir		Life Ins. - Dalia	
Residence	Investments		Death Benefit	Death Benefit		
\$9,000,000	\$31,000,000		\$1,000,000	\$1,000,000		
Annual Growth Rate	Annual Additions	Annual Growth Rate	Annual Premium	Annual Premium		
3.00%	\$0	7.50% less 0.40% fees and 2.00% tax	\$5,247	\$5,551		

Upon 1st Death (in Year 1)

Amir			Life Ins. - Amir		Life Ins. - Dalia	
Residence	Investments		Death Benefit	Death Benefit		
\$9,270,000	\$32,570,202		\$1,000,000	\$1,000,000		
Annual Growth Rate	Annual Additions	Annual Growth Rate	Annual Premium	Annual Premium		
3.00%	\$0	7.50% less 0.40% fees and 2.00% tax	\$5,247	\$5,551		

Upon 2nd Death (in Year 1)

Amir's Estate			Life Ins. - Amir		Life Ins. - Dalia	
Residence	Investments		Value	Value		
\$9,270,000	\$32,570,202		\$1,000,000	\$1,000,000		
Exemption/Portability: (\$28,220,000)						
Net Taxable Estate: \$15,620,202						

Estate Tax

\$6,248,081

Total Passed to Beneficiaries

\$37,592,121

Scenarios

- ☐ Show/Hide Images
- DIES IN YEAR ONE - NO PLANNING
- DIES IN YEAR ONE - WITH PLANNING
- NO PLANNING (25 YEARS)
- BYPASS TRUST (FUNDED YEAR 20) - OFF
- QPRT
- ANNUAL GIFTING (2 DONEES) - OFF
- DISCOUNTED GIFTING (25% DISCOUNT) - OFF
- LIFE INSURANCE TRUST PLANNING (25 YEARS)
- LARGE GIFT (25 YEARS)
- YEAR 1 GIFT / INSTALLMENT SALE (15 YEAR NOTE) - OFF
- TESTAMENTARY CHARITY

[EstateView.link](https://www.estateview.link)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Dies this year with no planning leaves an estimated \$6.2m Estate Tax liability:

Show/Hide Options

Shortcuts to Assumptions

Strategies^

Investments^

Annual Gifting

Planner^

Residences^

Life Insurance

Clients^

QPRT

Installment Sale

Rates^

Bypass Trust

Testamentary Charity

Home

File

Generate Client Letter

Generate PowerPoint

Share With Client

Help

Calculators

Account

Humor

Show/Hide Scenarios

Scenarios

DIES IN YEAR ONE - NO PLANNING

DIES IN YEAR ONE - WITH PLANNING

NO PLANNING (25 YEARS)

BYPASS TRUST (FUNDED YEAR 20) - OFF

QPRT

ANNUAL GIFTING (2 DONEES) - OFF

DISCOUNTED GIFTING (25% DISCOUNT) - OFF

LIFE INSURANCE TRUST PLANNING (25 YEARS)

LARGE GIFT (25 YEARS)

YEAR 1 GIFT / INSTALLMENT SALE (15 YEAR NOTE) - OFF

TESTAMENTARY CHARITY

Trust Logistics

Timeline

Details

Annual Amts

Today

Amir & Dalia

Residence	\$9,000,000	Investments	\$31,000,000	Annual Growth Rate	3.00%	Annual Additions	\$0	Annual Growth Rate	7.50% less 0.40% fees and 2.00% tax
Explained									

Life Ins. - Amir

Death Benefit	\$1,000,000
Annual Premium	\$5,247

Life Ins. - Dalia

Death Benefit	\$1,000,000
Annual Premium	\$5,551

Upon 1st Death (in Year 1)

Amir

Residence	\$9,270,000	Investments	\$32,570,202	Annual Growth Rate	3.00%	Annual Additions	\$0	Annual Growth Rate	7.50% less 0.40% fees and 2.00% tax
Explained									

Life Ins. - Amir

Death Benefit	\$1,000,000
Annual Premium	\$5,247

Life Ins. - Dalia

Death Benefit	\$1,000,000
Annual Growth Rate	7.50% less 0.40% fees

Upon 2nd Death (in Year 1)

Amir's Estate

Residence	\$9,270,000	Investments	\$32,570,202
Exemption/Portability: (\$28,220,000)			
Net Taxable Estate: \$15,620,202			

Life Ins. - Amir

Life Ins. - Dalia

Estate Tax

\$6,248,081

Total Passed to Beneficiaries

\$37,592,121

© 2024 Haddon Hall Publishing, LLC

Terms Privacy

[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

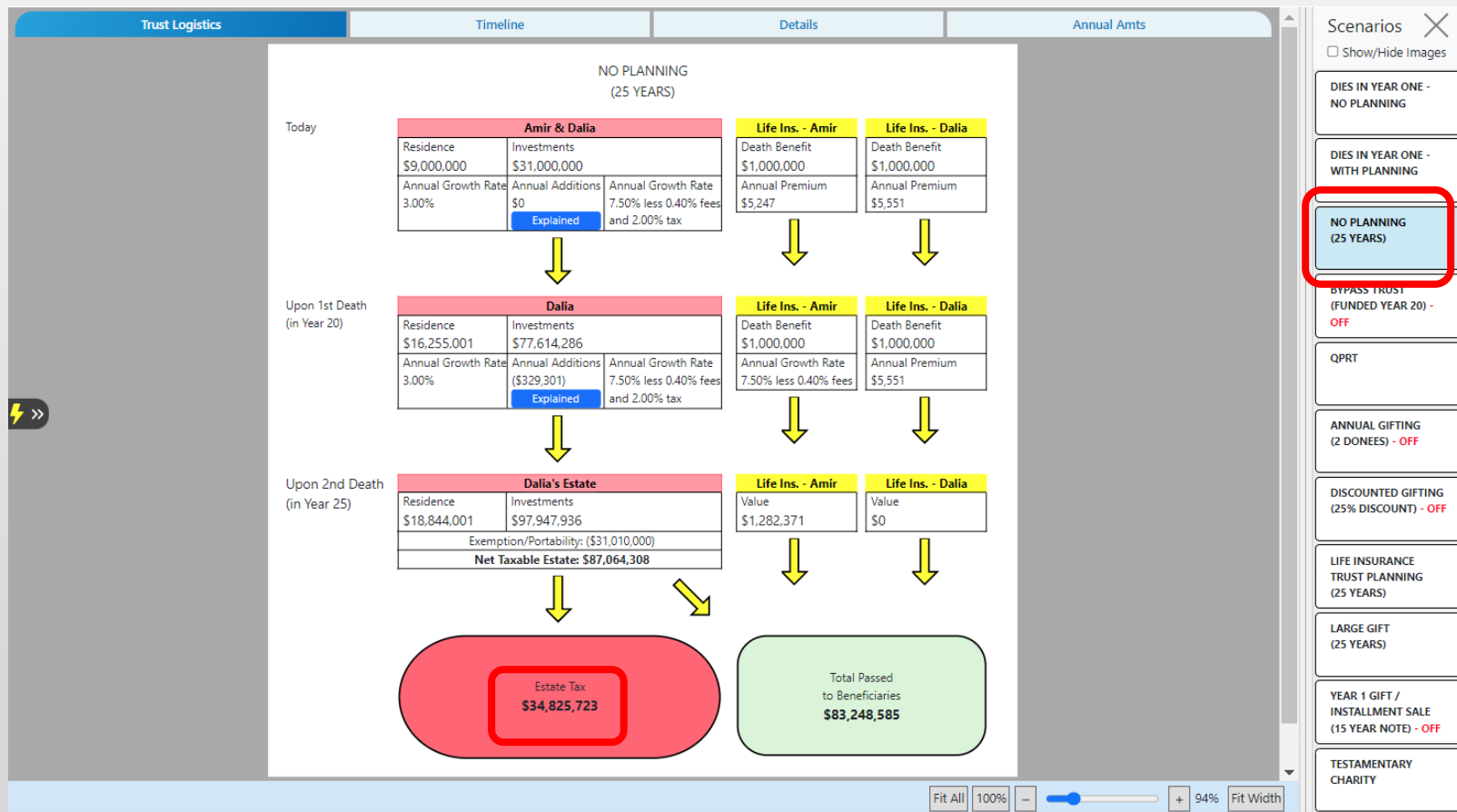
EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

123

EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Dies in year 25 with no planning leaves an estimated \$34.8m Estate Tax liability:



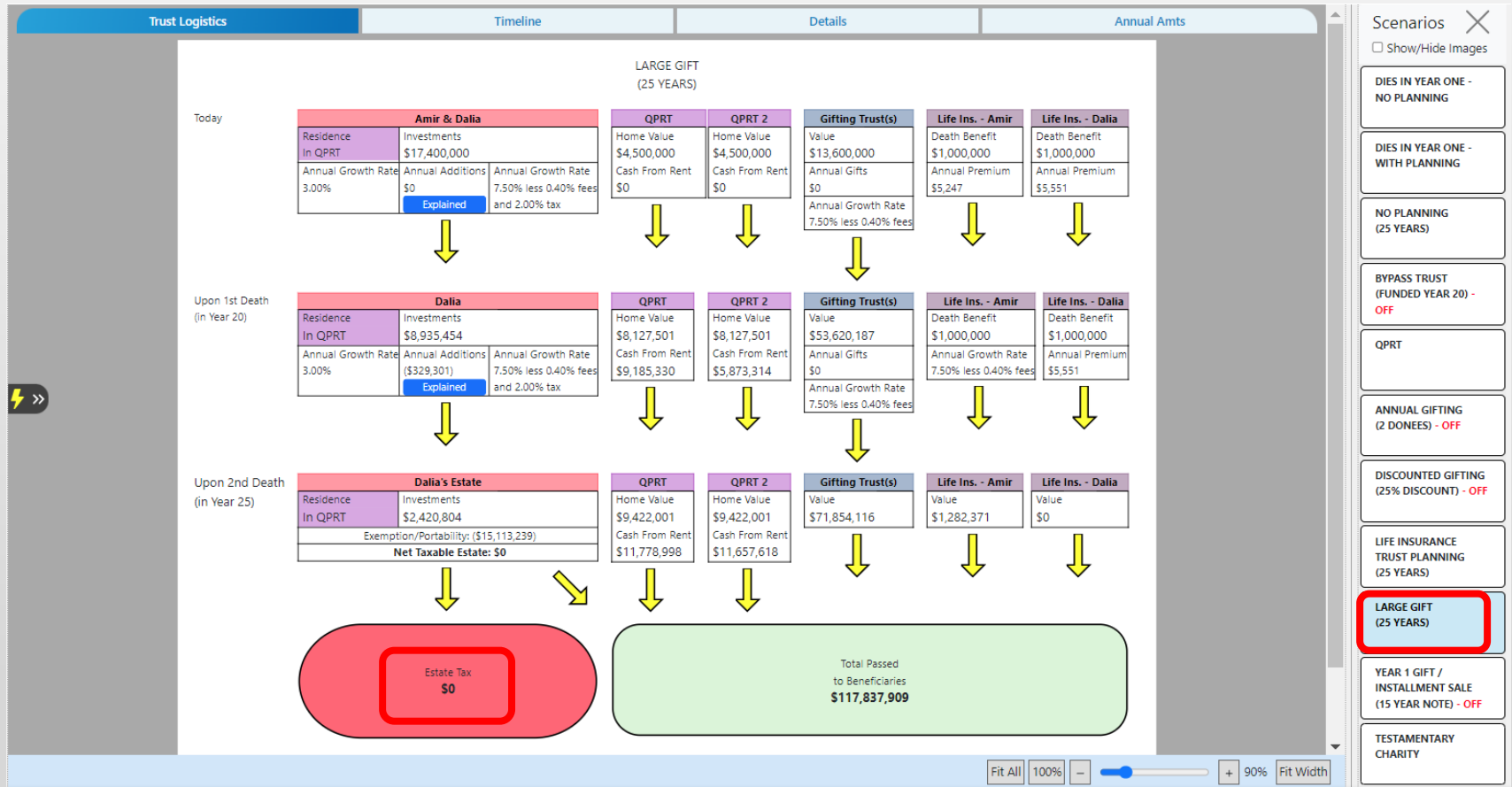
EstateView.link



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 1: QPRT, Life Insurance, and Large Gift - Assumptions

Dies in year 25 with all planning leaves an **ZERO** estimated Estate Tax liability:



EstateView.link



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

First, enter the basic assumptions as follows:

Strategies To Activate	
Use Bypass Trust?	<input type="checkbox"/>
Use QPRT?	<input checked="" type="checkbox"/>
Use Annual Gifting?	<input type="checkbox"/>
Use Gift Discounts?	<input type="checkbox"/>
Use Life Insurance?	<input checked="" type="checkbox"/>
Use Large Gift?	<input checked="" type="checkbox"/>
Use Installment Sale?	<input type="checkbox"/>
Use Testamentary Charity?	<input type="checkbox"/>

Portability Option	
Check Box if No Portability:	<input type="checkbox"/>

2026 Exemption Adjustment	
Check Box if Lifetime Exemption drops 50% in 2026:	<input checked="" type="checkbox"/>

Rates	
Click for Chained CPI & Inflation History	
Estate Tax Rate	- 40.00% +
Chained CPI	- 3.71% +
Real Inflation	- 4.01% +

Client	
Spouse 1	
Amir	
First Name	Amir
Last Name	
DOB	Mo 27 19
Age	- 60 +
Sex	Male
Tobacco User?	<input type="checkbox"/>
Actuarial Year of Death (in Year 19)	2043
Illustrated Year of Death (in Year 20)	- 2044 +
Lifetime Gift Exemption Used	- \$0 +
Net Annual Savings/(Spending) While Both Alive to age 64 (in Year 4)	- \$0 +
Age of Savings/Spending Change (Year 4)	- 64 +
Net Annual Savings/(Spending) While Both Alive After Change	- (\$150,000) +

Business and Investments	
Current Value	- \$31,000,000 +
Annual Growth Rate	- 7.50% +
Annual Investment Costs Rate	- 0.40% +
Annual Investment Tax Rate (as % of assets)	- 2.00% +
Add Explosive Asset? (in addition to above)	<input type="checkbox"/>

Spouse 2 <input type="checkbox"/> Deceased or None	
Dalia	
First Name	Dalia
Last Name	
DOB	Mo 27 19
Age	- 60 +
Sex	Female
Tobacco User?	<input type="checkbox"/>
Actuarial Year of Death (in Year 22)	2046
Illustrated Year of Death (in Year 25)	- 2049 +
Lifetime Gift Exemption Used	- \$0 +
Net Annual Savings/(Spending) After First Death to age 64 (in Year 4)	- \$0 +
Age of Savings/Spending Change (Year 4)	- 64 +
Net Annual Savings/(Spending) After First Death And After Change	- (\$150,000) +

Personal Residence and Property	
Current Value	- \$9,000,000 +
Annual Growth Rate	- 3.00% +

[EstateView.link](https://www.estateview.link)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

Second, enter the technique-specific assumptions as follows:

Qualified Personal Residence Trust		Will Show If Checked: <input checked="" type="checkbox"/>	
Number of QPRTs	-	2	+
Percentage of Residence Value to QPRT(s)	-	100.00%	+
QPRT Residence Value	\$9,000,000		
QPRT 1 - Spouse 1 (Age 60)			
QPRT Interest Rate (\$ 7520 Rate)		5.00%	+
QPRT Term	-	8	+
QPRT Exemption Used	\$2,357,157.00		
QPRT Annual Rent % After Possessory Term	-	8.00%	+
QPRT Valuation Discount Rate	-	15.00%	+
QPRT 2 - Spouse 2 (Age 60)			
QPRT 2 Term	-	12	+
QPRT 2 Exemption Used	\$1,796,761.00		
QPRT 2 Annual Rent % After Possessory Term	-	8.00%	+
QPRT 2 Valuation Discount Rate	-	15.00%	+

Life Insurance		Will Show If Checked: <input checked="" type="checkbox"/>	
Click for Life Insurance Estimates		Click for Explanation	
Spouse 1 - Pre-planning		+ Add Pre-Planning Policy Copy Pre-Planning Policies to Post-Planning	
Policy 1 - Pre-Planning (Spouse 1)		Remove Policy Copy Policy To Next Pre-Planning Policy	
Held in ILIT?	<input type="checkbox"/>		
Term or Permanent	Term		
Number of Years	-	20	+
Annual Premium	-	\$5,247	+
Death Benefit	-	\$1,000,000	+
Spouse 1 - Post-planning		+ Add Post-Planning Policy Remove Policy Copy Policy To Next Post-Planning Policy	
Policy 1 - Post-Planning (Spouse 1)		Remove Policy Copy Policy To Next Post-Planning Policy	
Held in ILIT?	<input checked="" type="checkbox"/>		
Term or Permanent	Term		
Number of Years	-	20	+
Annual Premium	-	\$5,247	+
Death Benefit	-	\$1,000,000	+

Spouse 2 - Pre-planning		+ Add Pre-Planning Policy Copy Pre-Planning Policies to Post-Planning	
Policy 1 - Pre-Planning (Spouse 2)		Remove Policy Copy Policy To Next Pre-Planning Policy	
Held in ILIT?	<input type="checkbox"/>		
Term or Permanent	Term		
Number of Years	-	20	+
Annual Premium	-	\$5,551	+
Death Benefit	-	\$1,000,000	+
Spouse 2 - Post-planning		+ Add Post-Planning Policy Remove Policy Copy Policy To Next Post-Planning Policy	
Policy 1 - Post-Planning (Spouse 2)		Remove Policy Copy Policy To Next Post-Planning Policy	
Held in ILIT?	<input checked="" type="checkbox"/>		
Term or Permanent	Term		
Number of Years	-	20	+
Annual Premium	-	\$5,551	+
Death Benefit	-	\$1,000,000	+

Installment Sale / Year 1 Gift to Irrevocable Trust		Will Show If Checked: <input checked="" type="checkbox"/>	
Grantor of Trust	Spouse 1		
Year One Gift	<input checked="" type="checkbox"/> Lock to 10%?	-	\$952,000
Year One Gift Discount Rate	-	0.00%	+
Year One Gift after Discount	\$952,000		
Sale Value before Discount	-	\$13,600,000	+
Discount Rate	-	30.00%	+
Sale Value after Discount	-	\$9,520,000	+
Add Explosive Asset? (in addition to above)	<input type="checkbox"/>		
Total Sale Value	\$9,520,000		
Note Amount	-	\$9,520,000	+
Note Interest Rate		-	4.14%

Best to use lowest rate.		
Jan	Feb	Mar
4.49%	4.14%	4.35%
Type of Note	Conventional	
Note Payment Amount	\$394,128	
Note Term in Years	-	15
Year to Toggle Off Grantor Status	-	Never
Additional Income to Installment Sale Trust	-	\$0
Number of Years of Additional Income	-	0
Will the Note be Discounted on Death?	<input type="checkbox"/>	
Guarantee Fee?	<input type="checkbox"/>	

Note: Be sure Large Gift is unchecked to prevent transferring the same \$13.6m to different trusts within the same plan!

Large Gift To Trust	Will Show If Checked: <input type="checkbox"/>
---------------------	--

[EstateView.link](https://www.estateview.link)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

Third, scroll the scenarios on the right to display different levels of planning:

Shortcuts to Assumptions

- Strategies^
- Investments^
- Annual Gifting
- Planner^
- Residences^
- Life Insurance
- Clients^
- QPRT
- Installment Sale
- Rates^
- Bypass Trust
- Testamentary Charity

Planner

Firm Name
Planner Name

Client

Spouse 1 Amir

First Name: Amir
Last Name: Amir

DOB: [dropdown]
Age: 60
Sex: Male
Tobacco User? [checkbox]
Actuarial Year of Death (in Year 19): 2043
Illustrated Year of Death (in Year 20): 2044

Lifetime Gift Exemption Used: \$0
Net Annual Savings/(Spending) While Both Alive to age 64 (in Year 4): \$0
Age of Savings/Spending Change (Year 4): 64
Net Annual Savings/(Spending) While Both Alive After Change: (\$150,000)

Spouse 2 Deceased or None Dalia

First Name: Dalia
Last Name: Dalia

DOB: [dropdown]
Age: 60
Sex: Female
Tobacco User? [checkbox]
Actuarial Year of Death (in Year 21): 2046

Today

Amir & Dalia			
Residence	Investments	Life Ins. - Amir	Life Ins. - Dalia
\$9,000,000	\$31,000,000	Death Benefit \$1,000,000	Death Benefit \$1,000,000
Annual Growth Rate 3.00%	Annual Additions \$0	Annual Premium \$5,247	Annual Premium \$5,551
Explained			

Upon 1st Death (in Year 1)

Amir			
Residence	Investments	Life Ins. - Amir	Life Ins. - Dalia
\$9,270,000	\$32,570,202	Death Benefit \$1,000,000	Death Benefit \$1,000,000
Annual Growth Rate 3.00%	Annual Additions \$0	Annual Premium \$5,247	Annual Growth Rate 7.50% less 0.40% fees and 2.00% tax
Explained			

Upon 2nd Death (in Year 1)

Amir's Estate			
Residence	Investments	Life Ins. - Amir	Life Ins. - Dalia
\$9,270,000	\$32,570,202	Value \$1,000,000	Value \$1,000,000
Exemption/Portability: (\$28,220,000)			
Net Taxable Estate: \$15,620,202			

Estate Tax \$6,248,081

Total Passed to Beneficiaries \$37,592,121

Scenarios

- Show/Hide Images
- DIES IN YEAR ONE - NO PLANNING
- DIES IN YEAR ONE - WITH PLANNING
- NO PLANNING (25 YEARS)
- BYPASS TRUST (FUNDED YEAR 20) - OFF
- QPRT
- ANNUAL GIFTING (2 DONEES) - OFF
- DISCOUNTED GIFTING (25% DISCOUNT) - OFF
- LIFE INSURANCE TRUST PLANNING (25 YEARS)
- LARGE GIFT (25 YEARS) - OFF
- YEAR 1 GIFT / INSTALLMENT SALE (15 YEAR NOTE)
- TESTAMENTARY CHARITY

[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

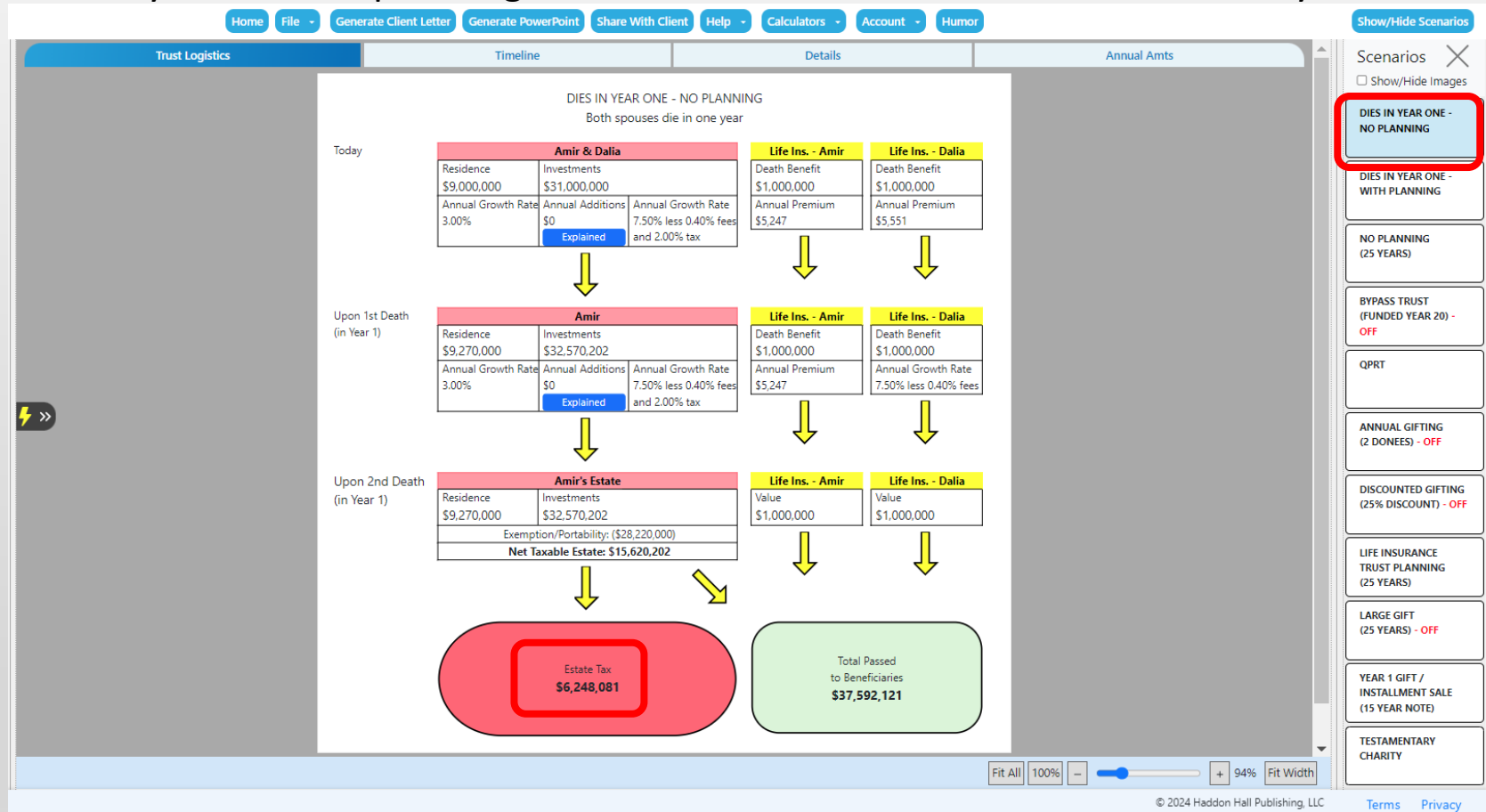
EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

128

EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

Dies this year with no planning leaves an estimated \$6.2m Estate Tax liability:



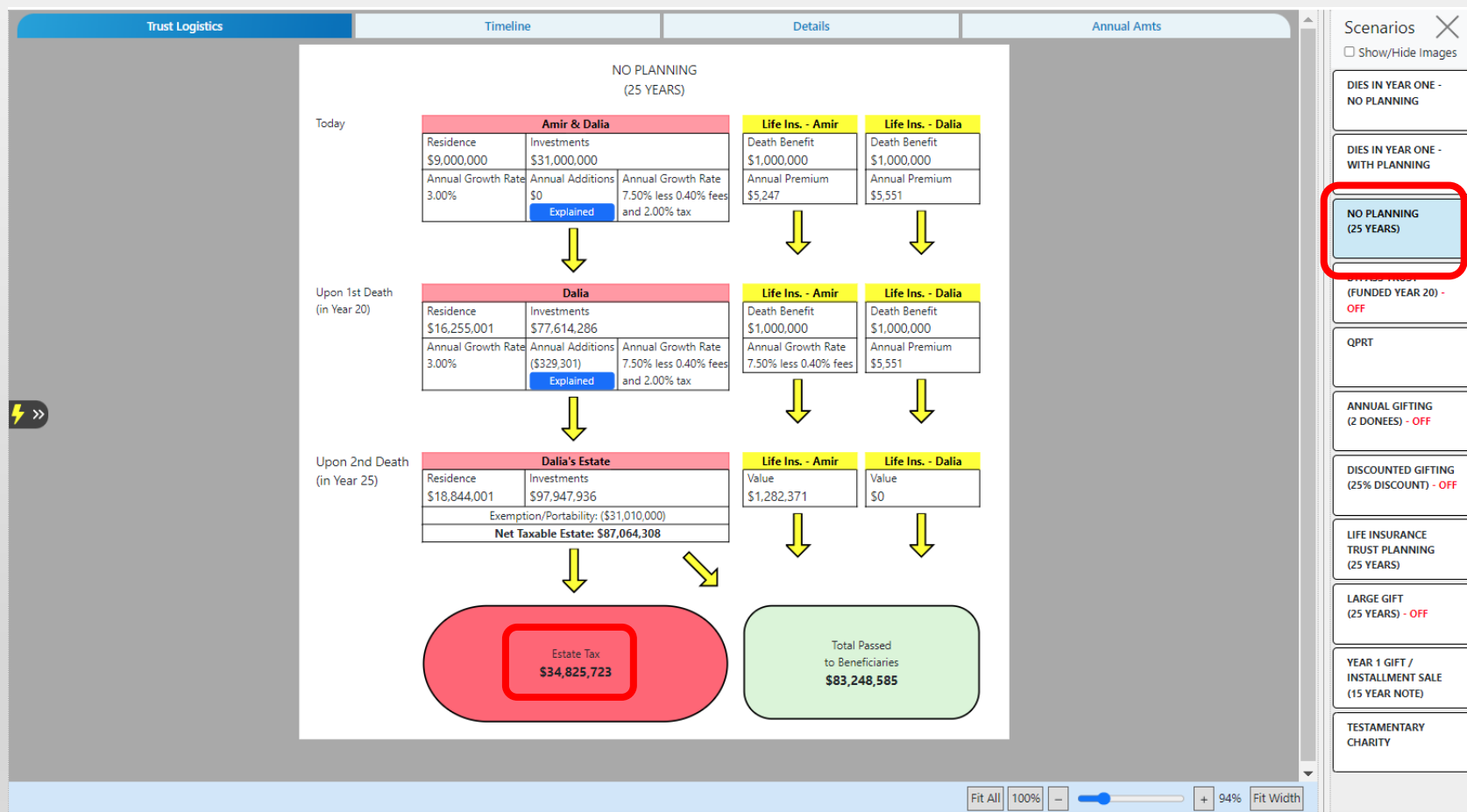
EstateView.link



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

Dies in year 25 with no planning leaves an estimated \$34.8m Estate Tax liability:



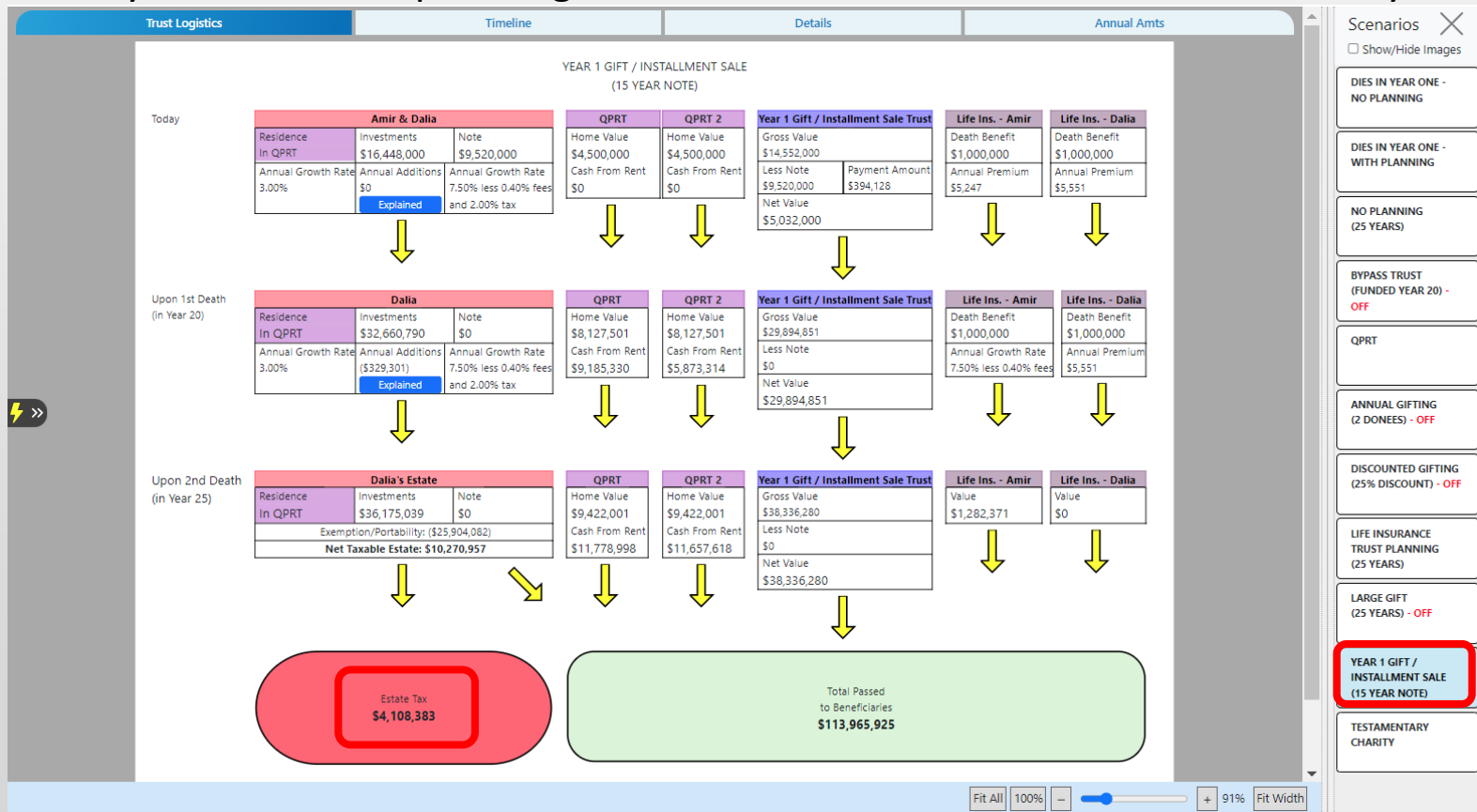
[EstateView.link](https://www.estateview.link)



EstateView Visualization 7: Comprehensive – Married Clients

Scenario 2: QPRT, Life Insurance, and Installment Sale - Assumptions

Dies in year 25 with all planning leaves an estimated \$4.1m Estate Tax liability:



[EstateView.link](https://www.estateview.link)



Managing “Grantor Tax Fatigue”

Case Assumptions

- Jack’s current personal portfolio: \$20 million, invested 40% global stocks/60% bonds
- Spends \$600,000 annually from this portfolio*
- He gave \$5 million to an irrevocable grantor trust six years ago for the future benefit of his daughters, Kendra and Sara. Trust is now worth \$8 million. Trust is invested 80% global stocks/ 20% bonds.
- Cumulative income taxes on trust paid since gift: \$700,000
- Jack doesn’t want to continue paying taxes on the trust

*Spending adjusts annually for inflation.



EstateView Visualization 6: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Age	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	DSUE	Year One Gift	Gift Discount Rate	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Savings Per Million Gifted	Incremental Savings Per Million Gifted	Estate Tax Due on 1st Death	Estate Tax Due on 2nd Death
1	60	23	(\$600,000)	\$28,000,000	6.00%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$1,857,660)	(\$20,894,729)	\$24,040,000	\$0	\$116,199,207	\$114,341,547	\$34,120,619	\$4,265,077	\$0	\$0	N/A
2	60	23	(\$600,000)	\$28,000,000	2.75%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$22,497,690)	(\$37,172,645)	\$24,040,000	\$0	\$28,568,203	\$6,070,513	\$0	\$0	\$0	\$0	N/A
3	60	23	(\$600,000)	\$28,000,000	2.75%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$15,757,676)	(\$29,177,559)	\$24,040,000	\$0	\$21,828,190	\$6,070,513	\$0	\$0	\$0	\$0	N/A

- Each row is an example of a large gift the clients could make with slight variations.

[EstateView.link](https://www.gassmanlaw.com/EstateView.link)



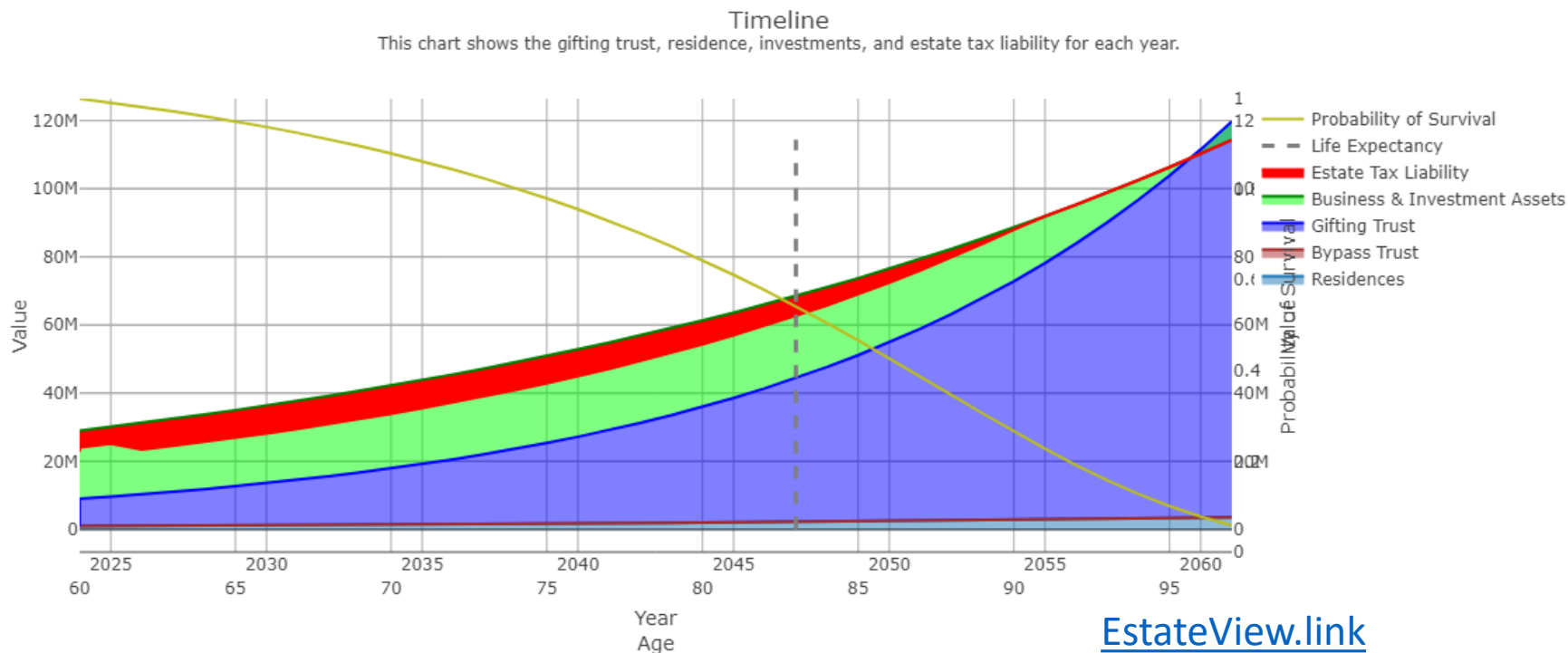
EstateView Visualization 6: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Age	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	DSUE	Year One Gift	Gift Discount Rate	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Savings Per Million Gifted	Incremental Savings Per Million Gifted	Estate Tax Due on 1st Death	Estate Tax Due on 2nd Death
1	60	23	(\$600,000)	\$28,000,000	6.00%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$1,857,660)	(\$20,894,729)	\$24,040,000	\$0	\$116,199,207	\$114,341,547	\$34,120,619	\$4,265,077	\$0	\$0	N/A

Gift 1 shows:

- \$8m year one gift saves \$34m in estate tax.



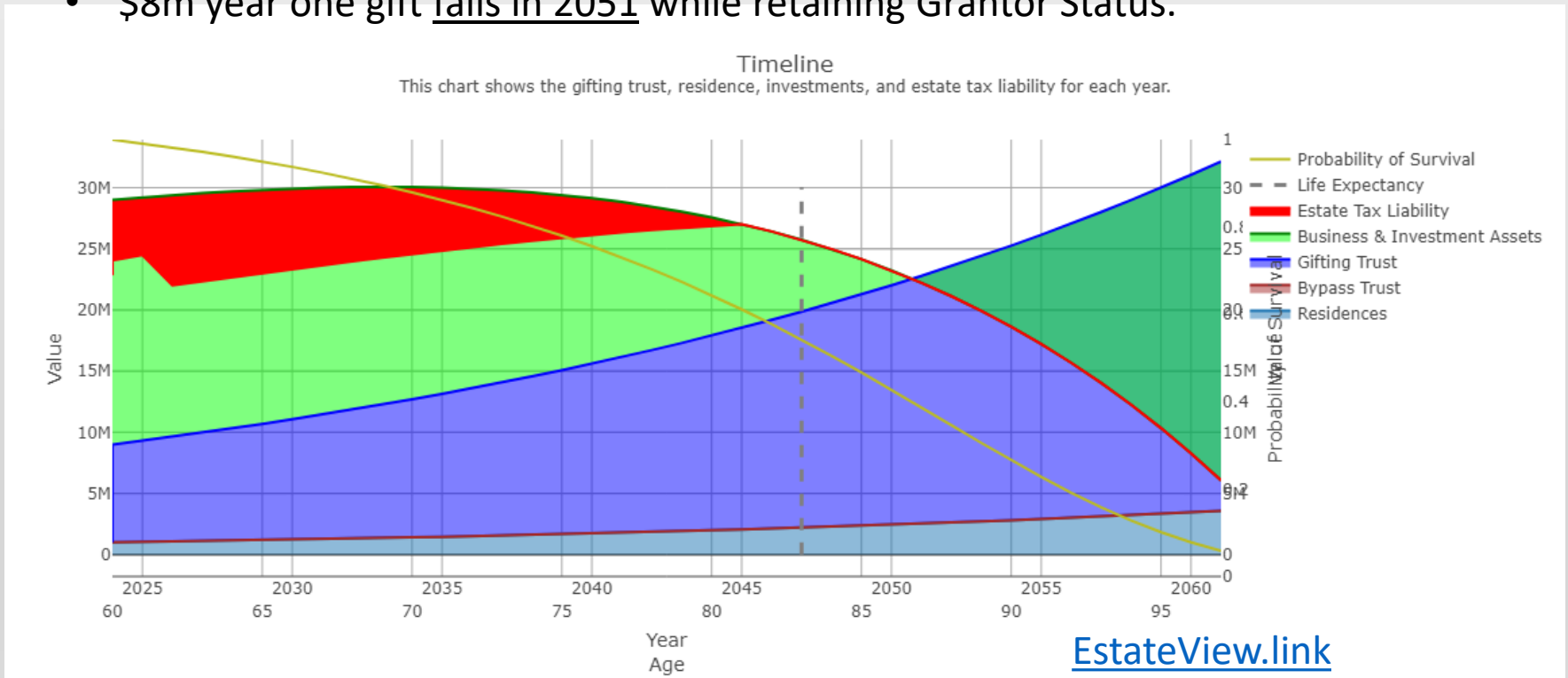
EstateView Visualization 6: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Age	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	DSUE	Year One Gift	Gift Discount Rate	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Savings Per Million Gifted	Incremental Savings Per Million Gifted	Estate Tax Due on 1st Death	Estate Tax Due on 2nd Death
2	60	23	(\$600,000)	\$28,000,000	2.75%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$22,497,690)	(\$37,172,645)	\$24,040,000	\$0	\$28,568,203	\$6,070,513	\$0	\$0	\$0	\$0	N/A

Gift 2 shows:

- \$8m year one gift fails in 2051 while retaining Grantor Status.



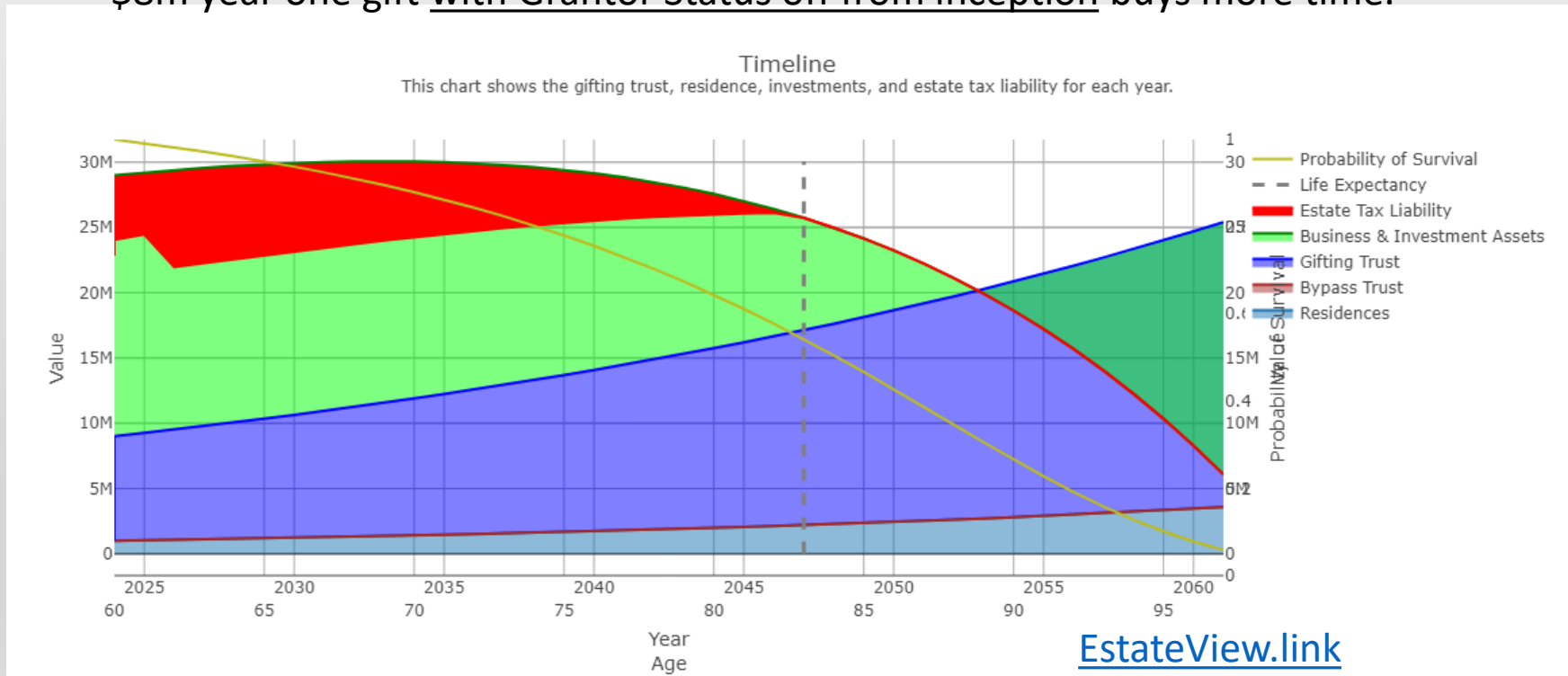
EstateView Visualization 6: Large Gift / SLAT

Large Gift / SLAT Summary

Gift #	Age	Life Expectancy	Annual Savings / (Spending)	Current Investments	Investments Growth Rate (After Tax)	Current Home	DSUE	Year One Gift	Gift Discount Rate	Value of Estate Upon Death	Value of Estate @ Age 100	Exemption Total	Estate Tax Liability	Trust Value	Amount to Beneficiaries	Estate Tax Savings	Savings Per Million Gifted	Incremental Savings Per Million Gifted	Estate Tax Due on 1st Death	Estate Tax Due on 2nd Death
3	60	23	(\$600,000)	\$28,000,000	2.75%	\$1,000,000	\$0	\$8,000,000	37.50%	(\$15,757,676)	(\$29,177,559)	\$24,040,000	\$0	\$21,828,190	\$6,070,513	\$0	\$0	\$0	\$0	N/A

Gift 3 shows:

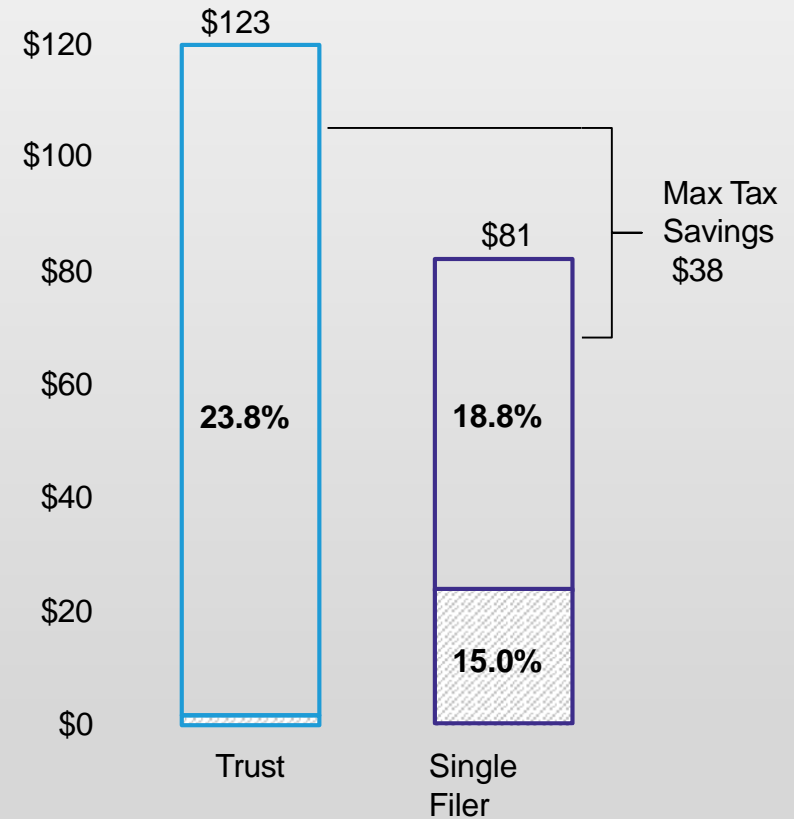
- \$8m year one gift with Grantor Status off from inception buys more time.



Differences between Individual and Trust Income Tax Rates

Income Type	Tax Rate	Adjusted Gross Income Threshold	
		Single Filer	Trust
Short-Term Gains and Ordinary Income	37.0%	\$609,350	\$15,200
Long-Term Gains and Qualified Dividends	20.0%	\$518,900	\$15,450
Medicare Surtax on Net Investment Income	3.8%	\$200,000	\$15,200
Standard Deduction		\$14,600	\$100

Value of Bracket Run—Long-Term Capital Gains*
(USD Thousands)

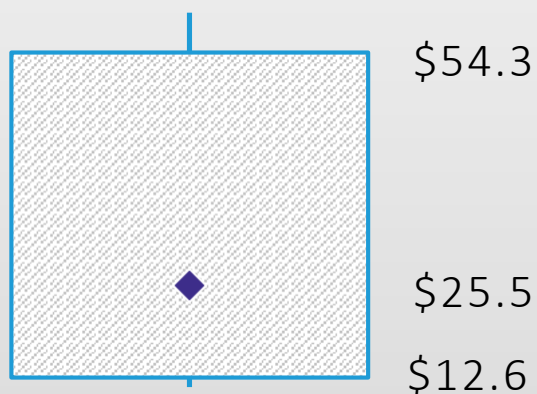
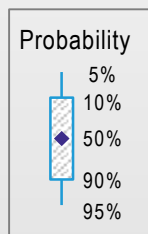


*Includes a \$14,600 standard deduction for the single filer with \$525,000 taxable income and a \$100 exemption for the trust with \$525,000 taxable income.
Source: IRS and AB

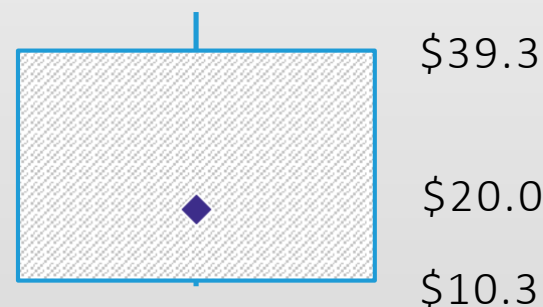


Converting to **Nongrantor** Trust Is Costly for Beneficiaries

After-Tax Range of Trust Assets—Year 20*
Nominal (USD Millions)



Grantor
Trust



Nongrantor Trust

For illustrative purposes only. Data do not represent past performance. Actual returns may be higher or lower than projected.

*Based on Bernstein's estimates of median returns for applicable capital markets over next 20 years. Assumes 23.8% effective tax rate for long-term capital gains and qualified dividends, and state income tax of 4.95%.

AB is not a legal, tax, estate, or insurance advisor. Investors should consult these professionals as appropriate before making any decisions.

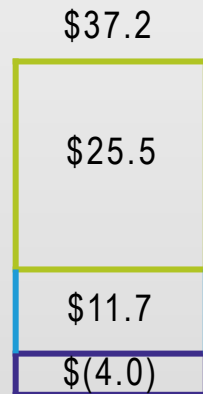
Source: AB



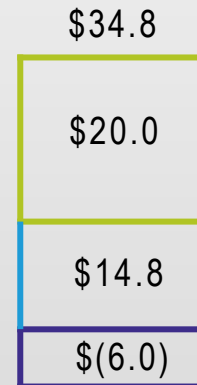
Grantor Trust Reduces Grantor's Taxable Estate

After Estate Tax, Summary Year 20—Median
(USD Millions—Nominal)

● After Estate Tax Personal ● Children's Trust ● Estate Tax



Grantor Trust



Nongrantor Trust

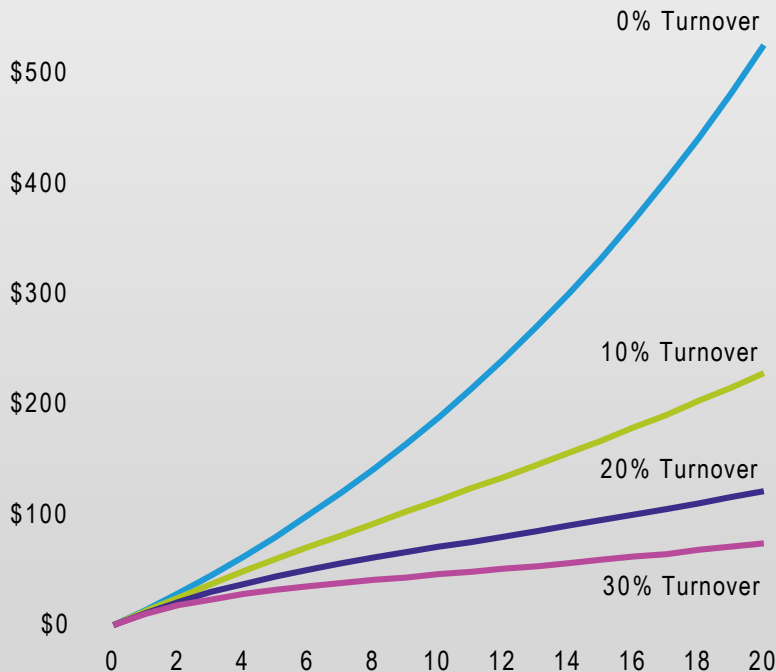
Bernstein does not provide tax, legal, or accounting advice. Please consult with the professionals in these fields before making any decisions.

Estate tax assumes current \$13.61 million exclusion sunsets to \$6.81 million in 2026, adjusted for inflation. We assume that the inflation adjustment will make the exclusion amount \$10.7 million in 20 years, with a net exclusion in this case of \$5.7 million after adjusting for the \$5.0 million lifetime gift. Estate tax is assumed to be 40%. Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data does not represent past performance and is not a promise of actual or range of future results. Asset values are net of applicable taxes and cash flows, if any. See Notes on Bernstein Wealth Forecasting System in Appendix for further details.



Benefit of “Step-Up” Highly Dependent on Turnover Rate

Tax Savings Resulting from “Step-Up” Per \$1 million
Compound Annual Growth Rate 6%
Annual Turnover Rate
(USD Thousands, Nominal)



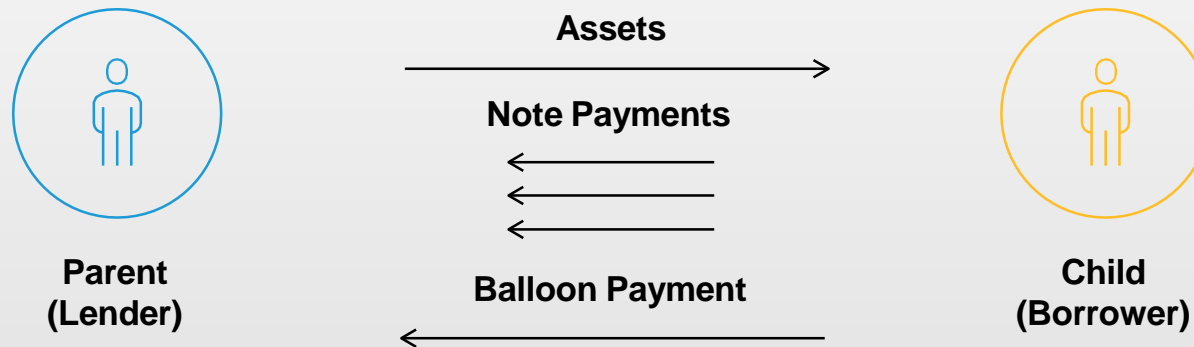
Growth of \$1 million (Net of Tax)—Year 20
Compound Annual Growth Rate 6%
0% vs. 30% Annual Turnover Rate
(USD Thousands, Nominal)



For illustrative purposes only. Assumes a 6% compound annual growth rate on \$1 million invested at the beginning of the time period. Assumes 23.8% tax. Source: AB



Intrafamily Loans



Key Points

- Parent lends assets to child in exchange for a promissory note
- Note payments can be structured as fully amortizing, but utility for the borrower can be maximized if structured as interest-only payments with a final “balloon” principal repayment
- Intrafamily loans come with no limitations on how a borrower uses the proceeds
- Assets pass to the family member without payment of any transfer tax (note: interest payments are taxable income to the lender)
- Potentially low borrowing costs as interest payments are based upon prevailing Applicable Federal Rate (AFR) rate at time of loan

Source: AB

Bernstein does not provide tax, legal, or accounting advice. In considering this message, you should discuss your individual circumstances with professionals in those areas before making any decisions.

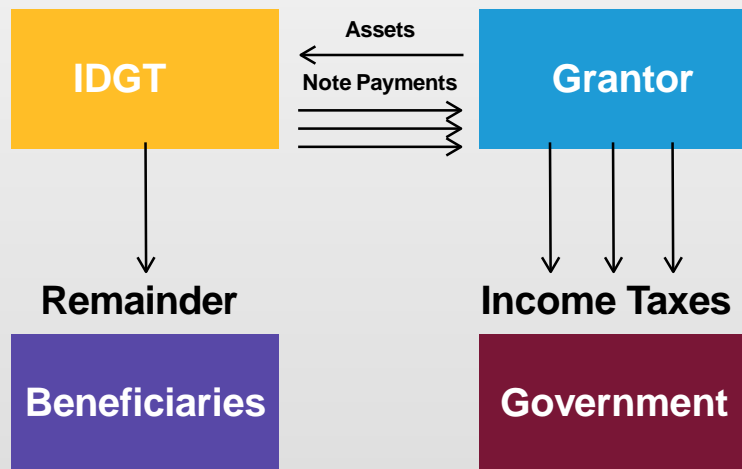


Interest Rate Issues

- IRC Section 7872
 - Demand loan
 - Payable in full at any time on the demand of the lender or are non-transferable and conditioned on the performance of substantial future services by an individual
 - Will qualify as a below market loan if the interest rate is less than the applicable federal rate
 - Short-term AFR: Up to 3 years
 - Mid-term AFR: 3 years or more and up to 9 years
 - Long-term AFR: 9 years or more
 - Term loan
 - Any loan that is not a demand loan
 - Will qualify as a below market loan if the amount loaned exceeds the present value of all payments due under the loan
- Imputed amount transferred from lender to borrower
- Interest payment imputed from borrower to lender



How an Installment Sale to an Intentionally Defective Grantor Trust (IDGT) Works



Key Points

- Transfers to IDGT are treated as part-gift (10%), part-sale (90%)
- Note payments back to Grantor can be structured as interest-only based on appropriate AFR, with principal and final interest installment due upon maturity

Annual growth in excess of AFR may avoid gift, estate, and GST taxes*

*Potential benefit to trust and its beneficiaries equals post-transfer growth of assets given, plus growth of assets sold in excess of interest payable. "AFR" means applicable federal rate, annual compounding, as published by the Treasury Department. The mid-term AFR applies to fixed debt having a term greater than three years, but not greater than nine years; the long-term AFR applies to longer-term loans; the short-term AFR to shorter-term loans.

For illustrative purposes only; not an advertisement and does not constitute an endorsement of any particular wealth transfer strategy. Bernstein does not provide legal or tax advice. Consult with competent professionals in these areas before making any decisions.

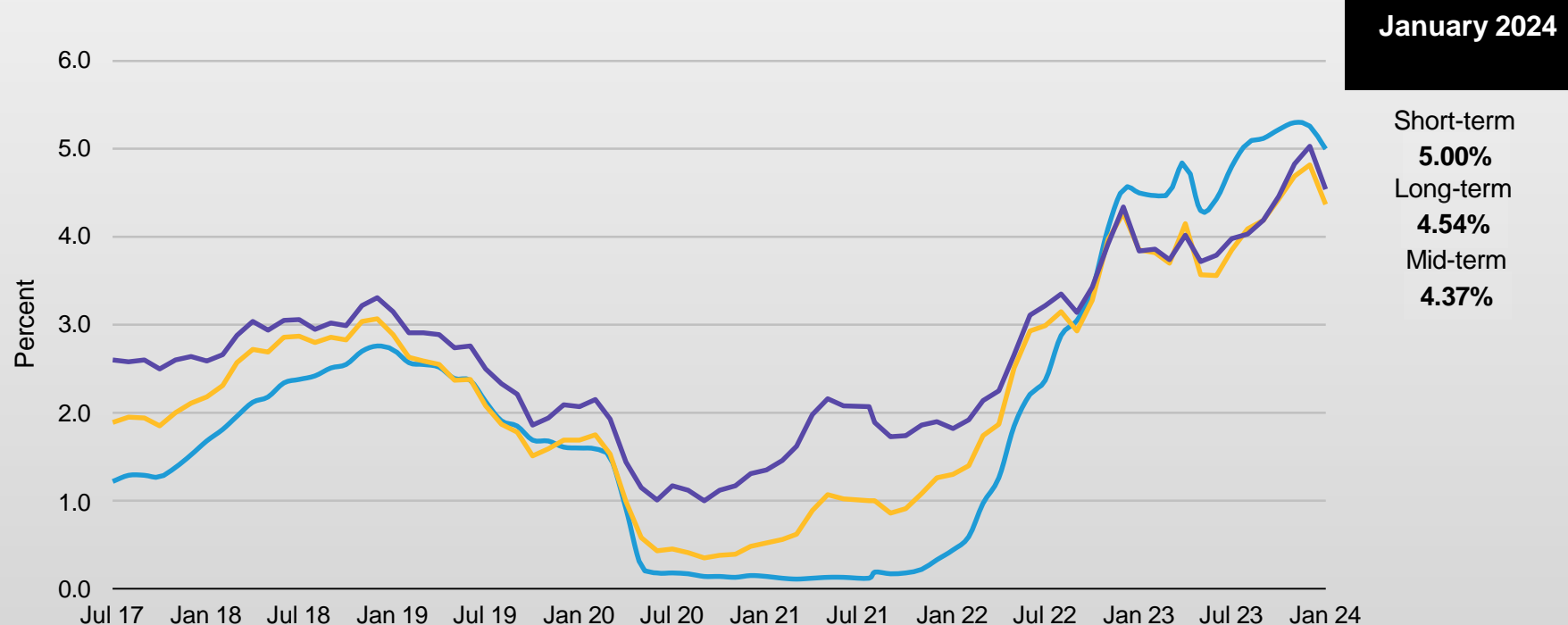
Source: AB



Rising Interest Rates, and a Flat, “Inverted” Yield Curve, Present Challenges... and Perhaps Opportunities

Applicable Federal Rates (AFR)

100% annual compounding

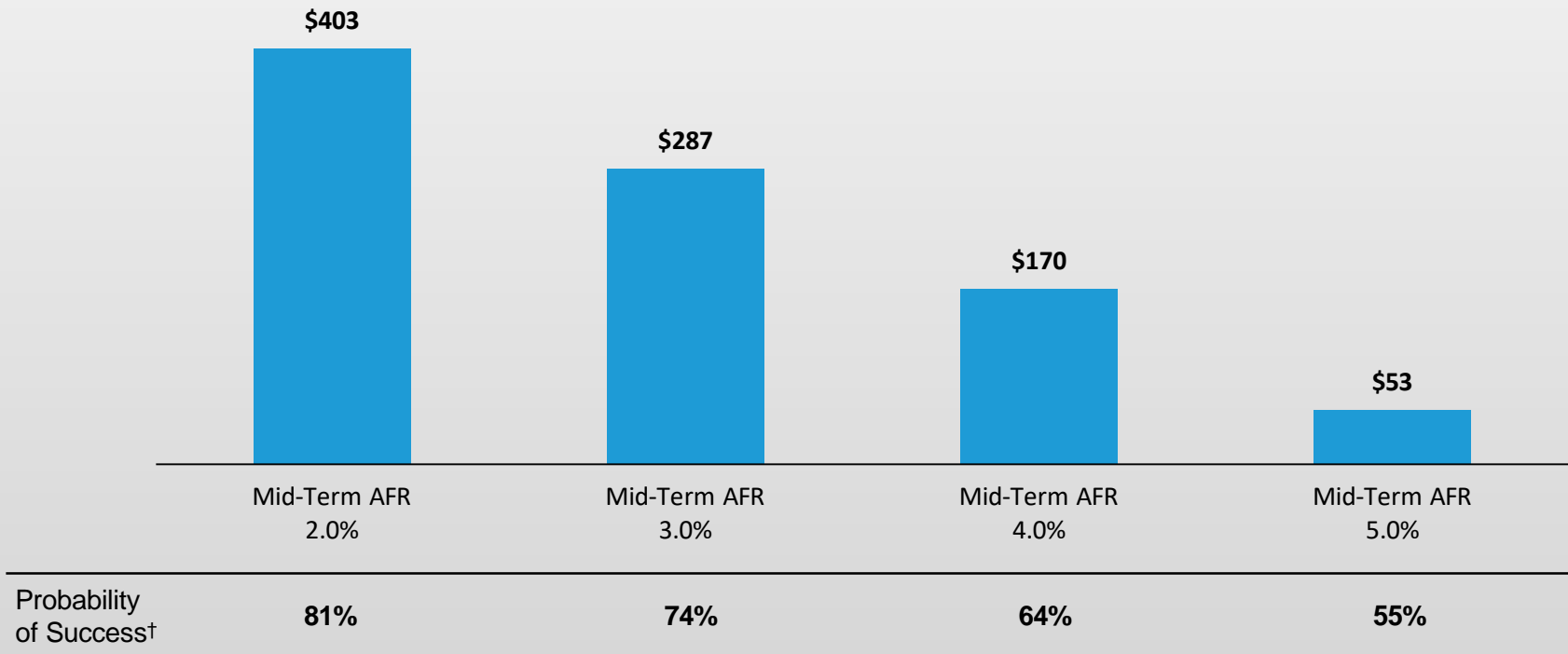


Source: www.irs.gov



Rising Interest Rates Decrease Probability of an Installment Sale's Success and Wealth Transfer Potential

Installment sale remainder per \$1 million*



*Assumes \$1.0 million is sold to an intentionally defective grantor trust (IDGT) in exchange for a 9-year, interest-only promissory note, with a balloon payment in the 9th year. The IDGT is assumed to be invested with an asset allocation of 80% global stocks and 20% bonds.

†Probability of Success is defined as the probability that at least \$1 remains in trust after the promissory note has been repaid

*Based on Bernstein's estimated range of returns for the applicable capital market over the next 9 years as of June 30, 2023. **Data do not represent past performance and are not a promise of actual future results or a range of future results.**



Other Promissory Note Issues

- Rev. Rul. 77-299
 - “It should be noted that the intent to forgive notes is to be distinguished from donative intent, which, as indicated by section 25.2511-1(g)(1) of the regulations, is not relevant. A finding of an intent to forgive the note relates to whether valuable consideration was received and, thus, to whether the transaction was in reality a bona fide sale or a disguised gift. Therefore, such an inquiry is necessary in situations such as the one described here. *See 5 Mertens, Law of Federal Gift and Estate Taxation, section 34.03 (1959).* “Nothing can be treated as consideration that is not intended as such by the parties.” *Fire Insurance Association v. Wickham, 141 U.S. 579 (1891).* Donative intent, on the other hand, rather than relating to whether a transaction was actually a sale or a gift, relates to whether the donor intended the transaction to be a sale or a gift. Although the same facts would be used in determining either type of intent, they relate to two entirely different inquiries.”



Planning with Self-Canceling Installment Notes (SCINs)

- Under a SCIN, a borrower promises to make fixed, periodic payments that end upon the earlier of the lender's receipt of a maximum principal amount or some event, typically the lender's death
- A SCIN is treated as a contingent payment installment sale under IRC Section 453 and its related Treasury Regulations, thereby allowing the lender to defer gain over the payment period
- A SCIN escapes inclusion in the lender's taxable estate if its cancellation clause functions as a bona fide contract
 - Consider circumstances of negotiation
 - Consider cancellation premium (either a higher purchase price or a higher interest rate)
- If a lender dies during the SCIN's term, any deferred gain is recognized by lender's estate as income



ESTATEVIEW

COMPREHENSIVE PLANNING STRATEGIES

PREPARED FOR
Bob and Mary Sample

PRESENTED BY
Alan Gassman
Gassman, Crotty & Denicolo, P.A.

TABLE OF CONTENTS

- ASSUMPTIONS

* This letter is provided for informational purposes only and should not be considered legal, tax, or financial advice. We are not responsible for any actions taken based on the information provided in this letter.

This illustration was prepared by Alan Gassman on March 28, 2024, and assumes residential property worth \$3,000,000 growing at 3.50% and Business and Investment assets of \$37,000,000 growing at 7.25%.

Assumes Bob lives until 2044 and Mary lives until 2049.

Note from Alan Gassman:



This illustration also assumes that the surviving spouse will be able to use any portability allowance that may be passed by the first dying spouse, and therefore assumes that the surviving spouse will not remarry someone who dies before him or her.

ASSUMPTIONS

Clients		
Name	Bob Sample	Mary Sample
Age	60	60
Sex	Male	Female
Tobacco User?	No	No
Lifetime Gift Exclusion Used	\$0	\$0
Projected Year of Death	2049	2044
Net Annual Savings/Outgo	\$0	(\$300,000)
Transition Age	64	80
Rest of Life	(\$300,000)	(\$300,000)
Portability		
Assume no portability?	No	
2026 Exemption Adjustment		
Exemption drops in 2026?	Yes	
Business and Investments		
Current Value	\$37,000,000	
Annual Growth Rate	7.25%	
Annual Investment Costs Rate	0.00%	
Annual Investment Tax Rate (as % of assets)	1.50%	
Explosive Asset?	No	
Personal Residence and Property		
Current Value	\$3,000,000	
Annual Growth Rate	3.50%	
Qualified Personal Residence Trust (QPRT)		
Number of QPRTs	2	
Percentage of Residence Value to QPRT(s)	100.00%	
QPRT Residence Value	\$3,000,000	
QPRT 1 - Interest Rate	5.00%	
QPRT 1 - Term	10	
QPRT 1 - Exemption Used	\$688,205	
QPRT 1 - Annual Rent % After Possessory Term	8.00%	
QPRT 1 - Valuation Discount Rate	15.00%	
QPRT 2 - Interest Rate	5.00%	

QPRT 2 - Term	10
QPRT 2 - Exemption Used	\$688,205
QPRT 2 - Annual Rent % After Possessory Term	8.00%
QPRT 2 - Valuation Discount Rate	15.00%
Bypass Trust	
Bypass Trust Value	\$14,100,000
Gifting	
Initial Gifting Trust Value	\$13,610,000
Exempt Gifts per year	3 Donees
Number of Years	10
Subsequent Gifts per year	6 Donees
Percentage of Gifts to Gifting Trust	100.00%
Percentage of Gifts using Discounting	100.00%
Discount Percentage for Gifting	30.00%

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 1 - NO PLANNING
(25 YEARS)

Today

Bob & Mary Sample		
Residence \$3,000,000	Investments \$37,000,000	
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax



Upon 1st Death
(in Year 20)

Bob Sample		
Residence \$5,969,367	Investments \$100,857,194	
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax



Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence \$7,089,735	Investments \$130,171,353
Exemption/Portability: (\$31,010,000)	
Net Taxable Estate: \$106,251,088	



Estate Tax
\$42,500,435

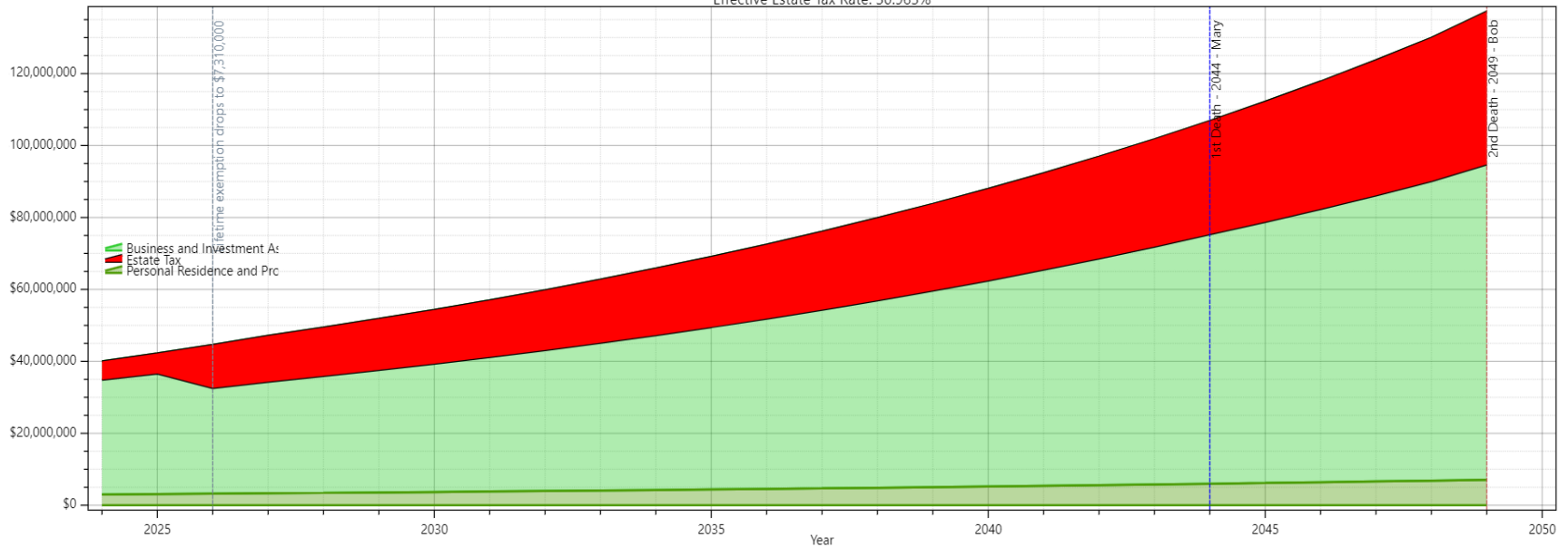
Total Passed
to Beneficiaries
\$94,760,653

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 1 - NO PLANNING (25 YEARS)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 30.963%



[EstateView.link](https://www.EstateView.link)



ILLUSTRATION 2 - BYPASS TRUST
(FUNDED YEAR 20)

Today

Bob & Mary Sample		
Residence	Investments	
\$3,000,000	\$37,000,000	
Annual Growth Rate	Annual Additions	Annual Growth Rate
3.50%	\$0	7.25% less 0.00% fees and 1.50% tax



Upon 1st Death
(in Year 20)

Bob Sample		
Residence	Investments	
\$5,969,367	\$86,757,194	
Annual Growth Rate	Annual Additions	Annual Growth Rate
3.50%	(\$658,602)	7.25% less 0.00% fees and 1.50% tax



Bypass Trust
Initial Funding Upon 1st Death
\$14,100,000
Annual Growth Rate
7.25% less 0.00% fees and 1.50% tax



Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence	Investments
\$7,089,735	\$111,523,837
Exemption/Portability: (\$16,910,000)	
Net Taxable Estate: \$101,703,572	



Bypass Trust
Value
\$18,647,516



Estate Tax
\$40,681,429

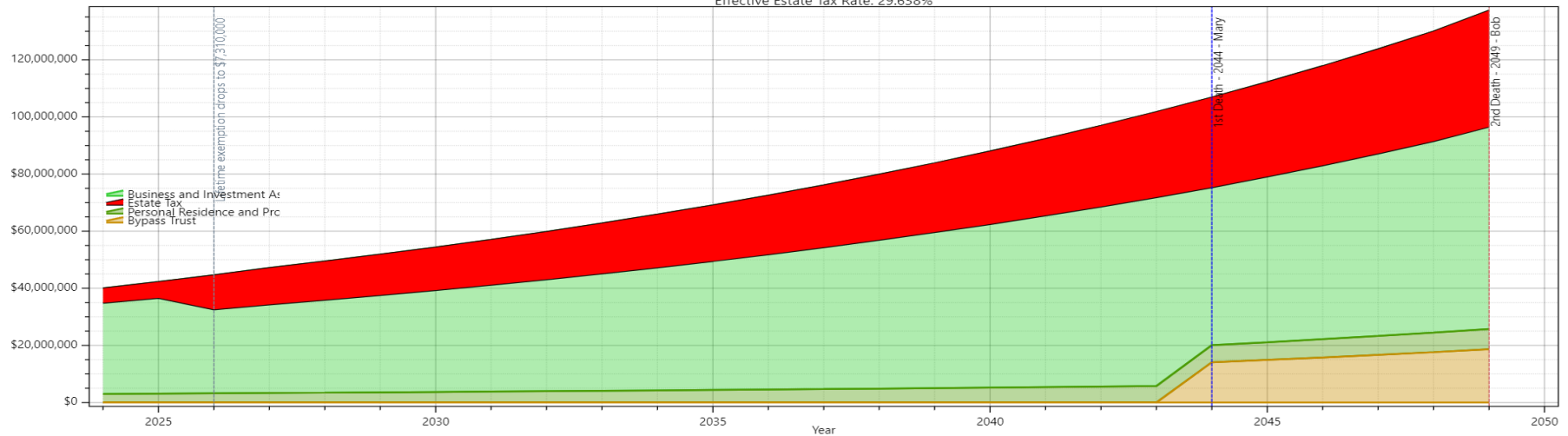
Total Passed to Beneficiaries
\$96,579,659

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 2 - BYPASS TRUST (FUNDED YEAR 20)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 29.638%



[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

ILLUSTRATION 3 - QPRT

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$37,000,000	
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$1,500,000	Home Value \$1,500,000
Cash From Rent \$0	Cash From Rent \$0

Upon 1st Death
(in Year 20)

Bob Sample		
Residence In QPRT	Investments \$81,871,527	
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

Bypass Trust
Initial Funding Upon 1st Death \$13,411,795
Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$2,984,683	Home Value \$2,984,683
Cash From Rent \$2,786,936	Cash From Rent \$2,786,936

Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence In QPRT	Investments \$101,930,237
Exemption/Portability: (\$16,221,795)	
Net Taxable Estate: \$85,708,442	

Bypass Trust
Value \$17,737,352

QPRT	QPRT 2
Home Value \$3,544,867	Home Value \$3,544,867
Cash From Rent \$5,251,882	Cash From Rent \$5,251,882

Estate Tax \$34,283,377

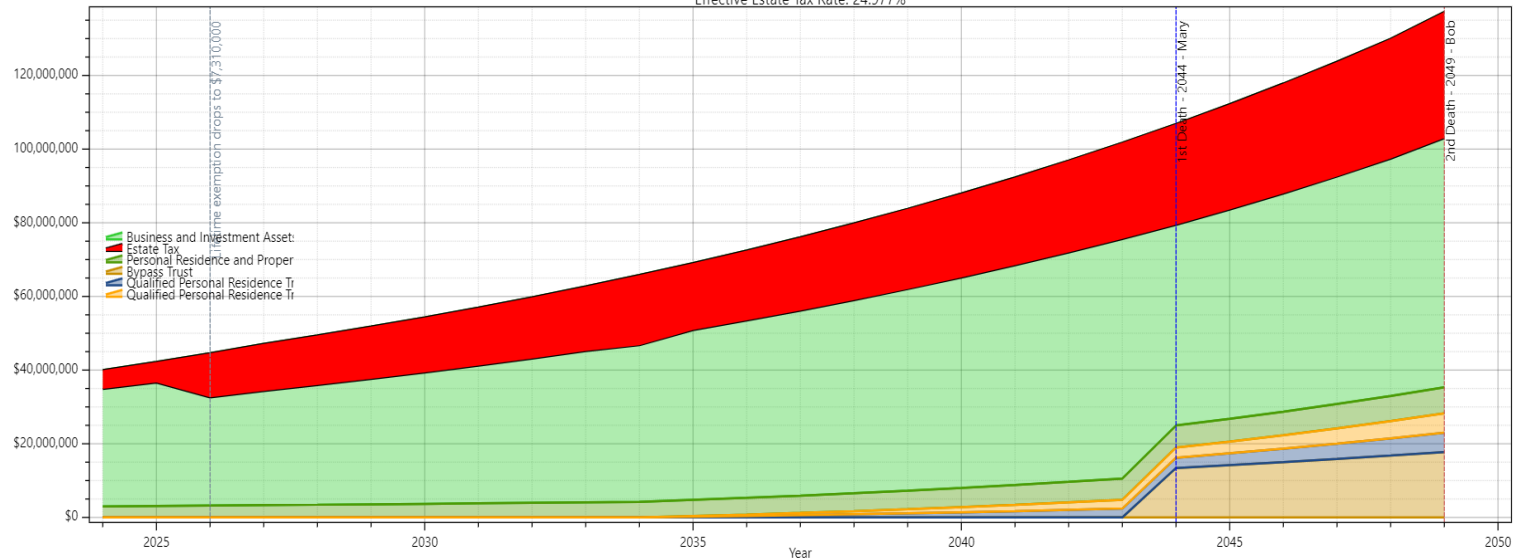
Total Passed to Beneficiaries \$102,977,711

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 3 - QPRT

Bob Sample & Mary Sample
Effective Estate Tax Rate: 24.977%



[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

ILLUSTRATION 4 - ANNUAL GIFTING
(3 DONEES)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$37,000,000	
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT
Home Value \$1,500,000
Cash From Rent \$0

QPRT 2
Home Value \$1,500,000
Cash From Rent \$0

Gift(g)ing Trust(s)
Value \$0
Annual Gifts \$108,000
Annual Growth Rate 7.25% less 0.00% fees

Upon 1st Death
(in Year 20)

Bob Sample		
Residence In QPRT	Investments \$73,171,470	
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

Bypass Trust
Initial Funding Upon 1st Death \$13,411,795
Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT
Home Value \$2,984,683
Cash From Rent \$2,786,936

QPRT 2
Home Value \$2,984,683
Cash From Rent \$2,786,936

Gift(g)ing Trust(s)
Value \$8,700,057
Annual Gifts \$228,000
Annual Growth Rate 7.25% less 0.00% fees

Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence In QPRT	Investments \$88,177,168
Exemption/Portability: (\$16,221,795)	
Net Taxable Estate: \$71,955,373	

Bypass Trust
Value \$17,737,352

QPRT
Home Value \$3,544,867
Cash From Rent \$5,251,882

QPRT 2
Home Value \$3,544,867
Cash From Rent \$5,251,882

Gift(g)ing Trust(s)
Value \$13,753,069

Estate Tax \$28,782,149

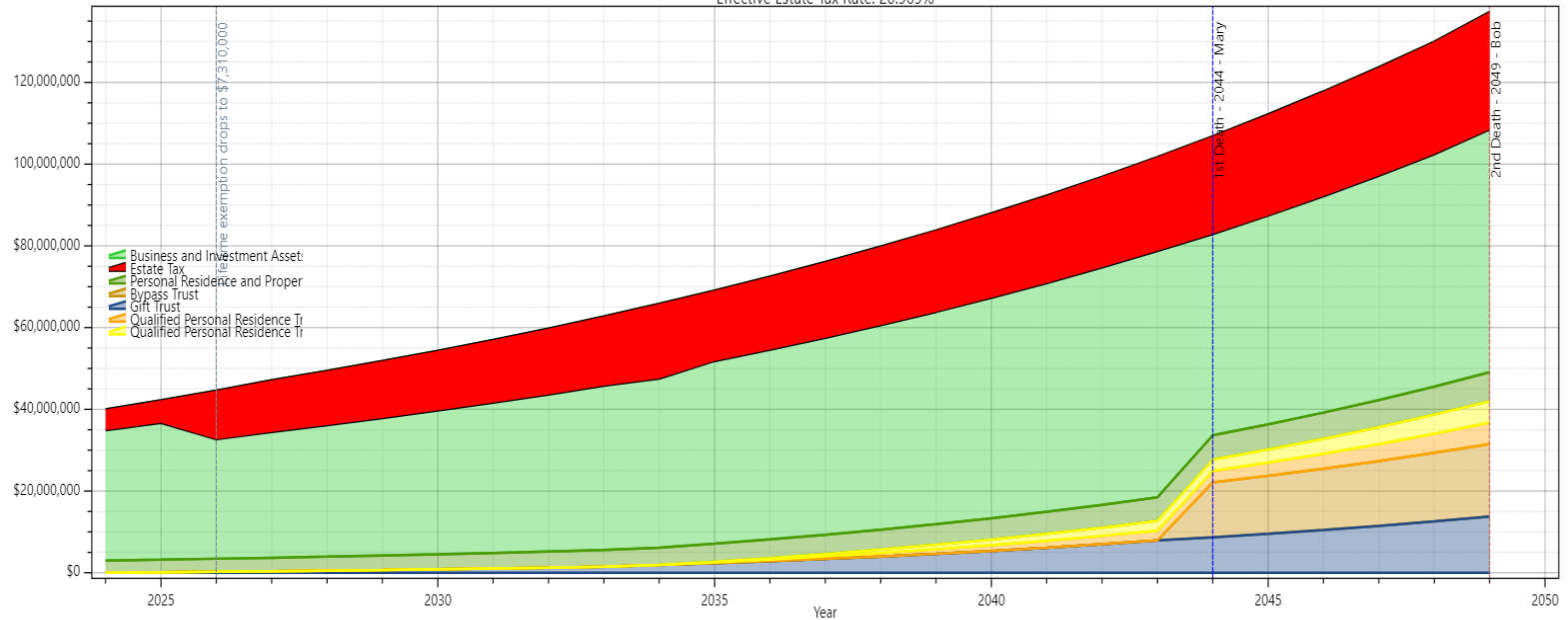
Total Passed to Beneficiaries \$108,478,939

[EstateView.link](#)



ILLUSTRATION 4 - ANNUAL GIFTING (3 DONEES)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 20.969%



[EstateView.link](https://www.gassmanpa.com/estateview)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

ILLUSTRATION 5 - DISCOUNTED GIFTING
(30% DISCOUNT)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$37,000,000	
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$1,500,000	Home Value \$1,500,000
Cash From Rent \$0	Cash From Rent \$0

Gift(ing) Trust(s)
Value \$0
Annual Gifts \$108,000
Annual Growth Rate 7.25% less 0.00% fees

Upon 1st Death
(in Year 20)

Bob Sample		
Residence In QPRT	Investments \$69,442,874	
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

Bypass Trust
Initial Funding Upon 1st Death \$13,411,795
Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$2,984,683	Home Value \$2,984,683
Cash From Rent \$2,786,936	Cash From Rent \$2,786,936

Gift(ing) Trust(s)
Value \$12,428,653
Annual Gifts \$228,000
Annual Growth Rate 7.25% less 0.00% fees

Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence In QPRT	Investments \$82,282,996
Exemption/Portability: (\$16,221,795)	
Net Taxable Estate: \$66,061,201	

Bypass Trust
Value \$17,737,352

QPRT	QPRT 2
Home Value \$3,544,867	Home Value \$3,544,867
Cash From Rent \$5,251,882	Cash From Rent \$5,251,882

Gift(ing) Trust(s)
Value \$19,647,242

Estate Tax
\$26,424,480

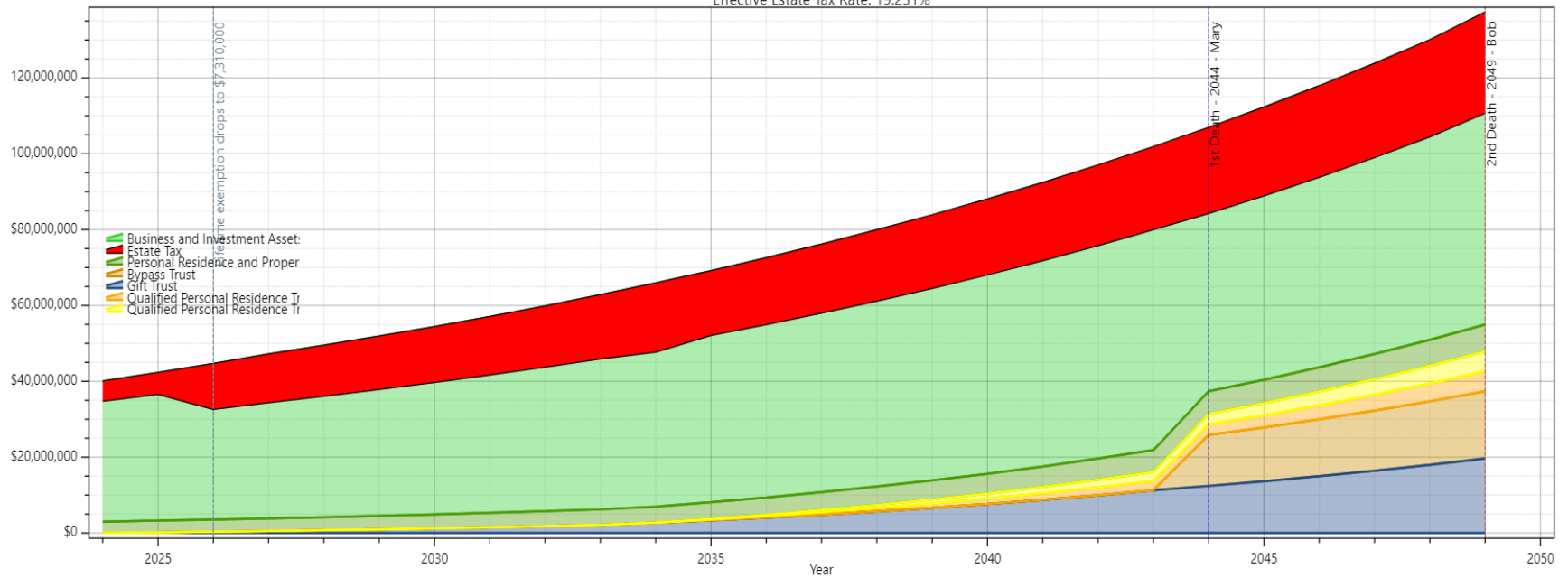
Total Passed
to Beneficiaries
\$110,836,608

EstateView.link



ILLUSTRATION 5 - DISCOUNTED GIFTING (30% DISCOUNT)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 19.251%



[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

ILLUSTRATION 7 - LARGE GIFT
(25 YEARS)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$23,390,000	
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2	Gift(ing) Trust(s)
Home Value \$1,500,000	Home Value \$1,500,000	Value \$13,610,000
Cash From Rent \$0	Cash From Rent \$0	Annual Gifts \$108,000
		Annual Growth Rate 7.25% less 0.00% fees

Upon 1st Death
(in Year 20)

Bob Sample		
Residence In QPRT	Investments \$14,260,022	
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

Bypass Trust
Initial Funding Upon 1st Death \$13,411,795
Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2	Gift(ing) Trust(s)
Home Value \$2,984,683	Home Value \$2,984,683	Value \$67,611,505
Cash From Rent \$2,786,936	Cash From Rent \$2,786,936	Annual Gifts \$228,000
		Annual Growth Rate 7.25% less 0.00% fees

Upon 2nd Death
(in Year 25)

Bob's Estate	
Residence In QPRT	Investments \$3,977,788
Exemption/Portability: (\$9,416,795)	
Net Taxable Estate: \$0	

Bypass Trust
Value \$17,737,352

QPRT	QPRT 2	Gift(ing) Trust(s)
Home Value \$3,544,867	Home Value \$3,544,867	Value \$97,952,449
Cash From Rent \$5,251,882	Cash From Rent \$5,251,882	

Estate Tax
\$0

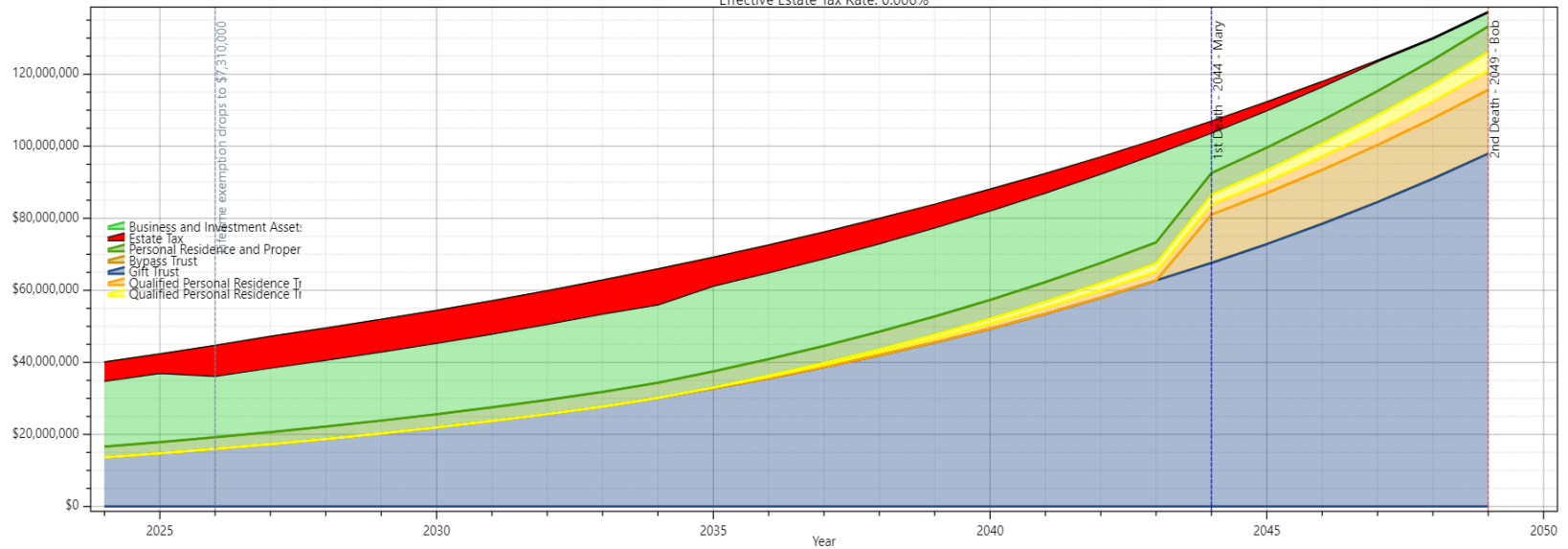
Total Passed
to Beneficiaries
\$137,261,088

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 7 - LARGE GIFT (25 YEARS)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 0.000%



[EstateView.link](https://www.gassmanlaw.com/estateview)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

SAME SCENARIO BUT INSTALLMENT SALE OF \$30 MILLION IN ASSETS INSTEAD OF LARGE GIFT

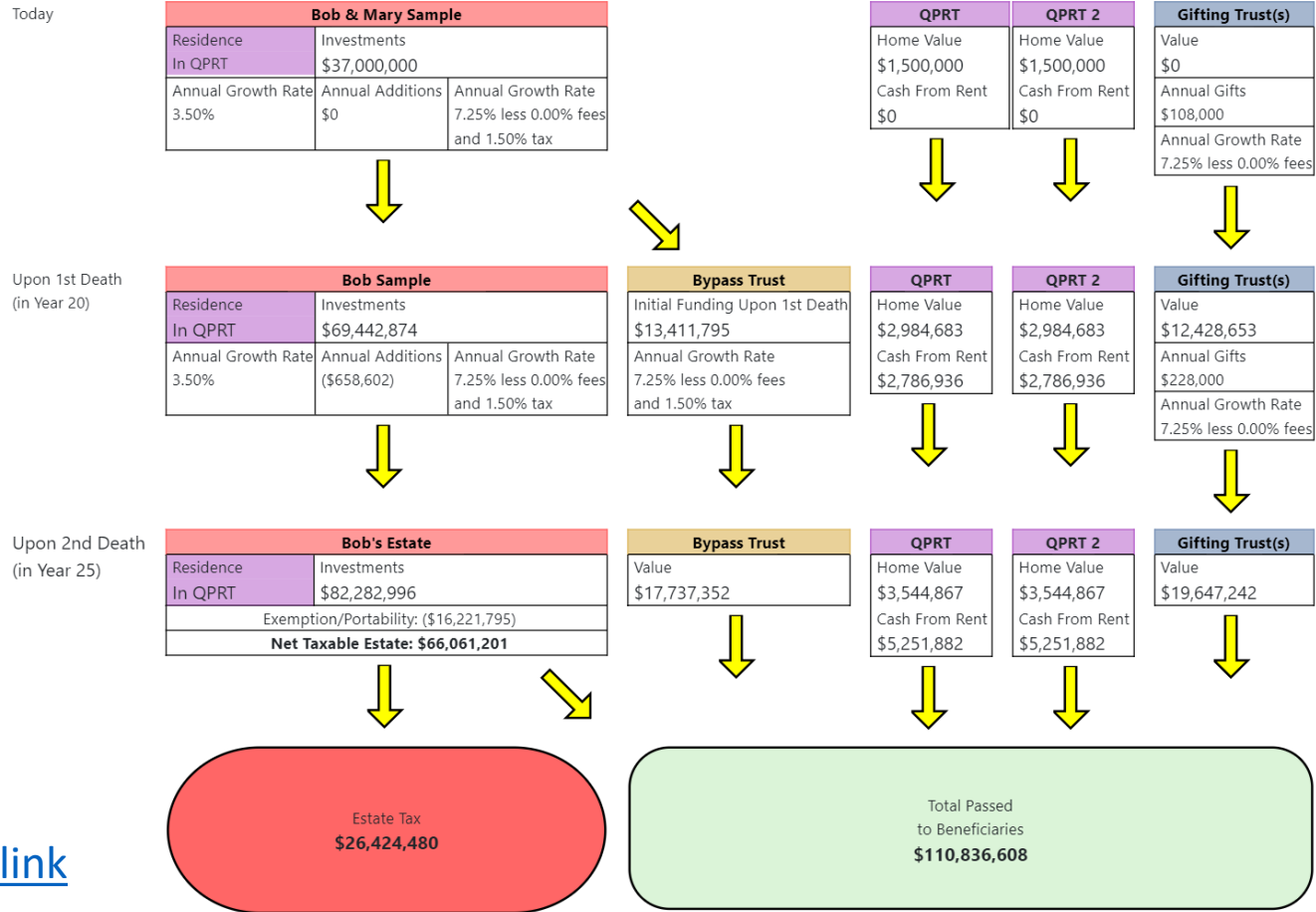
Installment Sale	
Year One Gift Amount	\$2,106,750
Year One Gift Discount Rate	0.00%
Year One Gift After Discount	\$2,106,750
Sale Value before Discount	\$30,096,429
Discount Rate	30.00%
Sale Value after Discount	\$21,067,500
Discounted Explosive Asset Sale	N/A
Total Sale Value	\$21,067,500
Note Amount	\$21,067,500
Note Interest Rate	4.14%
Note Payment Amount	\$872,195
Type of Note	Conventional
Note Term in Years	15

[EstateView.link](https://www.estateview.com)



Illustration No Large Gift

ILLUSTRATION 7 - LARGE GIFT
(25 YEARS)

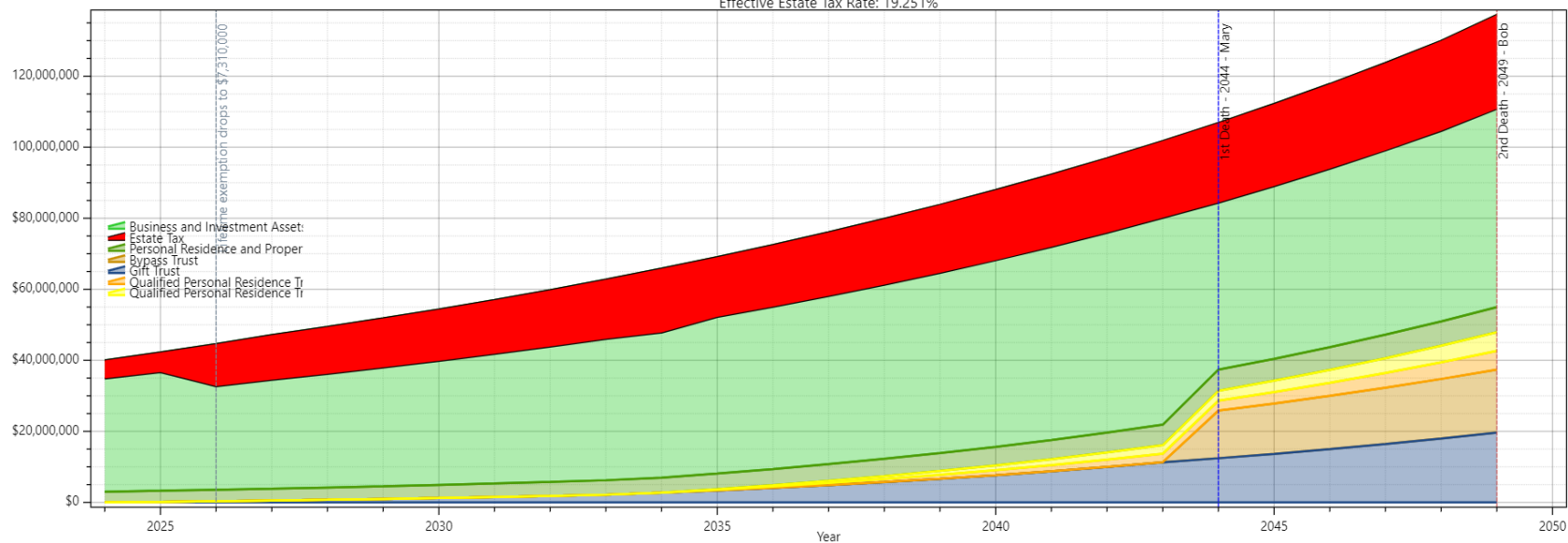


[EstateView.link](https://www.EstateView.link)



ILLUSTRATION 7 - LARGE GIFT (25 YEARS)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 19.251%



[EstateView.link](https://www.estateview.link)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24

ILLUSTRATION 8 - YEAR 1 GIFT / INSTALLMENT SALE
(15 YEAR NOTE)

Today

Bob & Mary Sample		
Residence In QPRT	Investments \$4,796,821	Note \$21,067,500
Annual Growth Rate 3.50%	Annual Additions \$0	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$1,500,000	Home Value \$1,500,000
Cash From Rent \$0	Cash From Rent \$0

Gift(s)
Value \$0
Annual Gifts \$108,000
Annual Growth Rate 7.25% less 0.00% fees

Year 1 Gift / Installment Sale Trust	
Gross Value \$32,203,179	
Less Note \$21,067,500	Payment Amount \$872,195
Net Value \$11,135,679	

Upon 1st Death
(in Year 20)

Bob Sample		
Residence In QPRT	Investments \$6,942,959	Note \$0
Annual Growth Rate 3.50%	Annual Additions (\$658,602)	Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

Bypass Trust
Initial Funding Upon 1st Death \$6,942,959
Annual Growth Rate 7.25% less 0.00% fees and 1.50% tax

QPRT	QPRT 2
Home Value \$2,984,683	Home Value \$2,984,683
Cash From Rent \$2,786,936	Cash From Rent \$2,786,936

Gift(s)
Value \$12,428,653
Annual Gifts \$228,000
Annual Growth Rate 7.25% less 0.00% fees

Year 1 Gift / Installment Sale Trust	
Gross Value \$68,968,751	
Less Note \$0	
Net Value \$68,968,751	

Upon 2nd Death
(in Year 25)

Bob's Estate		
Residence In QPRT	Investments (\$6,672,488)	Note \$0
Exemption/Portability: (\$20,583,881)		
Net Taxable Estate: \$0		

Bypass Trust
Value \$9,182,195

QPRT	QPRT 2
Home Value \$3,544,867	Home Value \$3,544,867
Cash From Rent \$5,251,882	Cash From Rent \$5,251,882

Gift(s)
Value \$19,647,242

Year 1 Gift / Installment Sale Trust	
Gross Value \$97,867,583	
Less Note \$0	
Net Value \$97,867,583	

Estate Tax
\$0

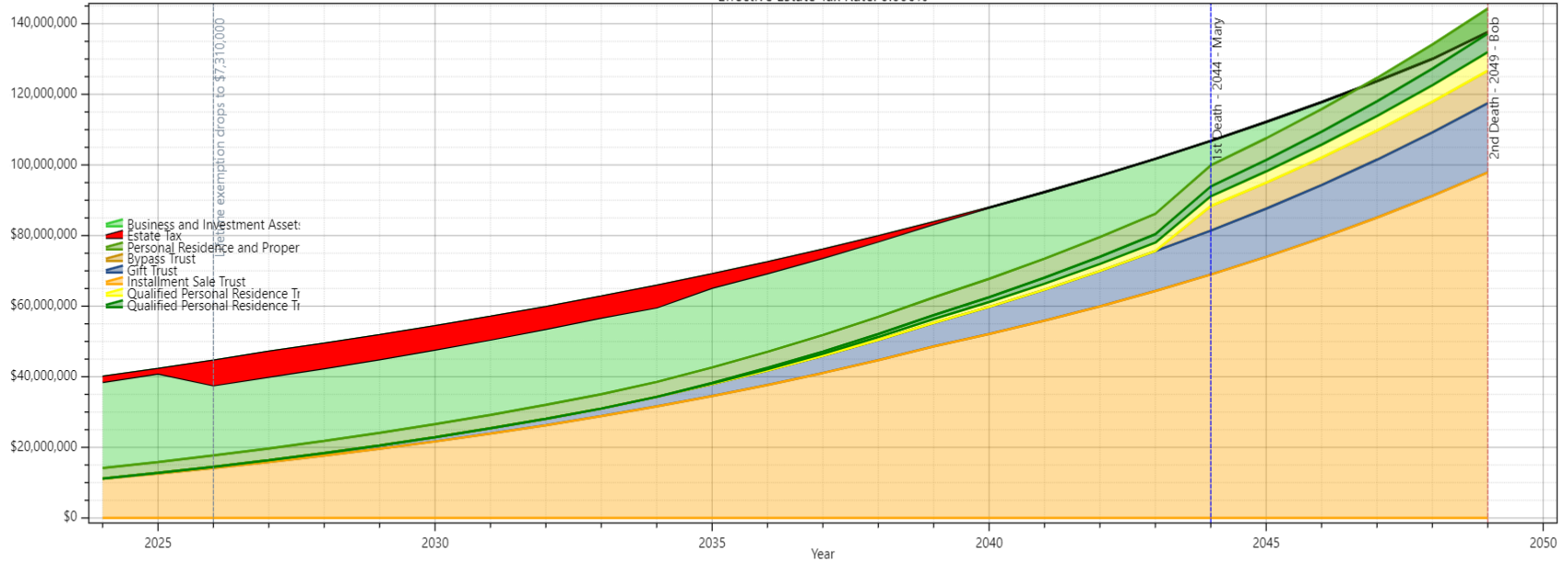
Total Passed
to Beneficiaries
\$137,618,030

[EstateView.link](https://www.estateview.link)



ILLUSTRATION 8 - YEAR 1 GIFT / INSTALLMENT SALE (15 YEAR NOTE)

Bob Sample & Mary Sample
Effective Estate Tax Rate: 0.000%



[EstateView.link](https://www.gassmanlaw.com/estateview)



Alan S. Gassman, JD, LL.M. (Taxation), AEP Distinguished
agassman@gassmanpa.com

GASSMAN CROTTY & DENICOLA, P.A.
ATTORNEYS AT LAW
Copyright © 2024 Gassman, Crotty & Denicolo, P.A.

EstateView Software Update: Our Newest Features and
Estate Tax Planning Tips | Saturday | 3.28.24



UPDATED EXCERPTS FROM : **ESSENTIAL PLANNING NOW FOR THE CLAWBACK:** **UNINTENDED CONSEQUENCES & PLANNING** **OPPORTUNITIES REVEALED UNDER RECENT PROPOSED** **REGULATIONS & LITERATURE**

Wednesday, November 30, 2022

12:00 PM to 1:00 PM EST

(60 minutes)

Presented By:



Brandon Ketron, JD, LL.M. (Taxation), CPA
Brandon@gassmanpa.com



Martin S. Shenkman, CPA, MBA, PFS, AEP, JD
shenkman@shenkmanlaw.com

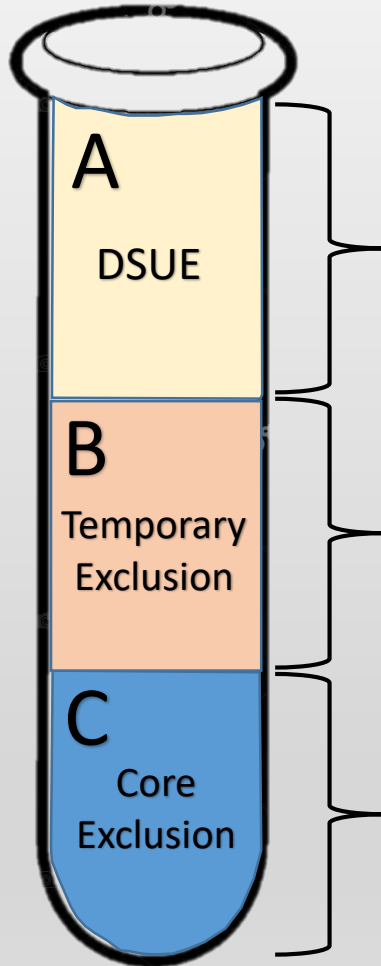


Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished)
agassman@gassmanpa.com



TAX SECTION
of The Florida Bar

BEA Order of Use



Must use 1st

Must use 2nd

Only usable until
12/31/2025 - after A
and B have been used.

EXAMPLE:

If DSUE is \$2,000,000,
must give over \$8,505,000
to use part of the
exemption that will be lost
in 2026.

Gassman & Shenkman slides



Insure the Risk of Anti-Clawback

Buy Term or Low Initial Premium Second-to-die life insurance policies before 2026 to lock-in insurability and death benefit.

Convert to permanent or begin paying larger premiums if and when the exemption amount is reduced.

Gassman & Shenkman slides



The Basic and Bonus Exemption Explained

- In 2024, the basic and bonus exemption is \$13,610,000 (both are 6,805,000, respectively)
- What do taxpayers need to do to take advantage of the bonus exemption before it disappears?
- Easy answer for taxpayers who wish to make large gifts that will use both the basic and bonus exemption by simply transferring \$13,610,000 worth of assets as a gift, or whatever their combined basic and bonus exemption may now be.
- More difficult for taxpayers who do not wish to gift more than their basic exemption amount before the bonus exemption disappears because the first dollars gifted are allocated to the basic exemption and use of the bonus exemption will only occur after (1) the basic exemption has been completely used, and (2) any portability allowance has been received by a previous spouse has been used.

Gassman & Shenkman slides



The Basic and Bonus Exemption Explained, cont.

- Any non-excluded gifts made by a taxpayer are first allocated to any portability allowance that the taxpayer may have received from a predeceased spouse, then to the basic exclusion amount, followed by the bonus exemption amount.
- Taxpayers & advisors alike have sought ways to “lock in” use of the bonus exemption amount without actually transferring assets as “complete gifts” that will not be included in their estate for federal estate tax purposes
- In other words, many taxpayers would like to put \$13,610,000 worth of cake into a mechanism to ensure use of the \$13,610,000 exemption, while being able to eat the cake for their remaining lifetime, or at least for some time after January 1, 2026.

Gassman & Shenkman slides



The Basic and Bonus Exemption Explained, cont.

- **Examples:**

- 1. Use a Grantor Retained Income Trust (“GRIT”) which would pay income to the grantor and then pass to benefit the grantor’s spouse and/or descendants after the grantor’s death
- 2. Establish an LLC that would be taxed for income tax purposes as a partnership and pay the grantor an amount equal to 7% of the value of the partnership assets each year, with all remaining assets passing to the grantor’s children at the time of the grantor’s death, or earlier if caused by an independent party.
- In both of those situations the transfer to the entity can be considered to be a complete gift for estate and gift tax purposes, using the \$13,610,000 allowance, even though the assets held under the entity will be considered to be subject to federal estate tax on the death of the grantor.
- If not for the updated anti-clawback regulations, which were specifically authorized by the TCJA, while the assets in the entity are includible in the grantor’s estate for estate tax purposes, the estate tax exemption of the grantor would be used to offset the tax based on the estate tax exemption available at the time of the funding of the entity.
- The Proposed Regulations will not allow the bonus exemption amount to be used if the grantor dies after the exemption amount has been reduced (as presently scheduled, January 1, 2026), partnership or similar planning may still be useful for generation-skipping tax exemption purposes.

Gassman & Shenkman slides



Question:

- Can I use my DSUE and bonus estate tax exclusion amount to fund a complete gift trust that will still be includable in my estate, thus reducing my exemption to the original exemption amount, and then make a gift of the original exemption amount to descendants or a trust for descendants?

Gassman & Shenkman slides



Summary of Portability Allowance Treatment

- Many surviving spouses have a portability allowance from having survived a spouse who had significant remaining exemption, with a concern that remarriage and surviving a subsequent spouse after the bonus exemption is eliminated will cause an estate tax problem for descendants.
- In this situation, principles similar to what will occur if the bonus exemption is lost in 2026 will also apply.
- For example, a taxpayer who has received a \$12 million portability allowance and has a \$12,060,000 estate tax exemption may wish to remarry and may be expected to outlive a new spouse, which would reduce the taxpayer's portability allowance from \$12 million to an estimated \$8 million or less.

Gassman & Shenkman slides



Summary of Portability Allowance Treatment, cont.

- This same taxpayer is also facing the loss of half of his/her exemption amount, which might be expected to be \$7 million in 2026 (from \$14 million after including inflation to \$7 million).
- This taxpayer would need to gift \$12 million before 2026 to preserve use of the full portability allowance and the bonus exemption, but the clawback rules do not apply to the portability allowance, so a possible arrangement would be as follows:
- (A) Place \$12 million into a complete gift / retained interest arrangement, such as a Grantor Retained Income Trust (“GRIT”), a non-qualifying preferred partnership, to lock in the portability allowance which is used first when gifting above the \$16,000 per year exclusion occurs.

Gassman & Shenkman slides



Summary of Portability Allowance Treatment, cont.

- **(B)** If the taxpayer does not want to gift a full \$12 million into this arrangement, she can be informed that anything over approximately \$7 million will probably save the excess over \$7 million of the portability allowance if she remarries.
- In other words, she may wish to place more than approximately \$6,505,000 into a dynasty trust or other arrangement that will not be subject to the clawback rules.
- Her GST exemption should first be allocated to the portability gift under the section above, and thereafter to a GST exempt trust or other arrangement under the transfer described in this section B to the extent of her GST exemption, with any contributions above that going to a non-GST trust or other arrangement.
- **(C)** If she wants to fully save the first spouse's portability allowance and the bonus exemption then she will gift her GST exemption amount to an irrevocable trust or other arrangement with remaining amounts going to non-GST trusts.

Gassman & Shenkman slides



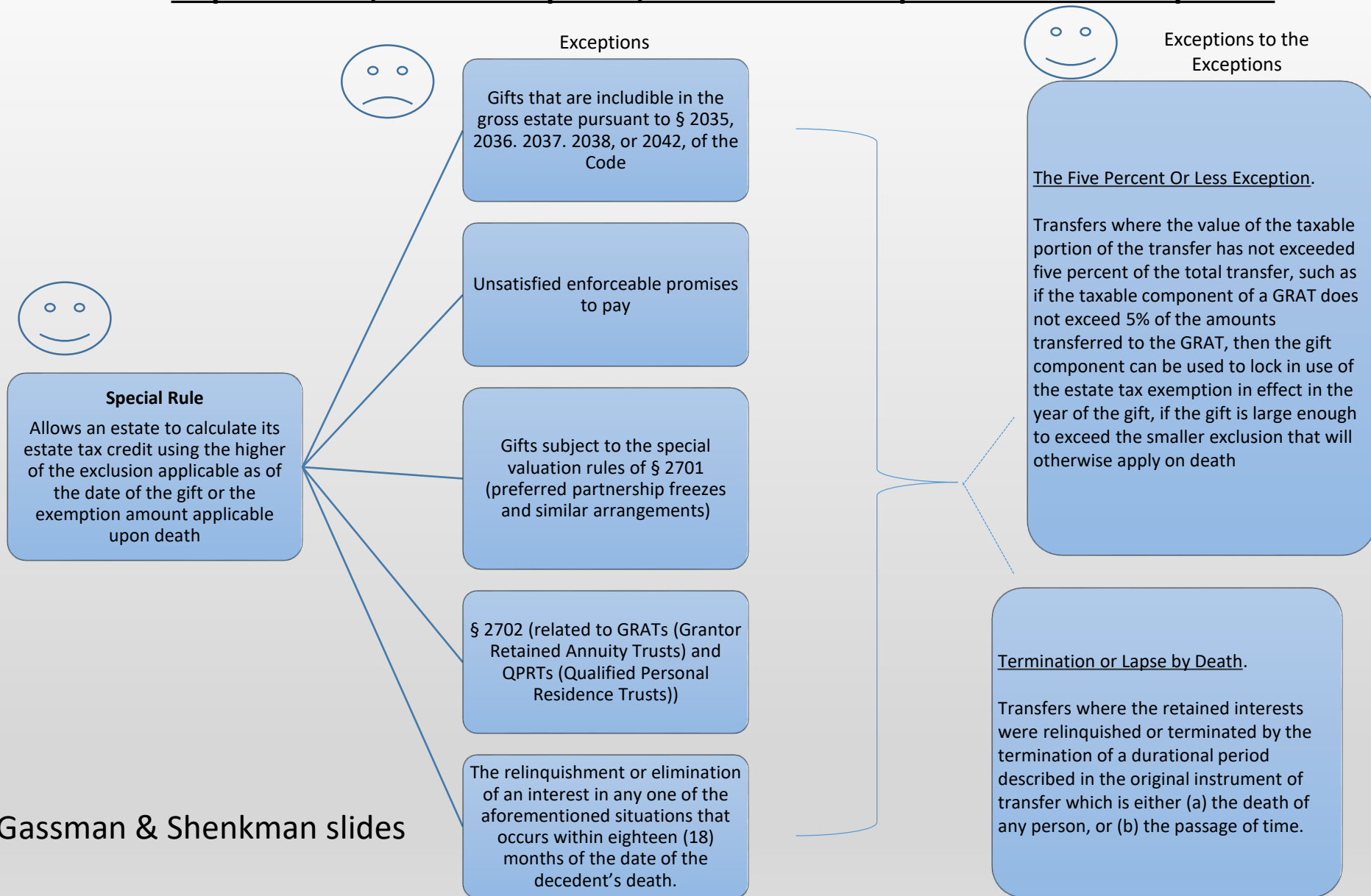
The Double Whammy

- Losing the bonus exemption is difficult enough, but what about taxpayers who have received a portability allowance well exceeding \$6 million and have remarried or may remarry and have their new spouse die after January 1, 2026, when the portability allowance would go down to one half of what it would otherwise be?
- Replacement portability allowance will be based upon the estate tax exemption of the new spouse when he/she dies before the taxpayer minus whatever other assets pass that do not qualify for the marital and/or charitable estate tax deductions in the estate of such predeceasing spouse.

Gassman & Shenkman slides



“Special Rule,” “Bad Exceptions,” and “Good Exceptions” to the Exceptions.



Gassman & Shenkman slides



Current Estate Tax Exemption – Use it or Lose it – Example from 2022



Mrs. Jones has used \$1,060,000 of her estate and gift tax exemption from prior gifting, and therefore has an \$11,000,000 exemption.

- If she has a \$21,000,000 estate and makes an \$11,000,000 gift, before the exemption is reduced, this will reduce her estate to \$10,000,000.
- If Mrs. Jones then dies in 2027, or thereafter, she would have no exemption remaining, and the estate tax will be \$4,000,000 ($\$10,000,000 \times 40\% = \$4,000,000$).
- If Mrs. Jones makes no further gifts and dies in 2027 when the exemption amount is \$6,360,000 she might only have \$5,300,000 of exemption remaining ($\$6,360,000$ less $\$1,060,000$ in prior gifts = $\$5,300,000$). Resulting in an estate tax of \$6,280,000 ($\$15,700,000 \times 40\% = \$6,280,000$).
- \$2,280,000 of estate taxes are saved by using the increased exemption amount before the exemption is reduced.
- It is important to note that there will be no “clawback” for use of the not yet reduced exclusion amount, meaning that **Mrs. Jones** will not be penalized for gifting \$11,000,000 of assets if she passes away at a time when the applicable exclusion amount is \$6,000,000.

Gassman & Shenkman slides





MRS. JONES EXAMPLE (Cont.)

- Another factor to consider is that in order to use the temporary increased exemption, gifts must exceed what the exemption will be reduced to.
- For Example:

If Mrs. Jones were to gift \$5,000,000 in 2022 when the applicable exclusion amount is \$12,060,000 and then passes away in 2026, or thereafter, when the applicable exclusion amount is only \$6,000,000, Mrs. Jones's applicable exclusion amount would only be \$1,000,000.

Therefore, in order to take full advantage of the increased exemption, Mrs. Jones will need to gift all \$11,000,000 of her remaining exclusion, and nothing up to \$4,970,000 preserves the use of her temporarily increased exemption.

\$12,060,000 divided by two is \$6,030,000.

$\$6,030,000 - \$1,060,000 = \$4,970,000.$

Gassman & Shenkman slides



Consideration Required to Enforce Promissory Note Under Florida Law

- The delivery of a promissory note for consideration is enforceable. However...
- “The delivery of a promissory note or check, unsupported by consideration, is not an executed gift of the money, but is delivery of a promise to make a gift only, and will be revoked by the death of the promisor before actual payment and is not enforceable during the donor’s lifetime.” Sparber, Cofer, Ritchie, 7 Southeast Transaction Guide § 124.03 (Matthew Bender) (2022).
- "A gift is always revocable until executed, and a promissory note intended purely as a gift to the payee is but a promise to make a gift in the future. The gift is not executed until the note is paid." *Fla. Nat'l Bank & Tr. Co. v. Brown*, 47 So. 2d 748, 761 (Fla. 1950) (quoting *Meyer v. Meyer*, 39 N.E.2d 311, 314 (Ill. 1942).

Gassman & Shenkman slides



Consideration Required to Enforce Promissory Note Under Florida Law (cont'd)

- “[C]onsideration ‘need not be money or anything having monetary value, but may consist of either a benefit to the promisor or a detriment to the promisee.’” *Fla. Power Corp. v. Pub. Serv. Com.*, 487 So. 2d 1061, 1063 (Fla. 1986) (quoting *Dorman v. Publix-Saenger-Sparks Theatres*, 135 Fla. 284, 290 (Fla. 1938)).
- “‘It is not necessary that a benefit should accrue to the person making the promise; it is sufficient that something valuable flows from the person to whom it is made, or that he suffers some prejudice or inconvenience, and that the promise is the inducement to the transaction. Indeed, there is a consideration that if the promisee, in return for the promise, does anything legal which he is not bound to do, or refrains from doing anything which he has a right to do, whether there is any actual loss or detriment to him or actual benefit to the promisor or not.’” *Harbeson v. Mering*, 147 Fla. 174, 182-83 (Fla. 1941) (quoting 13 C.J., Contracts, Sec. 150, pp. 315-316).
- “[I]t is well settled that the slightest detriment to the promisee is sufficient consideration to bind the promisor.” *Md. Cas. Co. v. Krasnek*, 174 So. 2d 541, 543 (Fla. 1965) (citing *Mangus v. Present*, 135 So.2d 417 (Fla. 1961)).

Gassman & Shenkman slides



Consideration Required to Enforce Promissory Note Under Florida Law (cont'd)

Florida jury instruction regarding the definition of “consideration”:

“Consideration is something of value that is given or agreed to be given in exchange for a promise. For a valid contract to be formed between two parties, each party has to have provided some type of consideration to the other party in exchange for the other party’s promise to [do/do or not do/not do] something.

It is not necessary that the thing of value offered by a party be of great or even moderate value. As long as the thing of value has some value, even if the value is slight, the party will have provided sufficient consideration.”

1 Florida Forms of Jury Instruction, Ch. no., 30.60 Definition of “Consideration” (Matthew Bender 2d ed.) (2022).

Gassman & Shenkman slides



Consideration Required to Enforce Promissory Note Under Florida Law (cont'd)

Examples of adequate consideration:

- A movie theater owner conducted an advertising campaign that gave a cash prize to a person whose name was drawn after attending a special Bank Night at the movie theater. The Supreme Court of Florida found that registering for the drawing and attending the movie was sufficient consideration to form a contract between the movie theater owner and the winner. *Dorman v. Publix-Saenger-Sparks Theatres, Inc.*, 135 Fla. 284, 184 So. 886 (1938).
- An agreement between a vending machine operator and a business owner was held to have sufficient consideration despite the vending machine operator being able to cancel the contract if certain stated non-stringent conditions were met. *Lauren, Inc. v. Marc & Melfa, Inc.*, 446 So. 2d 1138 (Fla. Dist. Ct. App. 1984).
- In a famous case from the Court of Appeals of New York, a nephew's abstaining from drinking liquor, using tobacco, swearing, and playing cards or billiards for money until he was 21 was held to be sufficient consideration to enforce a contract with his uncle to pay him \$5,000. *Hamer v. Sidway*, 124 N.Y. 538, 27 N.E. 256 (1891).

Gassman & Shenkman slides



The 18-Month Rule

- Under the 18 month rule, an obligation to make a payment to a family member or related entity must be paid in full more than 18 months before the death of the taxpayer who owes the debt in order to avoid loss of the ability to use the bonus exclusion with respect thereto.
- For example, if the taxpayer has a \$13.61 million total combined original and bonus exclusion and signs a 13 million note bearing interest at a market interest rate to an irrevocable trust for her descendants, she may pay \$9 million of the note more than 18 months before dying in 2028, and another \$2 million of the note less than 18 months before her death.
- Assuming no other gifts were made, her estate would have an \$9 million exclusion amount (based upon the basic exclusion amount which may be \$8.5 million in 2028), the amount equal to the value of assets paid within 18 months of death to reduce the note by an additional \$2 million is included as a taxable gift so that there is no estate tax benefit from the \$2 million payment.

Gassman & Shenkman slides



The 18-Month Rule, cont.

- In the prior example, the assets held under the GST trust after the death of the taxpayer, which would consist of whatever investments were purchased with the \$10 million in payments, and the remaining \$2 million promissory note could benefit the taxpayer's descendants without being subject to federal estate tax at the level of the taxpayer's children. Further, the growth in value of the \$9 million and \$2 million payments (and interest earned until they are paid) in addition to the remaining \$2 million owed escapes estate tax at the level of the taxpayer's children, assuming the proper GST exemption allocation methods were used and the taxpayer had a \$13,610,000, or more GST exemption.
- If the same taxpayer had survived her spouse, and received a \$10 million portability allowance from the spouse that was not lost as the result of remarriage and surviving the next spouse, then the same GST exemption allocation to the irrevocable trust described above will apply, and the taxpayer's total upon death would be \$18 million instead of \$9 million.

Gassman & Shenkman slides



Confusion Between 3-Year Rule and 18-Month Rule for Certain Special Rule Exclusions.

- IRC Section 2035 provides that a retained life interest will cause estate tax even if the decedent discarded or ended the interest if this occurred less than 3 years before death.
- This exception does not apply if a third party, such as a Trust Protector, caused the interest to cease.
- The 18 month rule does not extend the 3 year rule

Gassman & Shenkman slides

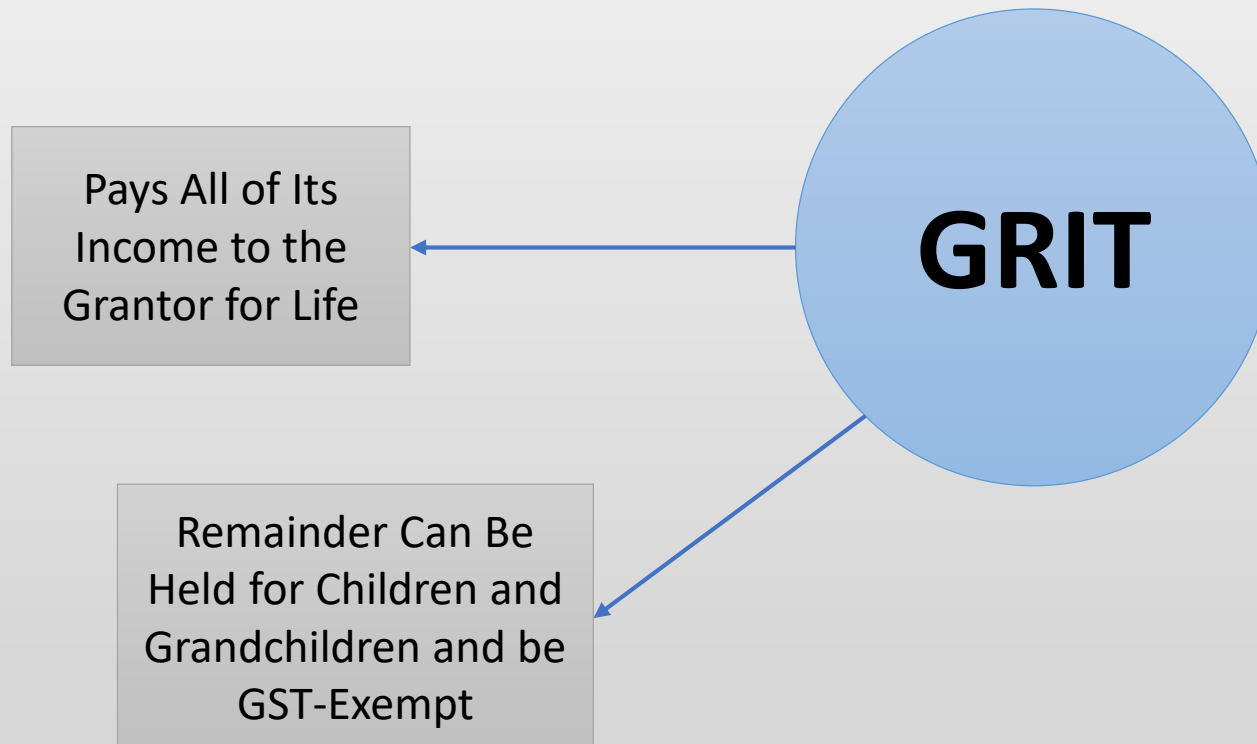


Grantor Retained Income Trusts (“GRITs”)

- A Grantor Retained Income Trust (“GRIT”) is a trust which provides that all of its’ income will be payable to the grantor of the trust, with the remaining assets to pass for the benefit of descendants after the grantor’s death. GRITs can work well when established for nephews, nieces, significant others, and other non-charitable beneficiaries.
- If the taxpayer makes a gift of \$12 million worth of assets to a GRIT and retains the right to receive income for his or her lifetime from the GRIT then (a) this will be considered to be a gift of \$12,000,000 worth of assets and (b) the entire value of the GRIT will be included in the grantor’s estate under IRC §2036(a)(1).
- Fortunately, IRC §2043 will give the grantor’s estate credit for the \$12,000,000 use of the estate and gift tax exemption when the GRIT was formed if \$12 million or more worth of assets from the GRIT are included in the grantor’s estate for federal estate tax purposes if the GRIT has less than \$12 Million of assets then whatever amount it has should qualify for the estate and gift tax exemption. For example, if the GRIT is worth \$9 Million on the Grantor’s death then \$ 9 Million of exemption would be available under section 2043, if the Proposed Regulations & Sherapkin slides



Grantor Retained Income Trust



Gassman & Shenkman slides



Example – Grandma's GRITs

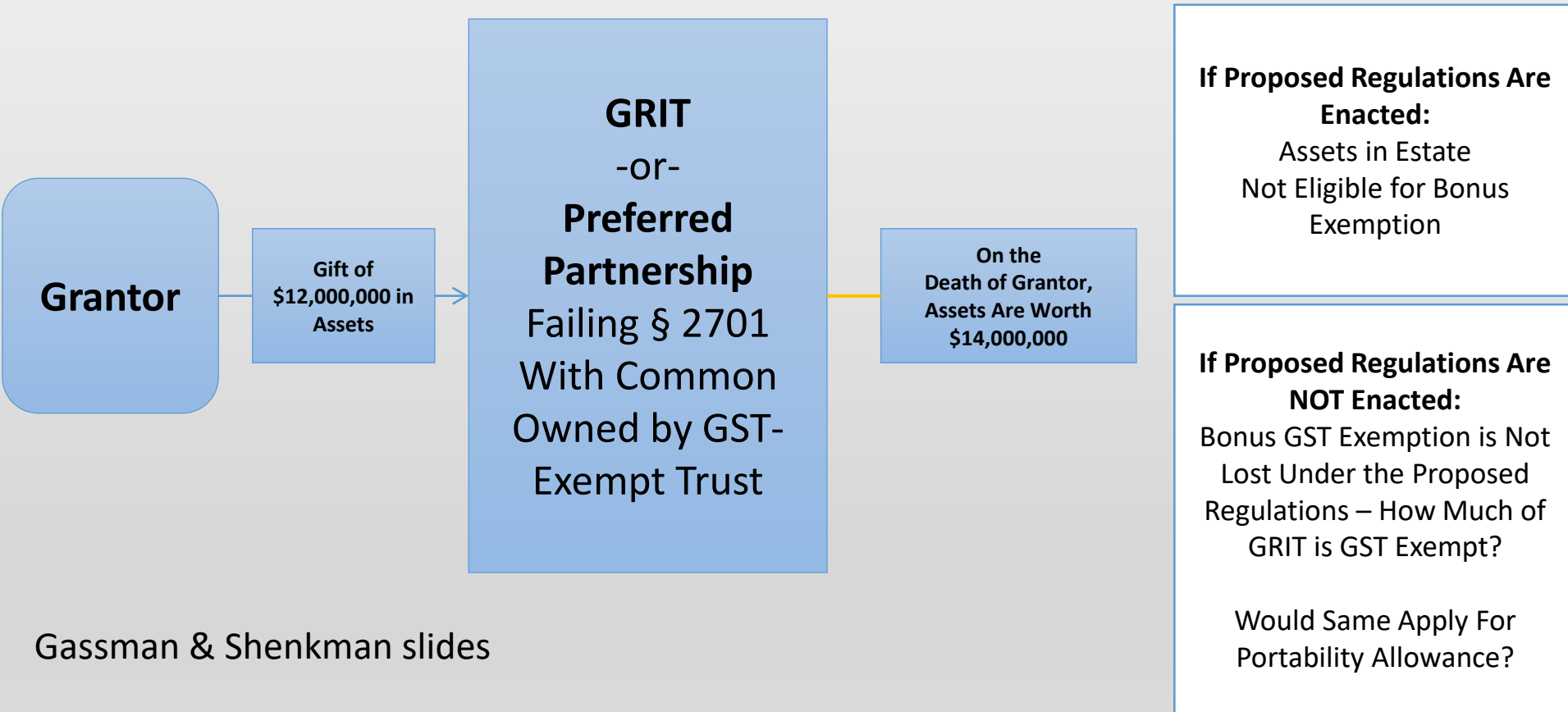


- Grandma has a \$30 million estate and does not feel comfortable gifting more than \$6,030,000 worth of assets outside of her control. She has never used the \$12,060,000 combined basic and bonus estate tax exclusion or her \$12,060,000 Generation Skipping Tax (“GST”) exclusion either.
- She gives \$12,060,000 to a lifetime grantor retained income trust (“GRIT”) that will pay her all income and may pay distributions of principle as and when needed.
- While the GRIT is irrevocable, Grandma can change the trustee to an alternate unrelated party, and the trustee she appoints can return the assets to her.
- Grandma allocates her \$12,060,000 GST exemption to the trust.
- The estate tax exemption goes to one half of its otherwise applicable level in 2026 and Grandma dies in 2027 with an exemption of \$7 million when the trust is worth \$13 million.
- While the value of the trust and grandma's other assets are subject to federal estate tax, with a \$7 million exemption, the trust assets can still be GST exempt and thus never subject to estate tax at the level of Grandma's children, who are all financially successful and pleased with the arrangement.

Gassman & Shenkman slides



Complete Gift / Forced Inclusion to Lock In Bonus GST Exemption



Gassman & Shenkman slides



Consequences of Proposed Regulations

- If the Proposed Regulations are not enacted, then the Grantor's estate can use the bonus exemption on GRIT assets if the Grantor dies after 2026.
- If the proposed regulations are enacted, then the bonus exemption will not be permitted for estate tax purposes, but the GRIT assets should be GST exempt.
- Under the new Proposed Regulations, if the Grantor dies after December 31st, 2025, only the then remaining credit would be available under IRC §2043, but the Grantor's \$12 million use of GST exemption will still be intact, and can save millions of dollars in federal estate tax when the Grantor's children and grandchildren eventually die and there is no estate tax or generation skipping tax imposed on the GRIT assets.

Gassman & Shenkman slides



2036 Retained Life Interests – Stay Away From the Fruit of the Tree

Assets transferred will still be considered as owned by the transferor:

- a) (2036(a)(1)) - The transferor had any written or oral agreement or understanding to be able to have to receive any “fruit from the tree.” The ability to put one cow on a large farm is enough to cause the entire farm to be subject to estate tax.
- b) (2036(a)(2)) - The grantor retains any right exercisable in conjunction with anyone to control if and when the property will be received by others.

The *Powell* and *Strangi* Tax Court cases have taken this beyond reason.

THREE YEAR RULE - 2036(a) can apply even after the rights are given up if the grantor dies within three years of giving the rights up.

BONA FIDE SALE EXCEPTION - 2036(a) will not apply if the arrangement was a bona fide sale for good and valuable consideration - this can be a very hard test to satisfy.

Gassman & Shenkman slides



Revenue Ruling 2023-2

- Issued on March 29, 2023 by the IRS and held that there is no basis step up with respect to assets owned by an Irrevocable Grantor Trust upon the death of the Grantor
- The Ruling is limited to situations where the only asset of the Trust was received by a completed gift, and does not apply when the Trust received assets via a note sale.



Steve Leimberg's Income Tax Planning Email Newsletter - Archive Message #244

Date: 03-Apr-23

From: Steve Leimberg's Income Tax Planning Newsletter

Subject: Alan S. Gassman, Kenneth J. Crotty, Brandon L. Ketron & Peter M. Farrell: Revenue Ruling 2023-2 Got It Wrong? The Case for a Stepped-up Basis When the Grantor Dies

A short grantor trust walks into a bar. After a few too many drinks he starts flirting with a pretty beneficiary, promising her a step up in his assets. But before he seals the deal, the bartender pulls the stool out from under him, shouting, Get out! Youve got no basis stepping up here.

Based upon the detailed discussion that follows, we have concluded that there is a solid argument that there is a basis adjustment to the fair market value of the assets of a grantor trust on the death of the grantor.

EXECUTIVE SUMMARY:

It is the duty of a tax professional to advise and educate clients so that clients can make informed and intelligent decisions. We believe that reasonable professionals, courts, and appellate courts can disagree on the question of whether there is a step-up in basis on the death of the grantor for assets that are not included in the Grantors gross estate for estate tax purposes but are owned by the Grantor for income tax purposes. Eventually this issue will be decided by the courts. Until then, advisors are taking some degree of risk if they tell clients that there is no adjustment in basis on the death of the grantor. Courts may determine that there is a basis adjustment based on our analysis below.

A Revenue Ruling is binding on the IRS and can be relied upon by any taxpayer, but a Revenue Ruling does not have the same impact as a law or a Tax Court or appellate decision.

Revenue Rulings are not binding on any federal court, including the Tax Court.^[i] While most courts give deference to Revenue Rulings, the Tax Court does not give particular weight to Revenue Rulings because they are considered to represent the arguments of one of the parties before the court.^[ii]



Our analysis in the Comment section was largely prepared before the IRS issued a Revenue Ruling on this issue. Now that Revenue Ruling 2023-2 has been issued, we do not believe that the IRS's position is beyond question. Although there is the risk of penalty, a taxpayer might consider paying the capital gains tax on the tax return as if the assets did not receive an adjustment in basis, and then filing an amended tax return requesting a refund based on the assets receiving a step-up in basis, and providing full disclosure that this position was taken. Then, if the step-up in basis is denied, the taxpayer did not make a substantial underpayment on the original return, and the risk of penalties being incurred by the taxpayer should be greatly reduced.

There will doubtlessly be many other newsletters that describe what the ruling says and argue that there is no adjustment in basis for these assets in this situation. In our opinion, there will likely be too few articles on why there should be an adjustment in basis on the death of the grantor.

FACTS:

The Treasury Department issued Revenue Ruling 2023-2 on March 29, 2023. The ruling held that assets owned by an irrevocable grantor trust should not receive an adjustment in basis on the death of the grantor, because the Trust's assets were not acquired from or were not passed from the decedent to the beneficiary for purposes of IRC § 1014(a).

The facts presented in the Revenue Ruling were as follows:

In Year 1, A, an individual, established irrevocable trust, T, and funded T with Asset in a transfer that was a completed gift for gift tax purposes. A retained a power over T that causes A to be treated as the owner of T for income tax purposes A did not hold a power over T that would result in the inclusion of T's assets in A's gross estate By the time of A's death in Year 7, the fair market value (FMV) of Asset had appreciated. At A's death, the liabilities of T did not exceed the basis of the assets in T, and neither T nor A held a note on which the other was the obligor.



IRC § 1014(b) defines the type of property that is entitled to this adjustment in basis at a decedent's death.^[1] The Revenue Ruling held that none of the seven property types apply to the property owned by an irrevocable grantor trust upon the death of the grantor.

The IRS states in the Revenue Ruling that such assets are not bequeathed (giving property[,], usually personal property or money[,], by will), devised (giving property, especially real property, by will), or inherited (received from an ancestor under the laws of intestacy or property that a person receives by bequest or devise) (Section 1014(b)(1) property). The grantor did not retain a power to revoke or amend the trust, and did not hold a power of appointment over the trust asset (Sections 1014(b)(2), (3), and (4) property). The asset was not community property (Section 1014(b)(5) property) and it is not included in the grantors gross estate (Section 1014(b)(6) and (7) property).

In essence, because transfers to an irrevocable trust are "completed gifts" at the time of the transfer, when the grantor does not hold a beneficial interest in or a retained power over the Trust property (certain decision-making provisions that would require the trust asset to be included in the grantor's gross estate), the Revenue Ruling concludes that the beneficiary is not "inheriting" these assets from the grantor on the grantors death. Rather, the beneficiary is receiving the assets from the trust, which does not constitute assets being "bequeathed" or "devised" by the grantor on the grantors death. Therefore, the Revenue Ruling indicates that the assets held under the trust do not receive a basis adjustment, and the beneficiary carries over the decedents basis in the assets.

COMMENT:

Based upon the detailed discussion that follows, we have concluded that there is a solid argument that there is a basis adjustment to the fair market value of the assets of a grantor trust on the death of the grantor. As a result of this, we feel that it is appropriate to report income from any sale of the assets owned by a grantor trust based upon a fair market value date of death income tax basis for the applicable assets. The IRS and most tax commentators disagree with our conclusion, but we believe that this conclusion can be reached by the Tax Court or an appellate court, notwithstanding Revenue Ruling 2023-2.

Unfortunately for taxpayers and practitioners who represent them, many questions exist in the tax law. One of these questions is whether the assets of a grantor trust receive an adjustment in basis on the death of the grantor, even though the assets of the trust are outside of the grantors gross estate.



When a tax position is unsuccessfully taken on an income tax return, there are penalties and interest that can apply, which can be mitigated if there is what is known as Substantial Authority for the position taken. Substantial Authority and what is known as the Understatement Preparer Penalty rules are further discussed in this Comment.

Now that the IRS has issued a Revenue Ruling on the issue, it may attempt to apply penalties on audit, claiming that there is no Substantial Authority for the position that an adjustment in basis occurred at the time of the death of the grantor of a trust, although we do not believe this to be the case. In the event that additional tax is owed, the taxpayer will have to pay interest on the amount owed because the interest requirement for underpayments is statutory and cannot be waived by the Internal Revenue Service.

Grantor trusts have been used by practitioners for years as an estate planning tool to help shift wealth to subsequent generations. A typical grantor trust is an irrevocable trust which has been designed so that it is not included in the gross estate of the grantor for the purposes of determining the size of the grantors gross estate and the grantors possible estate tax exposure. The grantor retains specific powers over the grantor trust so that the grantor trust is considered to be owned by the grantor for income tax purposes.

Prior to Revenue Ruling 2023-2, there was a common misconception (in our opinion) among practitioners that the tax law and IRS rules were clear that the assets of a grantor trust would not receive an adjustment in basis under Section 1014 on the death of the grantor, because the assets of the grantor trust were not included in the grantors gross estate.

The IRS issued Revenue Procedure 2022-3 on January 3, 2022. The Revenue Procedure listed areas of domestic tax law on which the IRS would not issue rulings or determination letters.

Section 5 of the Revenue Procedure was creatively entitled Areas Under Study In Which Rulings or Determination Letters Will Not Be Issued Until the Service Resolves the Issue Through Publication of a Revenue Ruling, a Revenue Procedure, Regulations, or Otherwise. Item 11 of this Section specifically applied to the basis of a grantor trust after the death of the grantor, and provided as follows:



Section 1014 - Basis of Property Acquired from a Decedent - Whether the assets in a Grantor Trust received a Section 1014 basis adjustment at the death of the deemed owner of the trust for income tax purposes when those assets are not includible in the gross estate of that owner under chapter 11 of subtitle B of the Internal Revenue Code.

The fact that this issue was an area under study in which Private Letter Rulings would not be issued to taxpayers, demonstrated that the IRS attorneys had not determined if there is an adjustment in basis to the assets of the grantor trust on the death of the grantor. With Revenue Ruling 2023-2, the IRS has now taken a position on the issue, but there remains contrary authority and arguments that can be used by the Tax Court, the Court of Claims, and an appellate court in reaching the opposite conclusion.

In September of 2002, tax law luminaries Jonathan G. Blattmachr, Prof. Mitchell M. Gans, and Hugh H. Jacobsen published an article entitled Income Tax Effects of Termination of Grantor Trust Status By Reason of the Grantors Death in the September 2002 edition of the Journal of Taxation. The article states that there is no clear answer as to what the basis of the grantor trust assets would be on the death of the grantor. Jonathan Blattmachr is one of the most well-respected tax lawyers in the United States, and Mitchell Gans is a well-respected Tax Professor who publishes extensively, and who also has also provided training courses for IRS personnel for many years.

The authors noted that Section 1014(b)(9) requires grantor trust assets to be included in the estate of the grantor to receive a basis adjustment, but section 1014(b)(1) does not require inclusion in the grantors estate. Section 1014(b)(1) only requires that the asset be acquired by bequest, devise, or inheritance.

Section 1014(b)(1) reads as follows:

Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;



The relevant portion of Section 1014(b)(9) reads as follows, with the bold emphasis added:

In the case of decedents dying after December 31, 1953, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), **if by reason thereof the property is required to be included in determining the value of the decedent's gross estate under chapter 11 of subtitle B or under the Internal Revenue Code of 1939.** In such case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under subsection (a) reduced by the amount allowed to the taxpayer as deductions in computing taxable income under this subtitle or prior income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on such property before the death of the decedent. Such basis shall be applicable to the property commencing on the death of the decedent....

Nothing in the language of the Statute, the Regulations, or the legislative history related to the passage of the Statute affirmatively preclude[s] transfers made under a lifetime trust from qualifying as a bequest or devise.^[iv] [B]ecause a grantor trusts assets are deemed to be owned by the grantor for income tax purposes, a good argument can be made that the assets held in such trust should be viewed as passing as a bequest or devise when the trust ceases to be a grantor trust at the moment of death.^[v]

As reported by Steve Akers for the Bessemer Trust Company, at the Estate Planning for the Family Business Owner, which was co-sponsored by the ABA Section of Real Property Trusts and Estate Law and the ABA Section of Taxation which was held from July 8th through July 10th, 2015, noted author and lecturer, Howard Zaritsky, discussed the article and whether he believed that an adjustment in basis should occur on the death of the grantor.^[vi] Howard stated at the conference that there was a not bad argument that the assets of a grantor trust should receive an adjustment in basis on the death of the grantor.

According to Mr. Akers, Howard further stated that he would be willing to take that position on a return, advising the client that the IRS will fight the issue if it spots the issue. Howard believed there was a minimal risk of penalties for taking that position because it is not contrary to any existing law and he felt that it is supported by some law.

In Private Letter Ruling 201245006, a Taxpayer, who was a citizen of a foreign country, created an irrevocable trust. Pursuant to the terms of the trust, the assets were held for the taxpayer during the taxpayers lifetime. On the death of the taxpayer, absent the exercise of a power of appointment by the taxpayer, the assets of the trust would be held in further trust for the benefit of the taxpayers descendants. The taxpayer requested confirmation that the assets of the trust would receive an adjustment in basis equal to their fair market value as of the death of the taxpayer.



The IRS concluded that the basis of the trust assets would be equal to their fair market value as of the taxpayers death. Pursuant to the analysis of the Private Letter Ruling, Section 1014(b)(1) provides that property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent shall be considered to have been acquired from or to have passed from the decedent for purposes of Section 1014(a). The IRS acknowledged that Section 1014(b)(9), which requires assets receiving an adjustment in basis to be included in the estate of the decedent, does not apply to property described in any other paragraph of Section 1014(b).

The Private Letter Ruling indicated as follows:

Taxpayer's issue will acquire, by bequest, devise, or inheritance, assets from Trust at Taxpayer's death. The assets acquired from Trust are within the description of property acquired from a decedent under Section 1014 (b)(1). Therefore, Trust will receive a step-up in basis in Trust assets under Section 1014(a) determined by the fair market value of the property on the date of Taxpayer's death.^[viii]

The above views were also confirmed by Diane Freda in her June 18, 2015 Bloomberg BNA article entitled IRS No-Rule on Basis in Grantor Trust Sales Reflects Clash of Opinions. In the article, Diane Freda quotes tax practitioner and authority Diana Zeydel, as stating that there are completely cogent, tax consistent arguments that when grantor trust status is turned off, there may be room to conclude that the trust gets a step-up in basis by reason of the Grantors death.

When asked about the situation in June of 2015, and many times thereafter, Mr. Blattmachr responded that his position on the issue has not changed since the publication of his 2002 article. You own those assets up until the moment you die for income tax purposes. We believe at that time, you, the individual, at your death, have for the first time, transferred those assets, which will not be to the trust, which did not exist for income tax purposes until the moment you die.

Section 6694(a) provides that a tax preparer can be subject to accuracy related and understatement penalties for preparing a tax return without providing Adequate Disclosure if such Adequate Disclosure is necessary.

Specifically, Section 6694(a) provides that this liability can occur if:



- (1) the preparer knew of the position; and (2) either
 - (a) the position is related to a tax shelter or reportable transaction;
 - (b) the position is not disclosed in the manner provided in Section 6662(d)(2)(B)(ii) (related to Adequate Disclosure on a tax return) and there was not substantial authority for the position(emphasis added); or**
 - (c) the position was disclosed but there was no reasonable basis for the position.

Because the IRS now takes the position that the assets of the grantor trust do not receive an adjustment in basis on the death of the grantor, it may also conclude that there is no Substantial Authority that can be relied upon to take the position that the assets of the grantor trust do receive an adjustment in basis, regardless of whether this is correct. A return preparer would need to provide Adequate Disclosure of this position. A taxpayer provides Adequate Disclosure of the tax treatment of an item if either: (a) the disclosure is made on a properly completed Form 8275 (or Form 8275-R if the treatment of an item is contrary to the treatment stated in a Regulation issued by the IRS), which is attached to the taxpayers return; or (b) the tax treatment is disclosed on the taxpayers return in accordance with the Revenue Procedure specifically providing that disclosure of the tax treatment on a tax return is sufficient. If the Revenue Procedure does not provide such authority, then the disclosure must be made on a properly filed Form 8275 or 8275-R, as applicable.

Revenue Procedure 2022-41 provides that certain positions can be adequately disclosed on an income tax return without attaching a Form 8275. Based on our review, the Form 1041 tax return which will be filed by the Trust after the death of the grantor does not qualify under this Revenue Procedure as providing Adequate Disclosure. Treas. Reg. 1.6662-4(f)(2) provides that if Revenue Procedure 2022-41 does not include an item, disclosure is adequate with respect to that item only if made on a properly completed Form 8275 or 8275-R, as appropriate, attached to the return for the year or to a qualified amended return.

In *Rothstein v. Commissioner* 735 F.2d 704 (2d Cir. 1984), the Taxpayer sold property which had a basis that was higher than its fair market value to an irrevocable disregarded grantor trust and claimed the loss on his federal income tax return.

The IRS challenged the Taxpayers position, by claiming that because the trust was disregarded for income tax purposes, the sale between the taxpayer and the trust should be disregarded.

The Tax Court agreed with the IRS that the sale would be disregarded for income tax purposes, but the Taxpayer appealed the Tax Courts decision to the Second Circuit Court of Appeals, which agreed with the Taxpayer that the trust should not be disregarded for purposes of the sale.



The IRS disagreed with the result and issued Revenue Ruling 85-13 to have all such sales disregarded, apparently without thinking through that in the long run the ability of Taxpayers to sell appreciated assets to irrevocable trusts that are disregarded for income tax purposes would cause a significant tax advantage for federal estate and gift tax purposes. This occurred during the Reagan administration, when Donald Regan was the Treasury Secretary. It is unknown to the authors whether the real purpose of the IRS issuing Revenue Ruling 85-13 was to help taxpayers who would want to reduce federal estate and gift taxes by making sales to irrevocable trusts, but this is what has occurred.

Given that the IRS took the position in Revenue Ruling 85-13 that the income tax treatment of a transaction between the grantor of an irrevocable disregarded trust and the trust itself would be disregarded, it is not a far leap to conclude that the assets in that same disregarded trust would be considered as having been devised or bequeathed by the grantor at the time of the grantors death for purposes of IRC Section 1014(b)(1). Because of the IRSs opposition to the Rothstein appellate courts conclusion and the issuance of Revenue Ruling 85-13, it seems to the authors that there could have been and could continue to be Substantial Authority for the proposition that there should be a step up in basis on the death of the Grantor.

The very fact that the IRS issued a Private Letter Ruling in 201245006 which followed this position, and did not rule or provide any official indication of having an opinion one way or the other on the issue is further evidence that there was and still is Substantial Authority for this.

It would be expected that a future Tax Court or Court of Claims and appellate court decision on the issue will note that the issuance of Revenue Ruling 2023-2 followed extreme political pressure put on Secretary of the Treasury Yellen and the Biden administration in general by prominent Senators who have significant support from interest groups that strongly encourage the removal of tax advantages that exist for the wealthy.

While not providing disclosure of this position may expose a taxpayer and his or her tax advisors to an understatement penalty, we believe that it is safer for a tax return to take the position that the assets of a grantor trust receive an adjustment of basis on the death of the grantor rather than risking a malpractice claim from the grantors heirs in future years. If necessary, a tax advisor may want to consider entering into an Indemnification Agreement with the grantors family whereby they would agree to indemnify the tax advisor if he or she becomes exposed to any penalties associated with a potential understatement.

Causing the grantors estate to be estate taxable could save even more income tax than the estate tax that becomes payable if leveraged property is owned by the trust.



For example, if a completely depreciated apartment building worth \$20,000,000 and subject to a \$17,000,000 mortgage is owned by the trust and the Grantor is given a power to appoint the apartment building subject to the mortgage to creditors of the Grantors estate then there would be \$20,000,000 of new depreciation that could be taken or the building could be sold, and \$20,000,000 of deprecation recapture income would be saved, plus any state income tax savings, would apply.

The entire value of the building would be considered to be in the gross estate of the Grantor for estate tax purposes, but the mortgage thereon would be considered to be a liability of the grantor, even if it is not recourse, under the US Supreme Court case of Crane v. Commissioner (331 U.S. 1 (1947)) resulting in net estate tax inclusion of only \$3,000,000 of value.

Alternate Strategies

Clients who do not want to rely on the death of the grantor causing the assets of a grantor trust to receive a new fair market value income tax basis, have other ways to receive such an adjustment.

Methods to achieve this on the death of the Grantor are as follows:

1. **SWAP CASH OR HIGH BASIS ASSETS OWNED BY THE GRANTOR WITH THE TRUST.** The grantor can swap non-appreciated asset, less appreciated assets, or cash with the trust before death so that the appreciated assets received from the trust will receive a new fair market value income tax basis.

Pursuant to Revenue Ruling 85-13 the sale or exchange of assets between the grantor of a disregarded grantor trust and the trust itself is not subject to federal income tax. Although certain Senators have called upon the Treasury Department to reverse this Revenue Ruling, that has not yet occurred, and is not expected to occur any time soon.

2. **THE GRANTOR CAN BORROW MONEY AND BUY LOW BASIS ASSET FROM THE TRUST.** If the grantor does not wish to swap assets with the trust or does not have low-basis assets to swap with the trust, then the grantor could borrow money from a banking institution, family member, or entity and purchase assets from the trust in exchange for cash.

After the grantors death, the appreciated assets could be sold, and the money borrowed could then be repaid to the lender, with interest. The cost of paying interest, which will further reduce the size of the estate of the grantor, must be considered in determining whether this strategy is worthwhile.



3. **THE GRANTOR CAN PURCHASE ASSETS FROM THE TRUST FOR A NOTE.** The grantor could purchase the assets from the Trust in exchange for a promissory note and pay fair market value interest on the note. The interest paid by the grantor to the trust would further reduce the value of the grantors estate, but if the asset or assets purchased increase in value after the sale in excess of the interest rate charged on the promissory note, then this technique would add to the size of the grantors estate.

Upon the death of the grantor, the assets received in exchange for the note would receive a step up in income tax basis, and could then be transferred back to the Trust in satisfaction of the promissory note. There should be no gain or loss reported on the installment obligation when paid as the assets sold received a step up in income tax basis on the death of the grantor.

4. **USING A PREFERRED COMMON PARTNERSHIP AND SALE FOR NOTE.** The Trust could place assets into a limited liability company that would be treated as a partnership for income tax purposes, the partnership could issue preferred and common shares, and then the Trust could sell the common shares to the Grantor.

For example, the preferred shares might grow at a guaranteed rate of 8% per year and the common shares would be entitled to most growth exceeding 8% per year.

If the Grantor buys the preferred interest from the trust in exchange for a promissory note bearing interest at 7% a year, then there would only be a 1% per year plus limited growth arbitrage to add to the Grantors estate for estate tax purposes.

5. **GIVE A NON ESTATE TAXABLE GRANTOR A GENERAL POWER OF APPOINTMENT OVER TRUST ASSETS.** The grantor could be given a power to direct trust assets to creditors of the grantors estate upon death. This would cause the assets of the trust to be considered as owned by the Grantor for federal estate tax purposes, but this may be worthwhile if the grantors net worth is less than the estate tax exemption amount. This may be installed by a court order, an agreement among the interested parties, or by Trust Protectors.
6. **STEP UP ON THE DEATH OF A PERSON OTHER THAN THE GRANTOR.** Someone other than the grantor can have a Power of Appointment over trust assets. Under Internal Revenue Code Section 1014(b), assets subject to what is known as a general power of appointment receive a fair market value income tax basis on the death of the power holder.



The Grantor of the trust may have a family member or even close friend with a similar or shorter life expectancy than the Grantor who may be given a power to appoint assets to creditors of such individuals estate. This would cause the assets that the power of appointment is exercisable over to be considered as owned by the power holder on death, and will cause a step up in income tax basis, even if the power holder is not a beneficiary of the trust, and even if the power is exercisable only with the consent of one or more individuals who do not have any beneficial interest in the trust or a fiduciary duty to exercise or not exercise the power.

Tax advisors, including both CPAs and attorneys, owe a duty to their clients to help minimize the potential taxes that the client faces. To fulfill this obligation, advisors should provide each client with all of the potential options available to the client, especially in any area which is uncertain under the tax law. If an advisor simply assumes that no adjustment in basis is possible for the assets of a grantor trust on the death of the grantor, then the client will be forced to take a carry-over basis for the assets, instead of having the basis of each asset adjusted to its fair market value at the time of the grantors death.

Practitioners should at least make their clients aware of the uncertainty regarding this issue. An informed client can decide to take the position that an adjustment in basis occurred on the death of the grantor, instead of accepting a carry-over basis. Such client would need to understand that on audit, the IRS may be expected to take the position that no adjustment should have occurred, although they could be wrong. Stay tuned for future litigation.



Conclusion

The Internal Revenue Service waited more than a decade to reverse the position that was taken in Private Letter Ruling 201245006 with respect to whether the assets in an irrevocable trust that is disregarded for income tax purposes but considered to be a complete gift and outside of the estate of the Grantor for estate tax purposes will receive a step-up in income tax basis on the death of the Grantor. Revenue Ruling 2023-2 is an important event for advisors who wish to help assure that their clients have the advantage of a new fair market value income tax basis, which we believe is supported by the language of Internal Revenue Code Section 1014.

It is of interest to us that some members of the tax community have generally cast aspersions on those who support the proposition that a step-up does occur. If and when the Tax Court, the Court of Claims, and/or an appellate court agree with the position that a step-up in basis has occurred on the death of a Grantor, then tax practitioners and their clients will question whether the best advice was to not take the step-up, or to take the step-up and advise the IRS in the conventional manner available of the position taken. Many taxpayers will file an income tax return and pay the tax as if no step-up occurred, and then file an amended return with prominent disclosure to reduce or eliminate the IRS's ability to impose negligence and substantial understatement penalties. Until then, we must continue to educate our clients in the best manner possible. If the opinions of Jonathan Blattmachr, Mitchell Gans, Howard Zaritsky, and Diana Zeydel are incorrect, then maybe the world is flat!^[viii] Galileo would probably disagree.

LISI Income Tax Planning Newsletter #244 (April 4, 2023) at <http://www.leimbergservices.com> Copyright 2023 Leimberg Information Services, Inc. (LISI). Reproduction in Any Form or Forwarding to Any Person Prohibited Without Express Permission. This newsletter is designed to provide accurate and authoritative information regarding the subject matter covered. It is provided with the understanding that LISI is not engaged in rendering legal, accounting, or other professional advice or services. If such advice is required, the services of a competent professional should be sought. Statements of fact or opinion are the responsibility of the authors and do not represent an opinion on the part of the officers or staff of LISI.



CITATIONS:

^[i] *Rauenhorst v. Commissioner*, 119 T.C. 157, 171 (2002) (citing *Frazier v. Commissioner*, 111 T.C. 243, 248 (1998); *N. Ind. Pub. Serv. Co. v. Commissioner*, 105 T.C. 341, 350 (1995), affd. 115 F.3d 506 (7th Cir. 1997)).

^[ii] Linda Galler, *Judicial Deference to Revenue Rulings: Reconciling Divergent Standards*, 56 Ohio St. L.J. 1037, 1039 (1995).

^[iii] Fortunately, there are forty-nine ways to leave your lover without dying, but there are only seven ways to get a basis adjustment under § 1014(b). There are also seven words that you cannot say on television or in a Leimberg newsletter. *FCC v. Pacifica Foundation*, 438 U.S. 726 (1978). The seven types of property that are considered to have been acquired from or to have passed from the decedent for purposes of IRC § 1014(a) are as follows:

1. Section 1014(b)(1) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;
2. Section 1014(b)(2) Property transferred by the decedent during life in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before death to revoke the trust;
3. Section 1014(b)(3) In the case of decedents dying after December 31, 1951, property transferred by the decedent during life in trust to pay the income for life or on the order or direction of the decedent with the right reserved to the decedent at all times before death to make any change in its enjoyment through the exercise of a power to alter, amend, or terminate the trust;
4. Section 1014(b)(4) Property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;
5. Section 1014(b)(6) Property which represents the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State, or United States territory or any foreign country, if at least one-half of the whole of the community interest in such property was includible in determining the value of the decedent's gross estate under chapter 11 or § 811 of the Internal Revenue Code of 1939 (1939 Code);
6. Section 1014(b)(9) Property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), if by reason thereof the property must be included in determining the value of the decedent's gross estate under chapter 11 or under the 1939 Code. In this case, if the property is acquired before the death of the decedent, the basis commencing on the death of the decedent is the amount determined under § 1014(a) reduced by the amount allowed to the taxpayer as deductions in computing taxable income under subtitle A of the Code or prior income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on the property before the death of the decedent. However, § 1014(b)(9) does not apply to:
 - (A) annuities described in § 72;
 - (B) stock or securities of a foreign corporation that would have been a foreign personal holding company prior to the repeal of § 552 of its next preceding taxable year prior to the decedent's death to which § 1014(b)(5) would apply if the stock or securities had been acquired by bequest; and
 - (C) property described in any other paragraph of § 1014(b);
7. Section 1014(b)(10) Property includible in the gross estate of the decedent under § 2044 (relating to certain property for which the marital deduction was previously allowed). In any such case, the basis is determined under § 1014(b)(9) as if such property were described in the first sentence of § 1014(b)(9).

^[iv] Jonathan G. Blattmachr, et al., *Income Tax Effect of Termination of Grantor Trust Status by Reason of the Grantors Death*, 97 J. Tax'n 142, 154 (2002).

^[v] *Id.*

^[vi] Howard M. Zaritsky is an attorney who specializes entirely in estate tax and estate planning issues, who has written numerous books, articles, and treatises on estate planning. Estate planning professionals regularly consult with Howard.

^[vii] Diane Freda, *IRS No-Rule on Basis in Grantor Trust Sales Reflect Clash of Opinions*, BNA Tax and Accounting Center (June 22, 2015).

^[viii] At the 2023 Heckerling Institute a speaker remarked that, those who believed that there is a step-up on death may also believe that the world is flat.



CCA 202352018 – Adding a Tax Reimbursement Clause Results in Taxable Gift

- Issued November 28, 2023 the IRS held that modifying an irrevocable trust with the consent of the beneficiaries to add a tax reimbursement clause to reimburse the grantor for income taxes paid on behalf of the Trust results in a taxable gift by the beneficiaries of the Trust.
- The IRS concluded that this was the equivalent of the beneficiaries relinquishing a portion of their beneficial interest in the Trust.
- The Ruling provided no guidance as to how to value the gift and simply provides that the gift should be valued “in accordance with the general rule for valuing interests in property for gift tax purposes...”
- The CCA further provides that the result would be the same if the modification was made pursuant to state statute that provides the beneficiaries with notice and right to object, and a beneficiary fails to exercise their right to object.



THE CCA “XYZ” PROBLEM, POSSIBLE SOLUTIONS – AND HAPPY 50TH ANNIVERSARY UNIVERSITY OF FLORIDA, LL.M. TAX PROGRAM

UF LL.M. is fifty and CCA 202352018 is not nifty!

By: Alan S. Gassman and Brandon Ketron

The authors thank Jerry Hesch for his creative thinking and input with respect to this article. Jerry is speaking this week for the NYU, LL.M. Tax Program, and can be commended for his complete dedication to tax and estate planning education, both academically and in practice, and all tax professors who have taught in the UF LL.M. Tax Program for the last 50 years.

Alan S. Gassman, J.D., LL.M. is a partner at the Clearwater, Florida law firm of **Gassman, Crotty & Denicolo, P.A.** He is a frequent contributor to LISI and has published numerous articles in publications such as BNA Tax & Accounting, Estate Planning, Trust and Estates, and recently co-authored an article entitled *Community Property Planning in Non-Community Property States & Understanding the Florida Community Property Trust Act – Opportunities, Developments and Traps for the Unwary* in the Stetson Business Law Review. Mr. Gassman is a board certified Trust and Estate lawyer, and this week is attending the 50th Anniversary of his LL.M and J.D. Alma Mater, the University of Florida Tax Program. **Congratulations to Professor Dennis Calfee for having been there the entire 50 years, and having endured Alan for 39 years.** Alan Gassman, Jerry Hesch, Jonathan Blattmachr, Bob Keebler, Paul Hood and Eido Walny are working together to improve and formally issue EstateView – Estate and Estate Tax Planning Software in 2024, which is an estate planning software program that provides calculations and illustrations for many facets of estate planning and more. His e-mail address is alan@gassmanpa.com.



Brandon Ketron, CPA, J.D., LL.M. is a partner at the law firm of **Gassman, Crotty & Denicolo, P.A.**, in Clearwater, Florida and practices in the areas of Estate Planning, Tax and Corporate and Business Law. Brandon is a frequent contributor to LISI and presents webinars on various topics for both clients and practitioners. Brandon attended Stetson University College of Law where he graduated cum laude, and received his LL.M. in Taxation from the University of Florida. He received his undergraduate degree at Roanoke College where he graduated cum laude with a degree in Business Administration and a concentration in both Accounting and Finance. Brandon is also a licensed CPA in the states of Florida and Virginia. His email address is brandon@gassmanpa.com.

EXECUTIVE SUMMARY:

In Chief Counsel Advice (CCA) 202352018, the IRS issued an opinion that a beneficiary of an irrevocable trust who consents to the modification of the trust to allow for the insertion of a discretionary power in the trustee to reimburse the grantor for income taxes that the grantor would pay on the trust's income has made a taxable gift by the beneficiary.

This article will first review some of the basic principles of irrevocable grantor trusts and the law associated therewith, and will then discuss the impacts of CCA 202352018, while suggesting other ways to achieve the objectives of a family. The result in the CCA may have been avoided by having the grantor make an additional transfer to the trust in exchange for the right to be reimbursed for income taxes paid by the grantor on the trust's income and the implications thereof.

Discussion includes consideration of whether the grantor can make a transfer to the trust equal in value to any alleged gift so that no beneficiary suffers a "loss in value", and whether the grantor should instead sell assets to the trust for a self-canceling installment note or private annuity in order to have sufficient cash flow to pay the applicable taxes.



The authors also discuss whether toggling grantor status on or off will constitute a gift by a grantor who toggles on grantor trust status, or by beneficiaries who consent or assist in toggling off grantor trust status, and if this may be the next domino to fall.

For further discussion of CCA 202352018 see Estate Planning Newsletter No. 3098 (February 5, 2024) by Paul Hood and Ed Morrow, as well as the LISI Estate Planning Newsletter No. 3089 by J.D. Waxenberg and Jacob Wonn.

FACTS:

Estate tax and trust planners have many choices with respect to what powers and possible rights the grantor of an irrevocable trust will have with respect to an irrevocable trust.

In most situations, the grantor makes a gift or sells assets to an irrevocable trust that will be outside of the grantor's estate for federal estate tax purposes, notwithstanding that the grantor may retain the right to replace trust assets with assets of equal value so that the trust can be disregarded for income tax purposes.

The disregarded status (also known as grantor trust status) allows the grantor to pay the income tax on the trust's income, which is not considered to be an additional gift to the trust under the present estate and gift tax rules.



The grantor can also safely retain the right to replace the acting trustee of an irrevocable trust with an alternate trustee that is not related or subordinate to the grantor, as defined in Internal Revenue Code Section 672(c).

Irrevocable trusts that are formed in asset protection jurisdictions will sometimes provide that the trustee can (1) make distributions to the grantor in the discretion of the trustee, or (2) make distributions to the grantor in the discretion of the trustee only in the event that certain circumstances exist, such as the grantor's net worth falling below a specified dollar amount in the trust agreement, or (3) make distributions to the grantor in the discretion of the trustee only if trust protectors, who are specified to not be fiduciaries under the trust agreement, add the grantor in as a beneficiary of the trust and permit such distributions to be made.

Under Internal Revenue Code Section 2036(a)(1), an individual who gives something away in a transaction that is not a "bona fide sale for adequate and full consideration in money or money's worth" will be subject to estate tax on the assets associated therewith, if the grantor has retained the right to possess or enjoy the trust assets, or the right to the income of the trust property.

Inclusion under Section 2036(a)(1) is generally limited to the portion of the trust that the grantor has the right to receive income from. All right to receive income from a trust could cause all principal that has been gifted to the trust to be included in the grantor's estate, but it would seem that the right to be reimbursed for only a portion of the income would not cause total inclusion. It would seem that it would, for example, cause at most 36% inclusion if the grantor is in the 36% income tax bracket.



Conservative advisors recommend that a grantor not be provided with the possibility of receiving distributions from an Asset Protection Trust unless or until acts of independent significance occur, such as a divorce from the beneficiary's spouse under a Spousal Limited Access Trust established by a grantor, or the loss of great fortune by a wealthy grantor, out of concern that an "intention" to receive distributions or benefits from such a trust, as evidenced by payments actually being made, may be considered to be a retained life interest under Section 2036(a)(1).

In addition to the above, the estate tax planner has another potential arrow in the quiver; being the ability to provide that the trustee of the trust will have the discretionary power to make a distribution to the grantor as reimbursement for income taxes that the grantor pays as a consequence of the grantor trust status of the trust.

Many planners put this type of provision in most of their trusts, and a number of states, including Florida, Connecticut, Delaware, Colorado, New Hampshire, and New York have legislation that explicitly indicates that the creditors of a grantor of an irrevocable trust cannot reach assets in the trust by reason of the fact that the trustee of the trust may reimburse the grantor for past and future income taxes paid. If the grantor's creditors cannot reach into the trust (which would be an indirect benefit to the grantor), and the grantor has not already been reimbursed for taxes, then significant amounts could be paid to the grantor, as determined in the discretion of the trustee after a number of years for such reimbursement. This would hopefully not make the trust subject to federal estate taxes, but why take the chance? If the grantor has plenty of assets and can facilitate a toggling off of grantor trust status so there is no longer a need for tax reimbursement, then would this ever be needed?



This is important because under the law of most states the creditors of a grantor can reach the greatest amount that a trustee has the discretion to pay to or for the benefit of the grantor from the trust, and the IRS can impose federal estate tax when a grantor dies based upon the maximum amount that creditors would be able to reach. Many asset protection trusts are formed by individuals who reside in non-asset protection trust states, under the assumption that the law of the asset protection trust state will apply to prevent creditors from reaching into a self-settled trust. If it turns out that the state where the person resides is the controlling jurisdiction, then the creditor protection will not work, and the 2036(a) problem may occur.

For example, if the trustee could, but was not required to, reimburse a grantor for \$420,000 of income taxes paid on trust income during his lifetime, then the IRS could impose estate tax based upon at least \$420,000, or possibly all of the trust assets under Section 2036(a), if the grantor dies as a resident of a state that would allow such creditor invasion.

The IRS first addressed grantor tax reimbursement clauses in Revenue Ruling 2004-64 using the following three different situations:

1. No Reimbursement Provision or Payment. Neither state law nor the trust contained a provision that required or permitted the trustee to reimburse the grantor for the income taxes paid by reason of grantor trust status.



2. Reimbursement Required. The trust explicitly provided that the trustee would be required to make a distribution to reimburse the grantor for the grantor's share of income attributable to the trust's income.
3. Reimbursement Was Discretionary. The trust agreement provided that the trustee may, in the trustee's sole discretion, reimburse the grantor for the grantor's share of income taxes on the trust's income.

In Situation #1 (No Reimbursement Provision or Payment), the IRS ruled that the payment of income taxes would not constitute a gift by the grantor to the trust's beneficiaries because under the grantor trust rules, the grantor is liable for the taxes and not the trust.

In Situation #2 (Reimbursement Required), the IRS ruled that because the trustee was required to reimburse the grantor, that the grantor retained an interest in the trust under Internal Revenue Code Section 2036(a)(1) causing an inclusion of the entire trust value in the grantor's estate. This portion of the ruling applies to all trusts formed after October 4, 2004, but not to trusts that were formed prior to such date.



In Situation #3 (Reimbursement Was Discretionary), the IRS ruled that in the situation where the trustee had the discretion to reimburse the grantor for the grantor's income taxes attributable to the trust's income does not result in estate tax inclusion, provided that there was not an understanding or preexisting arrangement between the grantor and the trustee regarding the trustee's exercise of the discretion to reimburse the grantor, and local law would not subject the trust assets to the claims of the grantor's creditors by reason of such discretionary reimbursement provisions.

Since the issuance of Revenue Ruling 2004-64, the IRS has not publicly criticized tax reimbursement clauses, although they may be viewed to be a form of "retained benefit" that would seem to cause inclusion under Section 2036(a)(1), especially if the reimbursement occurs regularly, and even more so if the reimbursement occurs shortly after the trust is established, since this may be evidence of a preexisting understanding that the grantor would receive such payments.

Fortunately, the inclusion under Section 2036(a)(1) would probably be based upon the portion of the income that is reimbursed.

For example, if the grantor is in the 37% income tax bracket and may receive an amount equal to 37% of the trust income as reimbursement, then it would seem that only 37% of the trust assets would be subject to federal estate tax under Section 2036(a)(1).

In some situations, there are trusts that have been established that do not allow a tax reimbursement clause.



While it would seem that going to court to add a tax reimbursement clause could cause the IRS to conclude that the grantor had assumed by implied agreement that there would be reimbursement when needed, the IRS has not taken that position.

Instead, the IRS has taken the position in CCA 202352018, which was issued by the Chief Counsel of the Internal Revenue Service on November 28, 2023, that the right to be reimbursed has a value, and that any beneficiary who could have prevented the right to reimbursement from being created after the trust was up and running has made a gift to the grantor equal to that beneficiary's share of the trust assets multiplied by a percentage that would reflect a lower expectation of overall value to be received by the beneficiary.

COMMENT AND SOLUTIONS:

While the CCA is consistent with the IRS's long-standing position that the beneficiary of a trust makes a gift, to some extent, by "sitting on his or her rights" when a suit is filed to make changes to a trust that may reduce the eventual benefits to be received by such beneficiary, the valuation of such reduction and the identity of which beneficiary or beneficiaries who may be making the gift can be difficult to determine.



It may be worthwhile to have a beneficiary who is consenting or not objecting to a change make a \$19,000 gift to someone, and report the gift and also the trust change on a gift tax return to allow the three-year statute of limitations to begin running.

For example, assume that a trust has \$100,000,000 of assets held for the health, education, maintenance and support of three children who will never need more than a very small portion of the assets in the Trust to provide for their lifetime health, education, maintenance and support, unless there are unforeseen circumstances in the future.

These children have grandchildren that will probably never need to receive trust assets for their benefit, but will eventually have great-great grandchildren who may drain the trust or receive the trust when all perpetuity periods run out.^{[1](#)}

The grantor of the trust requests that a tax reimbursement clause be implemented by a court of competent jurisdiction.

The failure to object to the lawsuit may constitute a gift by unborn grandchildren and great grandchildren and their descendants, but any gift made by the children would seem to be extremely small. Do the children need to file a gift tax return for this imputed transfer from their own unborn descendants to the grantor?

^{[1](#)}

Frozen embryos have not yet been taxed but give the government time.



The CCA did not address these potential issues, as the trust at issue in the CCA apparently only had a single beneficiary, so it was clear who the gift was being made from as a result of consenting to the inclusion of a tax reimbursement provision under a state law court reformation of the trust. Presumably, the beneficiary was expected to benefit from the trust, and there was no discussion that almost every trust has remaindermen, whether named in the trust agreement or not.

THE ARM'S-LENGTH PURCHASE SOLUTION.

In order to address these issues, and avoid the potential application of the reasoning in CCA 202352018, a grantor that is seeking a tax reimbursement clause to be added to the trust may instead enter into an agreement with the trust to provide that the grantor will make an additional gift to the trust equal to the value expected to be received as a result of the insertion of a tax reimbursement clause. A valuation by a qualified valuation expert may be needed to opine on the value of the potential tax reimbursement provision. While it may be difficult to determine what a discretionary reimbursement right is worth, it would seem that the value would be equal to the expected income tax liability of the trust, and significantly discounted for the fact that the reimbursement right is completely discretionary in that no reimbursement may actually occur.

For example, assume that an opinion is obtained that values the grantor's tax reimbursement addition at approximately \$500,000, based upon the expected tax liability of the trust's income over the life expectancy of the grantor. The grantor could then make a contribution of \$500,000 to the trust on or about the same time as the court reformation to add the reimbursement clause is being filed. Since the grantor is paying for such right based upon fair market value, there should be no imputed gift as a result of a beneficiary consenting, or failing to object, to the addition of the tax reimbursement clause.



THE GRANTOR NOTE SOLUTION:

The Grantor Pays with a Promissory Note that has a King Clause.

In many situations, a tax reimbursement clause is being sought when the grantor is running out of assets as a result of the “grantor trust burn” and may not have sufficient assets readily available to make a large gift to the trust in exchange for the reimbursement clause. In this situation, the grantor could issue a promissory note to the trust equal in value to the determined value of benefits of the tax reimbursement clause to avoid having to come out of pocket with a large sum of money in a single lump sum payment. The note can bear interest at the Applicable Federal Rate or greater, but it should not have an interest rate exceeding a fair market value rate. The making of the note may not be considered to be a gift, if the grantor is receiving a tax reimbursement clause in exchange. The IRS may argue that the grantor is making a gift and retaining a life interest in what is gifted under Section 2036(a)(1), but this may not be a significant inclusion amount, if the amount of the gift is relatively small, and the King clause in the promissory note, which is described below, may facilitate adjustment to as little as zero. The trust agreement may also provide that any gift made to the trust by the grantor will pass to a Grantor Retained Annuity Trust, a Marital Deduction Trust, or a Charitable Deduction Trust by traditional formula clause.

If the note cancels on the death of the grantor, then a much higher interest rate may be used based upon the grantor’s health and age.



Alternatively, the grantor may transfer assets to the trust in exchange for the right to receive private annuity payments, with the payment amount being based upon a formula which requires that each payment will be based upon a percentage of the value of the reimbursement clause. The payments may start more than three years after a gift tax return is filed to disclose the arrangement so that the payment amounts can be as intended if not challenged, or as adjusted if there is a challenge. The annuity payment amount may be calculated based upon the applicable regulations that would presently use the 2010 mortality tables, to assure that there is no gift considered as having been made as long as the grantor is not expected to die from any existing condition within one year of entering into the private annuity transaction.

For example, if a 65-year-old in good health transfers \$1,000,000 to the trust, then the following payments can apply:

1. Private Annuity - \$86,527 annually for life;
2. Self-Canceling Installment Note - \$75,426 annually for the earlier of (1) the death of the grantor, or (2) 19 years; and
3. Traditional Installment Note at the AFR - \$41,400 annually for 19 years.

This is based on the February 2024 applicable federal rate of 4.14% plus the risk premium associated with the SCIN of 3.4026% for a total interest rate of 7.5426%.



The note described above, and the agreement reflecting the gift to the trust, could also provide that an adjustment would occur if the IRS determines that the value would be different for federal gift tax purposes in a similar manner as a King clause adjustment would work. For example, the agreement could provide that in the event that the IRS determines that the value of the tax reimbursement clause was greater than what was contributed to the trust, then the grantor would owe an additional payment with interest to the trust so that the fair market value of the reimbursement clause was contributed to the trust, or if the promissory note was issued that the face value of the note would increase to the fair market value of the addition of the reimbursement clause. While the IRS has frowned upon such clauses as a matter of public policy, similar clauses have been approved by the Tax Court and Circuit Courts of Appeals and provide a reasonable basis for taking such a position.

Less Direct Methods of Installing Reimbursement Clauses or Toggling Off Grantor Trust Status.

Many practitioners provide for trust protectors to be appointed under a trust document, and given the power to allow the trustee to add a tax reimbursement clause and/or to toggle on or off grantor trust status. If the trust protectors are considered to be fiduciaries, then the power to give the trustee the discretion to reimburse the grantor for income taxes will probably be considered to be the equivalent of the trustee having such power. It may therefore be important that any such power would be exercisable by any trust protector in the capacity of being a “non-fiduciary.”



The authors would also like to point out that we do not believe that it is safe to give a grantor the power to replace trust protectors of an irrevocable trust if the grantor does not desire to have the trust assets subject to federal estate tax. The taxpayer victory in *Wall v. Commissioner*, 101 T.C. 300 (1993) and Revenue Ruling 95-58 that resulted therefrom applies to trustees, and not to trust protectors. Whether the eventual case law or IRS positions will safely allow a grantor to have the right to replace trust protectors may not be known for many years, and may at best be based upon an investigation as to whether the fiduciary duties and powers of the trust protectors are essentially equivalent to the duties and powers of a trustee. Grantors who are concerned about whether trust protectors may “run amok” can consider appointing an outside person in the trust agreement to consent to any trust protector action.

If a child approves the installation of trust protectors who have many powers, including the power to install a reimbursement clause in a non-fiduciary manner, and the trust protectors do not install a tax reimbursement clause or intend to do so, then a subsequent installation of a tax reimbursement clause which occurs after an unexpected change of circumstances would hopefully not expose the beneficiaries to a significant amount of gift tax relative to the value of the trust.



Give a Family Member Who is Not a Trust Beneficiary the Power to Install a Tax Reimbursement Clause Under the Tax Agreement.

If a trust agreement or amendment thereto gives a responsible family member a power of appointment to appoint trust assets for the benefit of a class of individuals that may include the grantor, then the installation of that power into a trust that does not have such a power of appointment may not be considered to be a gift if it is not intended to be used in any way that would cause loss of value to the beneficiaries, although the IRS may argue that the intent behind the installation of such a power could be sufficient to have that result. Nevertheless, if there is a significant change in circumstances, the family member may exercise the power of appointment to allow discretionary distributions to reimburse the grantor for income taxes, and this would be beyond the control of the trust beneficiaries.

Do Not Ever Reimburse the Grantor for Income Taxes and Do Not Give Anyone With the Power to Permit a Trust to Do So.

A vast number of planners do not install tax reimbursement clauses and irrevocable trusts under any circumstances, and cannot be blamed for following the strategy given the IRS's close scrutiny of tax reimbursement arrangements as evidenced by this CCA.

CONCLUSION:

We have highlighted the issues brought forth by CCA 202352018, and possible ways to reduce or eliminate the risk of an imputed gift in such circumstances. There will doubtlessly be interesting and useful discussion of this issue in the future. The authors welcome any questions, comments or suggestions with respect hereto.



While CCA 202352018 addresses only the issue of a beneficiary being deemed to make a gift by consenting to the addition of a tax reimbursement clause, the authors question whether a similar line of reasoning could apply in a situation where a beneficiary consents, or does not object, to the conversion of a grantor trust to a non-grantor trust. This would move the tax liability from an obligation of the grantor to an obligation of the trust, and presumably would decrease the trust's value. Could this be considered a gift from a beneficiary to the grantor by allowing, or not objecting to, such a conversion? The IRS has never taken this position to the knowledge of the authors, but based on the line of reasoning in CCA 202352018, it is not a large jump to make. Hopefully, such a position would never be taken by the IRS as this would go against long-standing principles that the conversion of a trust from a grantor trust to a non-grantor trust (also known as “toggling off”) is not considered to be a gift by the grantor or by the beneficiaries of the trust.

This highlights the importance of including provisions in a trust document, and also including trust protectors as independent parties that would have the ability to modify the trust terms to turn off grantor trust status, and to also possibly add a tax reimbursement clause without beneficiary consent. As described above, if such a position is ever taken, then planners could consider having the grantor enter into an agreement with the trust to provide additional consideration for the conversion or addition of a reimbursement clause.



FLORIDA BAR NUMBER: 2401175N

THANK YOU FOR PARTICIPATING!