

Innovative Grantor Trusts, Family Sale and Charitable Techniques to Reduce or Avoid Federal Estate Taxes



Something New for Everyone

Saturday, October 19, 2024
11:00 AM to 12:00 PM EST
(60 minutes)

Alan Gassman J.D., LL.M.
agassman@gassmanpa.com



Please Note:

1. This presentation does not qualify for continuing education because it isn't good enough.
2. Today's **PowerPoint slides** are available in the "Handouts" section of your GoToWebinar side panel.
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Estate Tax Planning ▶ Play all

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<p>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) agassman@gassmanpa.com 59:52</p>	<p>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. (Taxation), CPA 1:02:39</p>	<p>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</p>	<p>The New Florida SLAT Law Friday, May 13, 2022 From 11:00 AM to 12:00 PM EDT (60 minutes) Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished) 36:54</p>	<p>Tools and Strategies to Avoid Estate Planning Tragedies 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) agassman@gassmanpa.com 1:04:40</p>	<p>Part 2 Estate Tax Planning For The Wealthy - What You Need To Know 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) agassman@gassmanpa.com 1:02:02</p>
Tools and Strategies to Avoid Estate Planning Tragedies...	IRS Proposed Clawback Regulation - What To Do No...	THE MATHEMATICS OF ESTATE TAX PLANNING	THE NEW FLORIDA SLAT LAW	Tools and Strategies to Avoid Estate Planning Tragedies -...	Part 2 Estate Tax Planning For The Wealthy
Alan Gassman 523 views • 1 year ago	Alan Gassman 272 views • 1 year ago	Alan Gassman 657 views • 1 year ago	Alan Gassman 392 views • 1 year ago	Alan Gassman 574 views • 1 year ago	Alan Gassman 249 views • 1 year ago

Diversity Series ▶ Play all

<p>PLANIFICACIÓN PATRIMONIAL PARA FAMILIAS LATINOAMERICANAS Presented by: Luis A. Silva, Esq. Estate & Trusts Practice Group 26:37</p>	<p>Estate Planning for The Korean American Family Presented by: Andy Hwang, Esq., CPA 2140 E. Trowley Blvd, Suite 300 Carrollton, Texas 75006 408-623-1100/andy.hwang.com 46:35</p>	<p>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</p>	<p>Jewish Families Thursday, June 9th 2022 3:00 PM ET (30-40 Minutes) Presented by: Shoshana (Shosh) Meyer, Esq. and Special Guest Rabbi Ari Markovitz Moderated by: Alan Gassman, Esq. Caption: What estate planner should know about planning for Jewish families 47:57</p>	<p>WHAT ESTATE PLANNERS NEED TO KNOW ABOUT AFRICAN FUNERALS Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished) 54:56</p>	<p>WHAT ESTATE PLANNERS NEED TO KNOW ABOUT JEWISH FUNERALS Presented by: Alan Gassman, JD, LL.M. (Taxation), AEP® (Distinguished) 26:24</p>
PLANIFICACION PATRIMONIAL PARA...	Andy Cho: Estate Planning For The Korean American...	Estate Planning for the Latin American Family	Planning For Orthodox Jewish Families	What Estate Planners Need To Know About African...	What Estate Planners Need To Know About Jewish...
Alan Gassman 38 views • 1 year ago	Alan Gassman 182 views • 1 year ago	Alan Gassman 75 views • 1 year ago	Alan Gassman 438 views • 1 year ago	Alan Gassman 48 views • 1 year ago	Alan Gassman 81 views • 1 year ago

Guest Speakers On Estate Tax Planning Topics ▶ Play all

<p>Blow Forms 1065 (and 1120-S) Out of Orbit 1:05:55</p>	<p>"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), PCF Social Justice Fund 41:09</p>	<p>Don Bryan: The Biggest Mistakes Ventriloquists Make Don (Gaylord) Bryan THE BIGGEST MISTAKE IN VENTRILISM 1:00:18</p>	<p>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</p>	<p>Human Aspects of Estate Planning PART 2 By: Martin M. Shenkman, Esq. 33:46</p>	<p>Human Aspects of Estate Planning By: Martin M. Shenkman, Esq. 30:07</p>
Schedule K-2 and K-3 Blow Forms 1120-S and 1065 Out...	PCF Social Justice Fund Activating Trust-Based...	Don Bryan: The Biggest Mistakes Ventriloquists Make	Jerry Hesch: Passing On The Family Business To A Key...	Marty Shenkman: PART 2 Human Aspects Of Estate...	Marty Shenkman: Human Aspects of Estate Planning...
Alan Gassman 1.2K views • 1 year ago	Alan Gassman 40 views • 1 year ago	Alan Gassman 191 views • 1 year ago	Alan Gassman 127 views • 1 year ago	Alan Gassman 104 views • 1 year ago	Alan Gassman 213 views • 1 year ago

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Our annual Sidney Kess New York Estate, Tax & Financial Planning Conference is on Tuesday, October 29, and Wednesday, October 30, 2024.

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14 CLE Credits (including one Ethics, one Technology, and one Diversity credit)

14 CPE Credits

14 CFP Credits

Tuesday

Preparing for the Scheduled Sunset of Certain Provisions of the 2017 Tax Act.

Sanford J. Schlesinger, Esq.

Latest New York Tax and Planning Developments

Sharon L. Klein, Esq.

What You Didn't Know About Charitable Giving Opportunities and How It Can Affect Pre-2026 Planning

Alan S. Gassman, J.D., LLM

Working With Beneficiaries With Mental Health Challenges (DEI credit)

Amanda Koplin

Martin M. Shenkman, J.D., CPA, M.B.A.

Estate Planning Mistakes and How to Fix Them - Issues to Be Alert for Pre-2026 Planning

Steven G. Siegel, J.D., LLM (Taxation)

Integrating SLATs, Large Gifts, and Installment Sales for Pre-2026 Planning: A Mathematical Analysis

Professor Jerome M. Hesch, MBA, J.D.

Section 6166 — Election to Defer the Federal Estate Tax Attributable to a Closely Held Business

Jeremiah W. Doyle, IV, Esq.

Charitable Planning Tips

Stanley Baumblatt

Martin M. Shenkman, J.D., CPA, M.B.A.

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Wednesday

ERISA at 50 — What Has Worked and What Has Not Worked

Avery E. Neumark, J.D., LLM, CPA

The Intersection of Technology and Ethics for Estate Planning (Tech credit)

Mary E. Vandenack, J.D.

Eldercare Planning in Light of the Tax Planning Pitfalls and a 2024 Medicaid Update

Elizabeth Forspan, Esq.

Panel — Pre-2026 Planning Issues: Step Transaction Doctrine, Reciprocal Trust, Doctrine, Dating Documents, and More

Jonathan G. Blattmachr, Esq.

Martin M. Shenkman, J.D., CPA, M.B.A.

Panel — Corporate Transparency Act (CTA)

Jonathan B. Wilson, J.D.

Martin M. Shenkman, J.D., CPA, M.B.A.

Real-Life Ethical Issues That Arise When Advising Clients Pre-2026 (Ethics credit)

Bryan C. Skarlatos, Esq.

30 Tax Ways a Client Can Transfer Ownership to a Successor

Edward Mendlowitz, CPA, PFS, ABV, CFF

Martin M. Shenkman, J.D., CPA, M.B.A.

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Amortization Calculator	YES	YES	YES	YES
Life Expectancy Calculator	YES	YES	YES	YES
Holding Company Valuation Calculator	YES	YES	YES	YES
Valuation Discount Calculator	YES	YES	YES	YES
Create side-by-side Plan Comparisons for Each Calculator	YES	YES	YES	YES
Access to stand-alone SCIN/Conventional Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Large Gift / SLAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
SCIN / Conventional Note Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Installment Sale with Income Tax Analysis Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
QPRT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Private Annuity Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
GRAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES



EstateView	<u>Standard</u>	<u>Pro</u>	<u>MOST POPULAR</u> <u>Pro Plus</u>	<u>Pro Elite</u>
CLAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
CRAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
CRUT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Life Estate/Remainder Interest Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Rolling GRAT Calculator	NO	NO	YES*	YES
Access to our Exploding Asset Planning Feature	NO	NO	YES*	YES
Comprehensive Plans: Access to Installment Sale to Grantor Trust / SCIN	NO	YES	YES	YES
Comprehensive Plans: Married and Single Client Letters	NO	NO	YES*	YES
Send e-copies of plans to clients & colleagues (with a free 14-day trial)	NO	YES	YES	YES
Generate Personalized Client PowerPoints	NO	YES	YES	YES
Income Tax Impacts of QPRTs	NO	NO	YES*	YES
Rolling GRAT Calculator	NO	NO	YES*	YES
Flip NIMCRUT Calculator	NO	NO	YES*	YES
4 Hours of Tax Lawyer Time	NO	NO	NO	YES**
30 Hours of Customized Video Editing Time	NO	NO	NO	YES**
Special Access to Video Editors for \$35 an Hour	NO	NO	NO	YES**

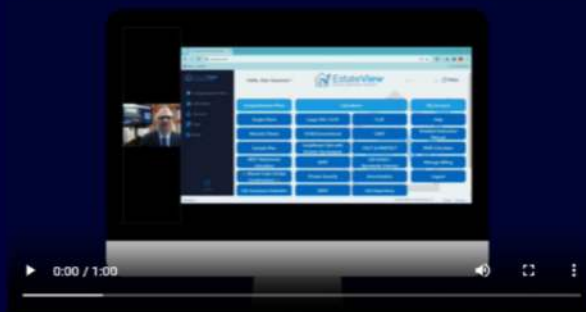


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Sample Plan	Installment Sale with Income Tax Analysis	CRUT & NIMCRUT	
NEST Retirement Calculator	QPRT	Life Estate / Remainder Interest	
RMD Calculator	Private Annuity	Amortization	
Monte Carlo	GRAT	Life Expectancy	
Life Insurance Estimator	Rolling GRATs	Holding Company Valuation	
§7520 & AFR Table	Letter Writer (Under Construction)	Valuation Discount (Active Business)	



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2-5	15%	\$170.10	\$339.95	\$424.95	\$2,209.15
6-10	20%	\$159.96	\$319.96	\$399.96	\$2,079.20
11-15	25%	\$149.96	\$299.96	\$374.96	\$1,949.25
16-20	30%	\$139.96	\$279.96	\$349.96	\$1,819.30
21-30	35%	\$129.96	\$259.96	\$324.96	\$1,689.30
31-35	40%	\$119.97	\$239.97	\$299.97	\$1,559.40
36-40	45%	\$109.97	\$219.97	\$274.97	\$1,429.45
41-42	50%	\$99.50	\$199.97	\$249.97	\$1,299.50
46-50	55%	\$89.97	\$179.97	\$224.97	\$1,169.55
51-55	60%	\$79.98	\$159.98	\$199.98	\$1,039.60
56-100	65%	\$69.98	\$139.98	\$174.98	\$909.65
101-200	70%	\$59.98	\$199.98	\$149.98	\$779.70
201-300	75%	\$49.98	\$99.98	\$124.98	\$649.75



Derived From

Creative Uses of Charitable Remainder Trusts

Session 6A

Thursday, September 26, 2024
2:00 PM to 3:00 PM EST
(60 minutes)



Alan Gassman, J.D., LL.M.
agassman@gassmanpa.com



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



Innovative Grantor Trusts, Family Sale and Charitable
Techniques to Reduce or Avoid Federal Estate Taxes

POLLING QUESTION

Are you a?

1. Practicing Attorney
2. CPA
3. Financial Advisor
4. Interested for Self
5. Alien from Outer Space



POLLING QUESTION

Are you interested in Beta testing new EstateView features not yet released to the public?

1. Yes
2. No
3. Hell No



Special Thanks

Jerry Hesch for his contribution of slides, knowledge and leadership in this area.

Larry Katzenstein for his Bloomberg Portfolio on Charitable Remainder Trusts and the development of TigerTables .

Jonathan Blattmachr, Martin Shenkman and Stephen Bigge on their recent article entitled “Potential Benefit of Paying Qualified Plan Benefits to a CRT”.

Brandon Ketron for his many hours developing Charitable Remainder Trust slides and optimizing strategies.



The Five Dimensional Charitable Plan

Noble Cause(s)	Tax Savings	Recognition	Who is Involved?	Desire for Control and Security
<ol style="list-style-type: none"> 1. Helping children 2. Defending rights 3. Helping the elderly 4. Assisting with education 5. Supporting Israel 6. Helping animals 7. Helping the ecology 8. Helping your hometown 9. Helping your school 10. Scholarship funds 11. Shelter for single mothers 12. Helping the homeless 13. Helping immigrants 14. Helping homeless Ukrainians 15. Curing cancer 16. Curing Parkinson's disease 17. Helping your church, synagogue, or mosque 	<ol style="list-style-type: none"> 1. Tax deduction—December 31 year end 2. Getting above 50% AGI—income-producing assets transferred to charity for complex trust 3. The liquidity event <ol style="list-style-type: none"> A. Place in CRT before sale B. Place in charity before sale C. Place in tax-deductible CLAT before sale 4. The \$105,000 (and growing with inflation) IRA Qualified Charitable Distribution by year end 5. Avoid federal estate tax—CLAT now or later 	<ol style="list-style-type: none"> 1. We have our own family foundation 2. Recognition by local or national organizations 3. Involvement of spouse—who may have other motives 4. Involvement of family 5. Naming buildings and parts of buildings 6. Sponsoring matching fund 7. Hosting fundraiser parties and events 8. Would your parents be proud? 	<ol style="list-style-type: none"> 1. Spouse 2. Children 3. The community/recognition 4. Charitable professionals 5. Tax advisors, 6. Financial advisors 7. Estate planning advisors 8. Life insurance advisors 9. Clergy 10. National Public Radio and local affiliates 	<p><u>Control—may control:</u></p> <ol style="list-style-type: none"> 1. Private Foundation 2. Account under donor advised fund 3. Scholarship fund decisions <p style="text-align: center;"><u>Security</u></p> <ol style="list-style-type: none"> 1. May work for foundation to earn a living 2. May receive payments from charitable remainder trust 3. May save tax refunds in safe investments




(Outright Gifts)		
For taxpayers who itemize deductions for tax year 2024: When itemized deductions exceed \$14,600/single taxpayers, \$21,900 for heads of households and \$29,200 for married taxpayers.	You have automatic deduction for these amounts, unless the sum of property taxes up to \$10,000, plus medical expenses exceeding 7.5% of adjusted gross income, plus interest expense allowable on home mortgage, plus charitable deductions exceed these thresholds. Strategy is every other year or every third year; you pay a lot to get over the threshold to have the deduction – called bunching your deductions.	You can pay the excess money to a charity or to a donor advised fund and then later it is given to a charity.
If you are over 70-1/2: You can do a qualified IRA transfer.	You can transfer up to \$100,000 a year directly from your IRA to charity. Will be inflation adjusted after 2024.	For 2020 and 2021, it was unlimited for anyone over 59-1/2.
Depreciable buildings:	Can be given to a Private Operation Foundation or Public Charity for fair market value of building without depreciation recapture – building may be subject to old debt if qualifies under the “old debt exception” to the Unrelated Business Taxable Income (“UBTI”) rules.	Donor can continue to manage the building and remit rent income to charity while getting a deduction for the total fair market value of the building.
Part Ownership of Business:	Donor retains control of business and gives part ownership to charity. Donor receives income tax deduction for value, and charity receives part of profits.	See LISI Charitable Planning Newsletter #280 - Alan Gassman, John Beck & Michael Lehmann: Donor Controlled Charitable Business System (March 11, 2019) at http://www.leimbergservices.com .
Have a Party for Charity:	Write off the cost, or have the charity reimburse you for the cost. Redecorate your house while you are at it.	Please Invite the Author
Ask Clients Who Dispute Your Fees to Pay the Amount in Question to a Worthy Charity.		




1. (Cont.)

50 WAYS TO LEAVE YOUR LEGACY

No More Free Consultations – Ask that a Donation Go to charity if the Client Does Not Hire You.		
Move a Historical House to a Museum or Orphanage:	Deduct the full value of the antique home if actively displayed by charity – What about if used by students who learn how to disassemble?	
For Donors Who Would Like to Go Above the Maximum Adjusted Gross Income Donation Amounts:	<p>Make interest-free loans to the charity.</p> <p>Provide rental space without charging rent to a charity.</p> <p>Pay for advertising and sponsorship rights to get business deduction under IRC § 162.</p> <p>Subsidize contributions made by friends and family members who can donate and receive tax deductions.</p>	
Collectibles: You can put in a Charitable Remainder Unitrust.	Deduction can be based on fair market value, if the charity uses the item received as part of its mission.	EXAMPLE: Artwork displayed in a museum or university hallway.
Buy Your Loved One New Jewelry and Donate the Old Jewelry at Fair Market Value:	The fair market value of used jewelry may substantially exceed what it would actually sell for – valuation of jewelry can be based upon what the taxpayer would normally pay.	Must be used / displayed by the charity to deduct fair market value.
Make Gifts from Low Income Bracket Taxpayers to High Bracket Taxpayers to Enable Them to Make a Donation:	Example: Grandma is in the 15% bracket and wants to give \$20,000 to her church. Her son is in the highest bracket and makes a \$20,000 donation. Grandma may choose to give her son a \$20,000 disposition under her estate plan.	
Gift Life Insurance Policies	Gift equals value of policy-Minus any ordinary income that would have been recognized on sale-premiums tax deductible after charity owns the policy.	Must appraise life policy in appropriate manner.

(Legacies on Death – Whether Directly on Death or Contingent Upon Others Not Surviving)		
Leave Cash in Your Will or Trust:	No income tax deduction, but there will be an estate tax deduction.	
Provide that Income from Your Estate or Trust Will Be Paid to the Charity:	This carries out distributable net income to save income tax for Remainder Beneficiaries. Must have Section 642(c) language in original Trust Agreement	 Professor Dennis ("DNI") Calfee
Give IRD (Income with Respect to a Decedent) Assets: Note-This means give your IRA to charity	No income tax will be paid on IRA proceeds going directly to charity or passing through properly drafted trust to charity.	Distribution to charity will qualify for estate tax charitable deduction
Life Insurance:	Can deduct premiums if charity owns the policy.	
Use Charitable Lead Annuity Trusts ("CLATs") to Zero Out Estate Tax:	Jacqueline Kennedy Onassis – EXAMPLE: 15 annual payments to charity with remainder to family – zero estate tax and family can expect a significant inheritance after term of years for charity.	Can arrange as a disclaimer choice – I give the rest to my daughter, but anything she disclaims goes to CLAT for charity.
Charitable Remainder Trusts:	Pay my family annually for 20 years the maximum percentage that is allowed each year and can apply without incurring estate tax. Make annual payments for life of my son, and remainder to charity thereafter.	Remainder to charity chosen at the time.



(Hybrid Donations – Promise During Lifetime for Gift on Death – Deduct the Value of the Tree – Keep the Fruit)		
Give a Remainder Interest in a Personal Residence – Retain Life Estate:	Good for elderly donor who may donate life estate later. Avoids undue influence.	Will not detrimentally impact Medicaid planning?
Give a Remainder Interest in the Family Farm:	This works the same as giving the Remainder Interest in your home.	
Charitable Remainder Trusts: (CRATs and CRUTs are defined below)	Get tax deduction and tax deferred capital gains by giving away the tree and receive the fruit for a period of time – get tax deduction upon formation.	Some charities will form the CRT and serve as Trustee at no charge, if certain requirements are met.
Charitable Remainder Annuity Trusts (“CRATs”):	Donor will receive a fixed annual payment, notwithstanding the performance of the Trust until assets run out. May receive all back.	
Charitable Remainder Unitrusts (“CRUTs”): Don’t Hesitate To Do One 	Donor will receive a percentage of value of Trust each year, and share in increasing values – presently approximately 11% per year of value for 20 years if not using a life payment. Upon inception, the table value for remainder to charity need not exceed 10% - Allows for deferral of capital gains.	Ideal for holding an asset that is about to be sold. Using FLIP NIMCRUT can allow for up to 14 years deferral of all income tax from a large transaction like the sale of a business or highly appreciated stock. May work best economically.
Charitable Gift Annuity for Donor or Family for Lifetime Payments that May Start in the Future.	Part Gift, Part Purchase – can give appreciated assets without paying taxes on “sale.”	Payments during “life expectancy” are part capital gains, part ordinary income and part return of capital. All ordinary income after life expectancy.
Charitable Lead Annuity Trust (“CLATs”):	Charity gets fixed payments for a term of years – remainder can pass estate and gift tax-free to next generation after term of payments.	Most often arranged so that Grantor gets a 100% charitable income tax deduction, even though much passes estate tax-free to family after term of years payments to charity.
Pooled Income Funds.	All ordinary income when received.	



(Liquidity Event Planning)		
Sell Asset or Company and Then Give Cash from Sale to Charity:	Least effective.	<p>EXAMPLE: Sell \$1,000,000 asset with zero basis and donate \$200,000 to charity. Pay capital gains tax on \$800,000. 23.8% of \$800,000 is \$190,400.</p> <p>$\\$800,000 - \\$190,400 = \\$609,600.$</p>
Gift Part Ownership of What Will Be Sold to Charity Immediately Before There is a Legally Binding Obligation:	The tax deduction for the value of what is given will eliminate income tax on an equal portion sold.	<p>EXAMPLE: Donate 20% of \$1,000,000 company to charity and sell 80% for \$800,000. $\\$190,400 - \\$142,800 = \\$47,000$ tax savings</p> <p>NET RESULT IS MUCH BETTER FOR THIS ONE THAN FIRST EXAMPLE ABOVE.</p>
Defer All Income Tax From Sale for Approximately 19 or More Years Using Charitable Remainder Unitrust ("CRUT"):		In Example above, donate 20% to charity before sale, and have 80% be given to and sold by Charitable Remainder Unitrust – Pay income taxes ratably, based upon 11% of value withdrawals over 20 years, or defer any distributions for up to 14-15 years using FLIP NIMCRUT.



(Liquidity Event Planning)		
Place Assets in a FLIP NIMCRUT that pays 90% of value under tables to Grantor.	<p>Grantor places NIMCRUT Unitrust income under LLC and sells 99% non-voting interest to Grantor Trust for note. The discount may be 50% because of the uncertainty and delay in receiving any distributions.</p> <p>Example: \$1 million of investments into CRUT for \$900,000 Unitrust interest. Client gets \$100,000 tax deduction. Sell 99% non-voting interest in LLC that holds CRUT payment to SLAT or Dynasty Trust for a note for \$450,000.</p> <p>Savings at 40% estate tax rate and with charitable deduction may be more than the charity receives.</p>	<p>Example: \$1 million of investments into CRUT for \$900,000 Unitrust interest. Client gets \$100,000 tax deduction. Sell 99% non-voting interest in LLC that holds CRUT payment to SLAT or Dynasty Trust or a note for \$450,000.</p> <p>Savings at 40% estate tax rate and with charitable deduction will be much more than the charity receives.</p>



(To Avoid Estate Tax)		
Use Administrative Note Exception to Self-Dealing Rules.	<p>Grandfather has \$10 million worth of stock in family business and is in 40% estate tax rate. On his death, IRS will receive \$4 million over 14 years, or within 9 months after date of death.</p> <p>The Administrative Exception Rule that should apply in this situation provides that a note given for the purchase of assets after the death of the owner based upon a qualifying option. option will not constitute self-dealing with respect to "estate property," if the following requirements are satisfied:</p> <ul style="list-style-type: none"> a. The administrator or trustee either possesses a power of sale with respect to the property, has the power to reallocate the property, or is required to sell the property under terms of any option subject to which the property was acquired. b. The transaction is approved by the probate court having jurisdiction over the estate (or by another court having jurisdiction over the estate (or trust) or over the Private Foundation). c. The transaction occurs before the estate is considered to be terminated for federal income tax purposes. d. The estate or trust receives at least fair market value for the interest or expectancy the purchasing entity has in the property. e. One of the following three requirements must also be met: <ul style="list-style-type: none"> (i) The transaction is provided for under the terms of an option that is binding upon the trust or estate. (ii) The transaction results in the foundation receiving an interest or expectancy as liquid as the one it would have received, or (iii) The transaction results in the Foundation receiving an asset related to the active carrying out of its exempt purposes. f. If there are voting units issued by the company, the transaction can only involve the non-voting interests in the company if sale is to a Private Foundation. This is because indirect self-dealing will occur if a Private Foundation controls the organization that is a party to the transaction with a Disqualified Person. <p>Strict compliance with the above requirements must occur for this exception to be effective.</p>	<p>Instead, his Will says that the stock will go to Worthy Charity, but his children will have the option to buy the stock for a long-term low interest note from the estate and owe the note to a Family Foundation that will support the school.</p> <p>Now the children can pay Saint Petersburg College interest on \$4,000,000 for 30 years at applicable federal rate (now just about 3.1% per annum or \$124,000 a year, income tax deductible), instead of paying \$4 million to the IRS.</p>

5. (Cont.)

50 WAYS TO LEAVE YOUR LEGACY

(To Avoid Estate Tax)		
Use Administrative Note Exception to Self-Dealing Rules.	<p>(ii) The transaction results in the foundation receiving an interest or expectancy as liquid as the one it would have received.</p> <p>(iii) The transaction results in the Foundation receiving an asset related to the active carrying out of its exempt purposes.</p> <p>f. If there are voting units issued by the company, the transaction can only involve the non-voting interests in the company if sale is to a Private Foundation. This is because indirect self-dealing will occur if a Private Foundation controls the organization that is a party to the transaction with a Disqualified Person.</p> <p>Strict compliance with the above requirements must occur for this exception to be effective.</p>	<p>Instead, his Will says that the stock will go to Worthy Charity, but his children will have the option to buy the stock for a long-term low interest note from the estate and owe the note to a Family Foundation that will support the school.</p> <p>Now the children can pay Saint Petersburg College interest on \$4,000,000 for 30 years at applicable federal rate (now just about 3.1% per annum or \$124,000 a year, income tax deductible), instead of paying \$4 million to the IRS.</p>
Use Disclaimers:	<p>I leave my \$10 million of stock in trust for my son, John Smith, Esquire, but if the trustee disclaims the stock goes to the CLAT for my son, but if the CLAT trustee disclaims then the stock goes to a 501(c)(3) organization named by the trustee.</p>	



(On Death)

(On Death)		
Leave a Devise to a High Income Child Who can Donate to Charity to get a Tax Deduction.		
Variable Annuities Laden with Ordinary Income	Beneficiary can be charity in amount equal to all income in the contract within X months of death, with remainder to charity or elsewhere.	
Leave IRA and Variable Annuity Income or other IRD to Pot Trust.	Where trustee can pay IRD amounts to charities in the calendar year of receipts until age 13.	
IRA and/or Pension Payable to Charitable Remainder Trust:	Stretch the IRA 20 years or over a lifetime or lifetimes by making it payable to a Charitable Remainder Trust ("CRT") or FLIP NIMCRUT to avoid 10-year payout rule.	
Use Charitable Lead Annuity Trusts ("CLATs") to Zero Out Estate Tax:	Jacqueline Kennedy Onassis – EXAMPLE: 15 annual payments to charity with remainder to family – zero estate tax and family can expect a significant inheritance after term of years for charity.	Can arrange as a disclaimer choice – I give the rest to my daughter, but anything she disclaims goes to CLAT for charity and her.
Leave Assets to a "Non-Qualified Charitable Trust", Which can Pay its Income to Charity per IRC § 642(c)	The trust will not be subject to the charitable organization rules, and can own S corporation stock and have Unrelated Business Taxable Income without penalty.	Be aware of IRC § 680, which may limit charitable deductions for income that would be UBTI, if the trust was a charity.



(Using Family Foundations)

(Using Family Foundations)		
Establish A Private Operating Foundation to Receive/Control Donated Assets and Interactive Joint Venture with Public Charity.	Usually the same tax result, control can stay with the family along with recognition of the name of the Foundation.	Must spend 4.25% of value each three out of every four years and/or use set-aside rules or use assets for charity.
Establish Non-Operating Private Foundation with Same Purposes as Above, But Without Active Participation Requirements.	Private Foundations are subject to deduction limitation rules that do not apply to Private Operating Foundations – Must distribute approximately 5% each year to Public Charities.	The family can control and write checks to Public Charities or engage in active Joint Ventures.
Fund an Incomplete Gift Family Foundation.	Family receives recognition of the Family Foundation name and existence, but no tax deduction until the incomplete gift Foundation makes a transfer to charity. No tax return or formalities required – considered as owned by founders.	No need to register this with the IRS, no need to give minimum distributions, simple inexpensive way to see if the family would enjoy having a Foundation or to earmark assets for charitable purposes while receiving recognition.
Use Short Term NIMCRUT	Can be Payable to Family Foundation after a short term of years – Get Tax Deduction now with no need to make distributions until end of CRUT Term.	



2024 Charitable Deduction Percentage Summary Chart

Special Notes:

1 Donations to charitable remainder annuity trusts and charitable remainder unitrusts can generate deductions in the same categories as shown on this chart.

*A private operating foundation receives better tax treatment.

2 C corporation can deduct up to 10% of its taxable income

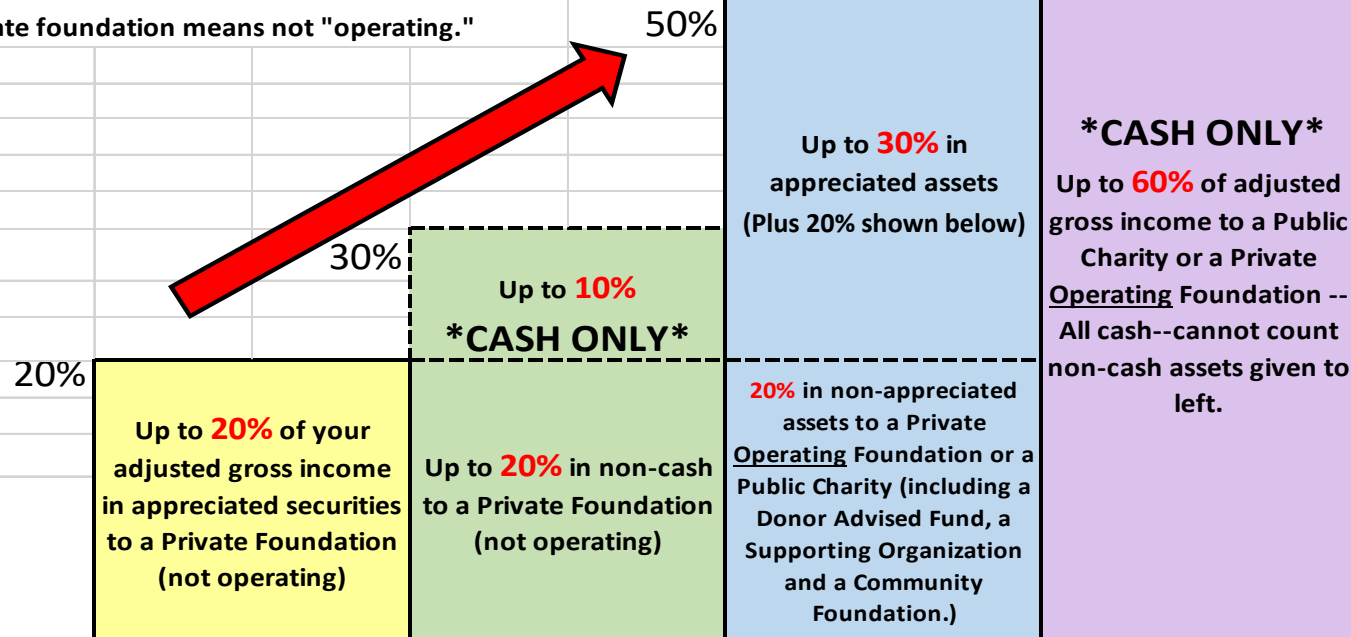
3 Assets left on death do not qualify for an income tax deduction but can save income taxes on "income in respect of a decedent" (IRAs, pension accounts, variable annuities, etc.)

4 Individual taxpayers who itemize:

- a. 2024 single individual - \$14,600
- b. 2024 married couple - \$29,200
- c. 2024 heads of household - \$21,900

5 IRAs may be payable to charitable trusts to defer income up to 20 years.

6 Private foundation means not "operating."



SPECIAL RULE FOR TAXPAYERS OVER 70-1/2

--- Can transfer up to **\$105,000** from an IRA to a Public Charity, Private Operating Foundation, or a Community Foundation.

EXCLUDES: Donor Advised Funds, Supporting Organizations, and Private (Non-Operating) Foundations.

Alternatives – Allow Up to \$52,500 per spouse one time transfer to lifetime or 20 year Charitable Remainder Trusts.

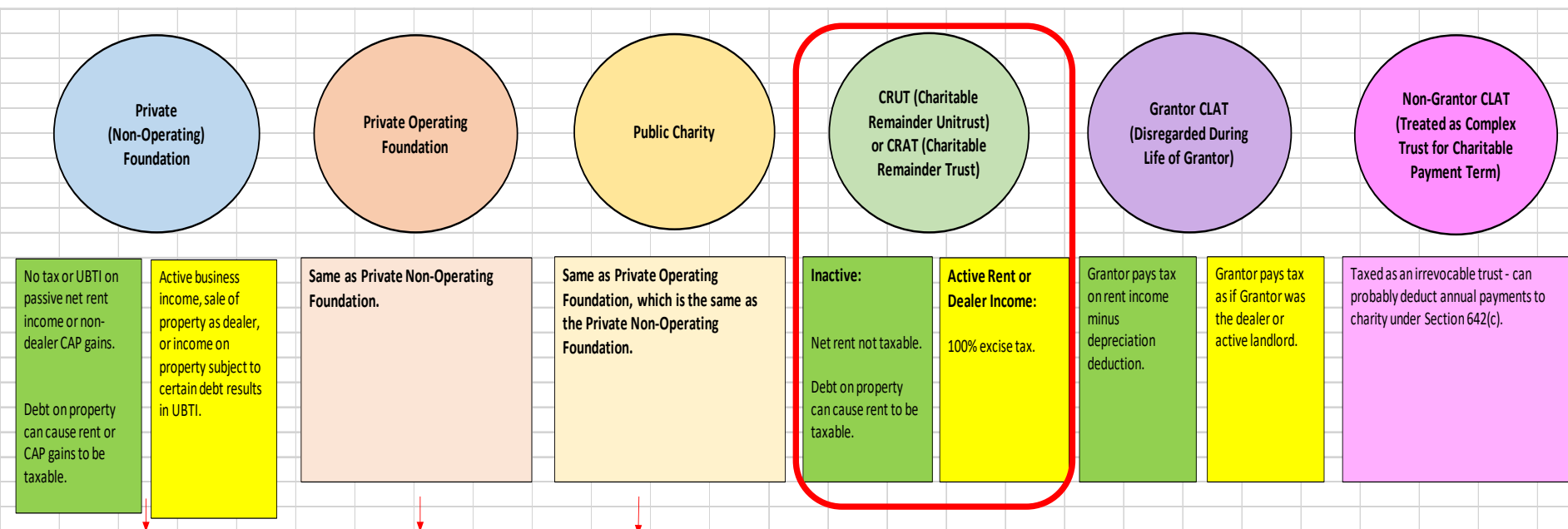
EZ Learning Tool for Charitable Tax Law

Slide 1 of 6 – Deduction for Donation

Private (Non-Operating) Foundation	Private Operating Foundation	Public Charity	CRUT (Charitable Remainder Unitrust) or CRAT (Charitable Remainder Trust)	Grantor CLAT (Disregarded During Life of Grantor)	Non-Grantor CLAT (Treated as Complex Trust for Charitable Payment Term)
<p>Can be funded or controlled by one person or family.</p> <p>Charitable deduction limited to lower of basis or FMV of donated assets other than publicly traded securities.</p> <p>Donor can deduct only up to 20% of AGI for contributions of securities—and then carry forward up to 5 years.</p> <p>Subject to 1.39% annual excise tax on net income.</p> <p>Must generally distribute/spend 5% of net market value annually.</p>	<p>Same as Private Non-Operating Foundation, but must “operate” a charitable activity or venture.</p> <p>Charitable deduction rules are the same as Public Charity—Up to 30% AGI for FMV of appreciated capital gain assets (not accelerated depreciation or dealer property gain). Up to 20% AGI for non-appreciated assets and up to 60% for cash.</p> <p>Must generally spend or distribute 4.25% of net market value each 3 of 4 years.</p>	<p>May qualify by being a physical school, medical facility (“hospital”), medical research organization, house of worship, or satisfying Over 33% Test or Over 66% Test.</p> <p>No minimum distribution requirements.</p> <p>No self-dealing prohibitions.</p> <p>Same donation deductibility rights as Private Operating Foundation contributions.</p>	<p>A simple CRUT or CRAT makes annual payments to one or more individuals, with remainder to charity.</p> <p>Remainder interest must be worth at least 10%, and normally the contributor will receive a tax deduction based thereon.</p> <p>Can contribute appreciated assets and defer income tax on sale by CRT and income thereon until payments are received.</p> <p>Charitable deduction for value of charitable remainder interest.</p>	<p>Considered as owned by Grantor for income tax purposes.</p> <p>Therefore, not subject to self-dealing and other rules.</p> <p>Grantor gets income tax deduction for contribution and pays income tax on net income during charitable term.</p> <p>Remainder passes estate and gift tax-free to family members or comes back to the Grantor.</p>	<p>Taxed as an irrevocable “complex” trust.</p> <p>No income tax deduction for contribution.</p> <p>Grantor not taxable on income.</p>

Slide 2 of 6 – Unrelated Business Taxable Income from Rent Based Upon Percentage of Profit or Dealer Sale Income Treatment and More than Incidental Leasing of Personal - Non-Real Estate - Assets and Income from Businesses Not Related to the Charitable Purpose of the Organization - (Assume there is no debt on property, or that debt qualifies under 10 year exception).

Taxation of Ownership of Real Estate – 100% Ownership or Ownership as Tenants-In-Common (“TIC”) – Not Taxed as Partnership



**** Note** - UBTI is taxed at corporate or trust rate, depending upon whether Foundation is a corporation or a Trust.

- Too much UBTI can cause loss of 501(c)(3) status.

- Entity may make distributions to other charities and receive deduction against UBTI subject to 10% limitation for charitable corporations and more complicated higher limitation for charitable trusts.

- Place taxable activity under C corporations to avoid UBTI – Will be taxed at C corporation level.

- No tax on receipt of dividends or other distributions from a C corporation.



EZ Learning Tool for Charitable Tax Law, Cont'd

Certain Long Term Mortgages May Be “Assumed” by a Charitable Organization

There are three primary exceptions that may allow a Disqualified Person to contribute property subject to debt to a Private Foundation:

The 10-Year Rule

IRC § 4941(d)(2)(A) provides that contributions of mortgaged property will not be viewed as a sale or exchange if the Disqualified Person has placed the mortgage or lien on the property longer than 10 years before the transfer. Therefore, a Disqualified Person may transfer mortgaged property to a Private Foundation without violating the self-dealing rules if the mortgage is older than 10 years.

It should be noted that if the Disqualified Person has refinanced the property within those 10 years, it is not considered to be new debt so long as the principal of the debt has not increased. Therefore, to the extent that the outstanding principal does not increase, a refinance will be considered a continuation of a preexisting debt.

The Received Upon Death Exception

Where property subject to a mortgage is acquired by bequest or devise resulting from death, the pre-death principal indebtedness secured by such mortgage is not treated as acquisition indebtedness during the 10-year period following the date that the organization receives the property.

The Received by Gift and 5 Year Mortgaged / 5 Year Owned Exception

If an organization acquires property by gift subject to a mortgage, the outstanding principal indebtedness secured by such mortgage is not treated as acquisition indebtedness during the 10-year period following the date of such gift if the following has occurred:

The mortgage was placed on the property more than 5 years before the date of the gift, and

The property was held by the donor for more than 5 years before the date of the gift.

In addition, the 501(c)(3) organization will not be subject to UBTI on income earned by renting or operating the property for a period of 10 years if the recipient does not "assume or agree to pay" the debt. It is permissible for the 501(c)(3) organization recipient to *actually pay* the debt, but the donor still may not take on the recourse nature of the debt. In order to allow transfer, the bank will require “non-recourse carve-outs,” which if violated require the recipient to pay the debt.

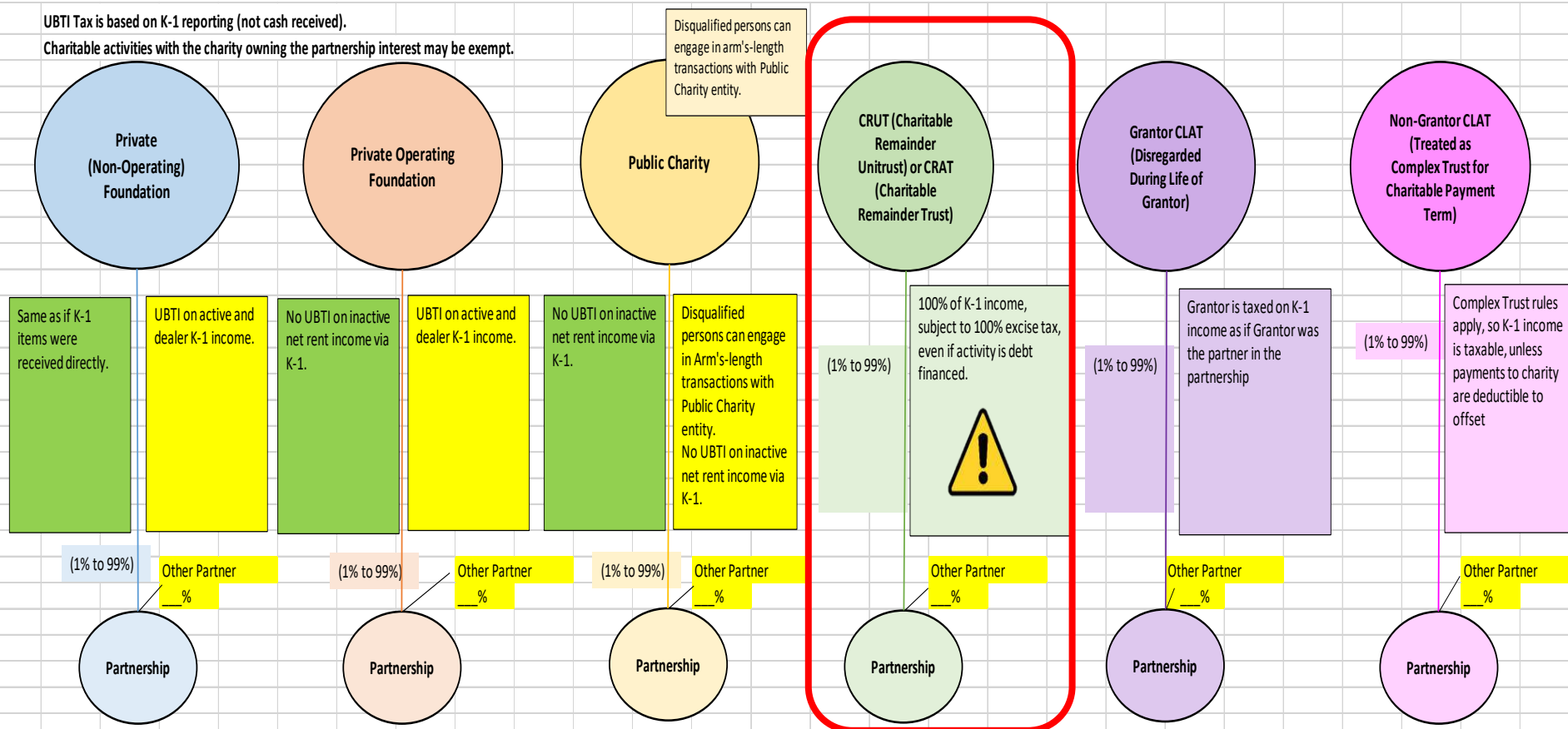


EZ Learning Tool for Charitable Tax Law, Cont'd

Slide 3 of 6 – Ownership of Partnership Interests

UBTI Tax is based on K-1 reporting (not cash received).

Charitable activities with the charity owning the partnership interest may be exempt.

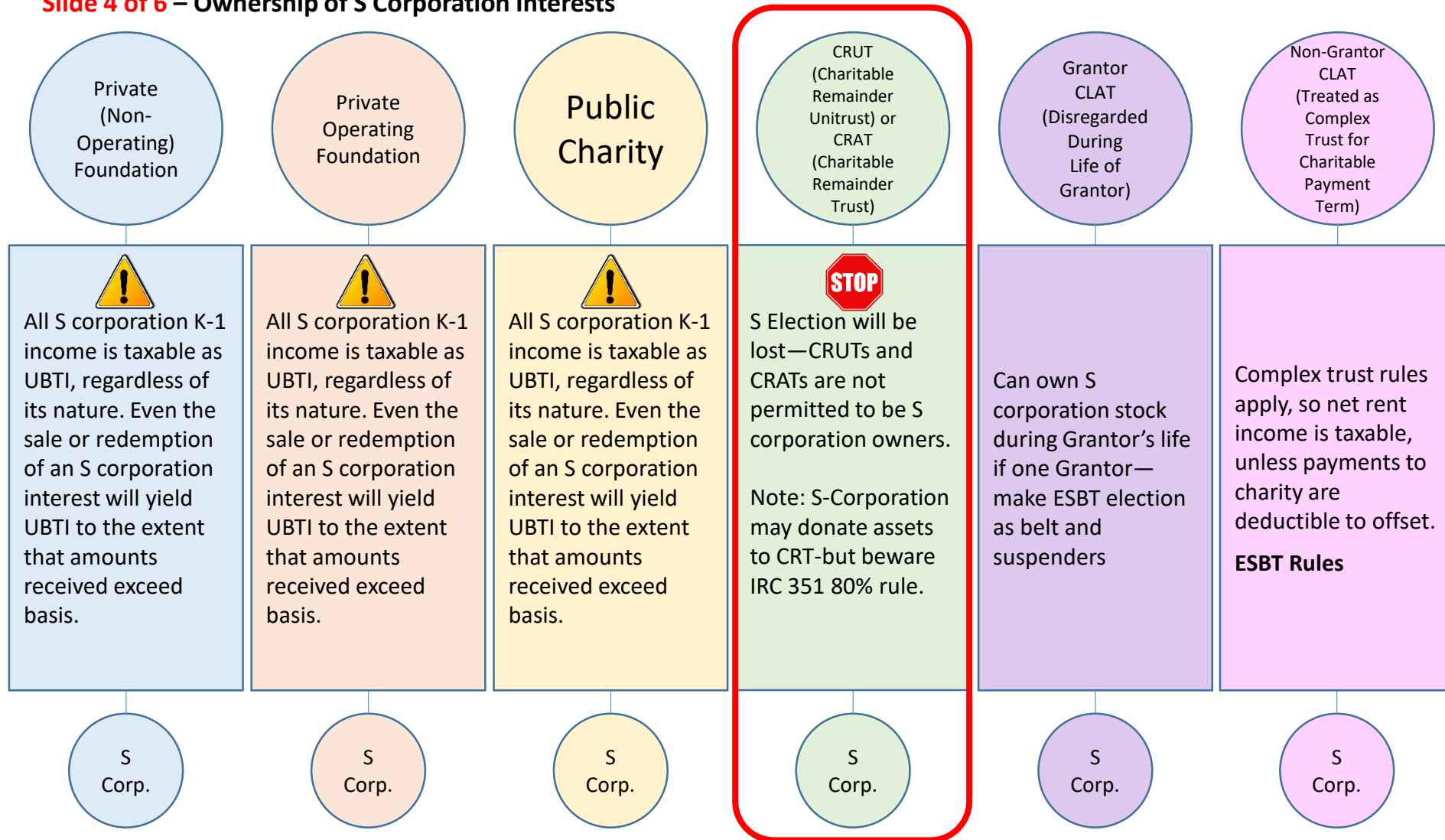


Consider transferring partnership interests into C corporation owned by charity - This may trigger income tax if debt of partnership exceeds basis of partnership assets.



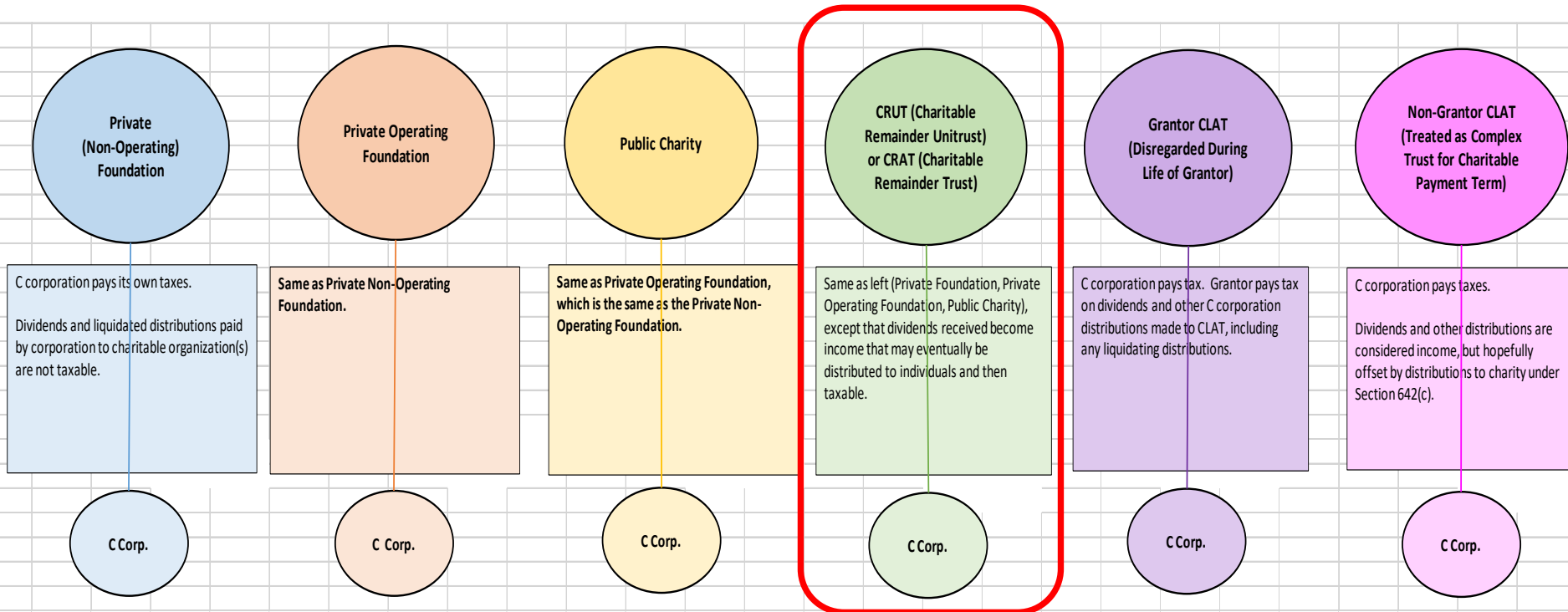
EZ Learning Tool for Charitable Tax Law, Cont'd

Slide 4 of 6 – Ownership of S Corporation Interests



EZ Learning Tool for Charitable Tax Law, Cont'd

Slide 5 of 6 – Ownership of C Corporation Interests – Use as a blocker – C corporation dividends are not UBTI



Excess Business Holding Rule

Self-Dealing issue

Self Dealing Rules?

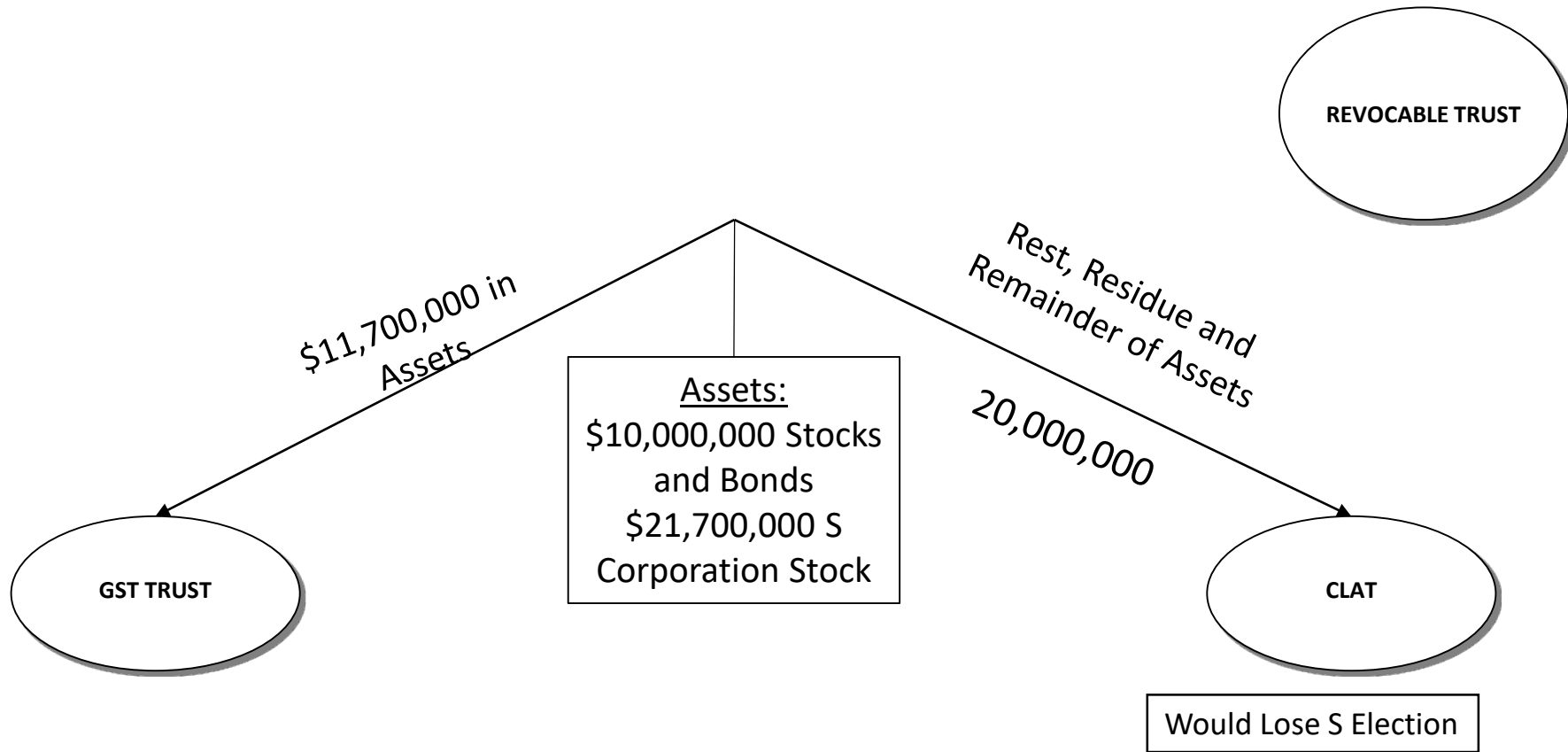


EZ Learning Tool for Charitable Tax Law, Cont'd

Slide 6 of 6 – Self-Dealing and Excess Business Holding Rules



Revocable Trust Immediately After Death of Grantor

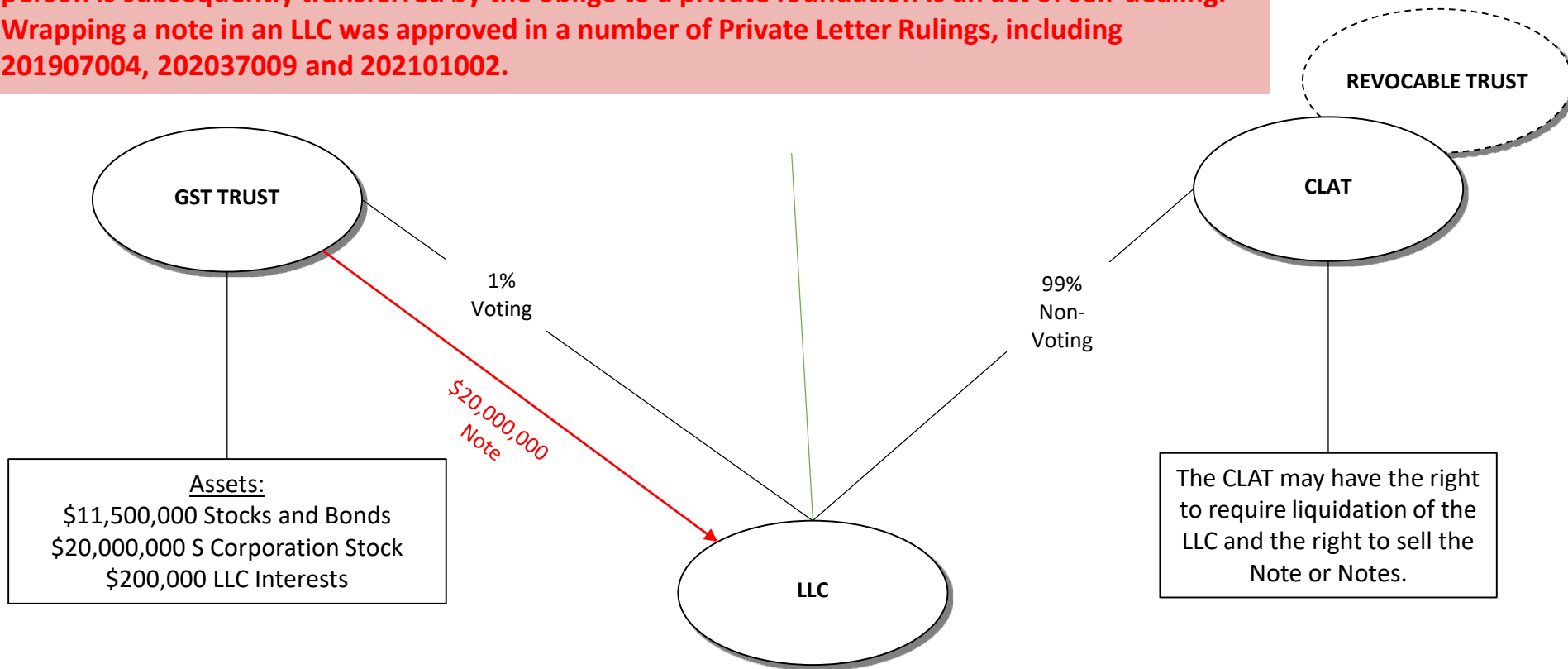


Transfer 1% Voting Member Interest to GST Trust and 99% Non-Voting Member Interest to CLAT

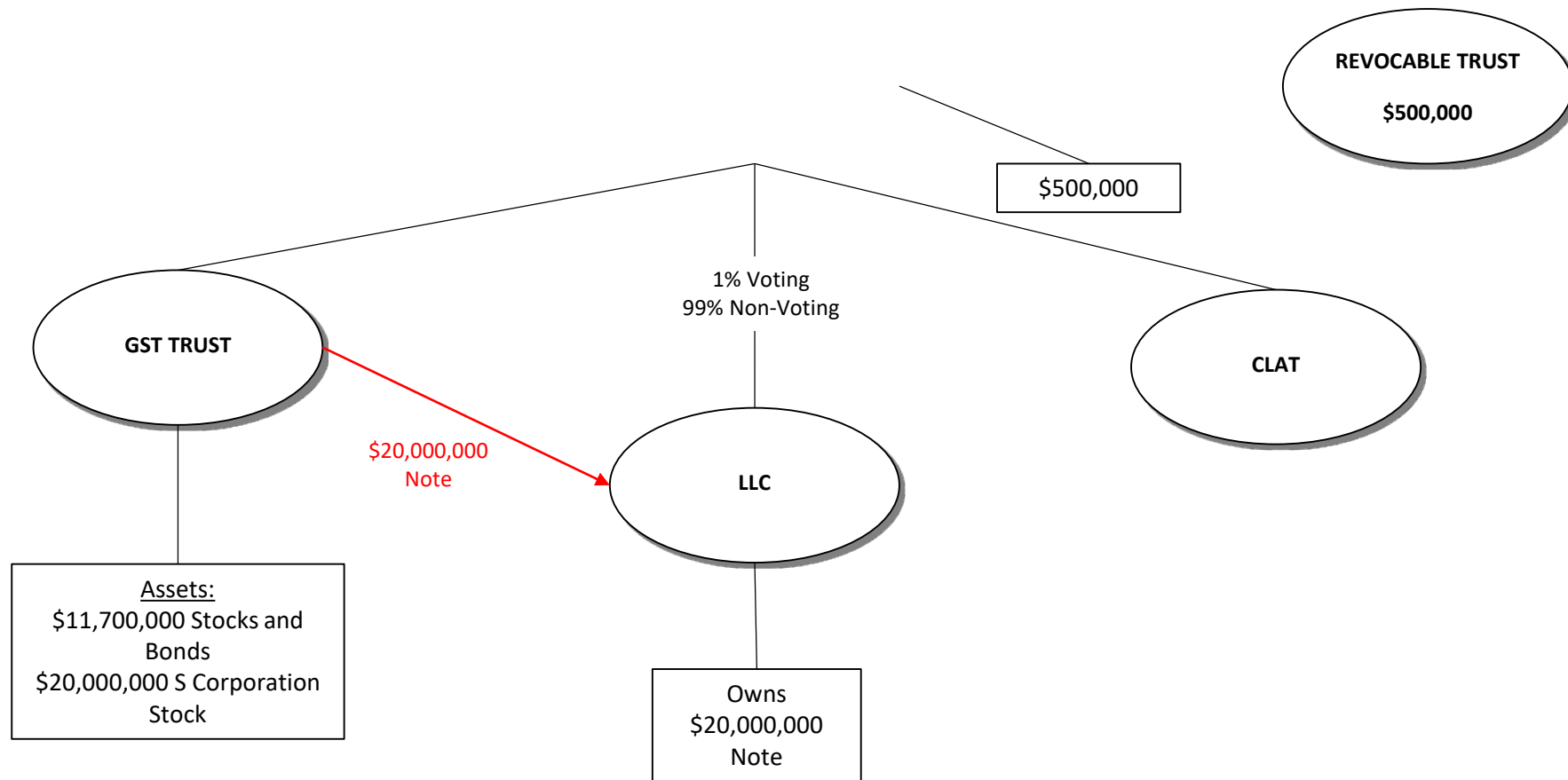
Beware of IRC Revenue Procedure - See IRC Revenue Procedure 2021-40

Under TC Section 4941(d)(1)(B), self-dealing includes the “lending of money or other extension of credit between a private foundation and a disqualified person.”

Under Treasury Regulation 53.4941(d)-2(c)(1), that a promissory note issued by a disqualified person is subsequently transferred by the obligor to a private foundation is an act of self-dealing. Wrapping a note in an LLC was approved in a number of Private Letter Rulings, including 201907004, 202037009 and 202101002.



Fund GST Trusts with \$11,700,000 Devise
Sell S Corporation Stock to GST Trust for \$20,000,000 in
Notes Payable to New LLC Owned by Revocable Trust



CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

3. Can You Pay Deductible or Rent to A FLIP NIMCRUT – The Possibility of Avoid The Self Dealing Rules

A SLAT or Dynasty Trust that has the authority to form and fund a Charitable Remainder Trust may do so with the remainder interest charity being defined to possibly include a Cemetery Association or Police or Fireman Benevolent Society. The CRT transfer will not be considered to be a gift for gift tax purposes and the remainder interest will not qualify for an income tax deduction.

In such event, Internal Revenue Code Section 4947(b)(3) indicates that the Self-dealing rules, will not apply, so it should be possible for family members and entities to borrow money from the CRUT at market rates, and to pay deductible interest to the CRUT. The interest income will be recognized until it is distributed out to the individual Unitrust beneficiaries. Please note that the IRS will no longer rule on such arrangements, but it is in the Internal Revenue Code.

Avoid having an income tax deduction by allowing the remainder to go to a cemetery association or benevolent society – avoid having a gift tax deduction by having the donation come from an irrevocable trust.

 **Caution:** This is a no ruling area for the IRS – But it is in the statute.

Note - Be sure to draft irrevocable trusts to allow for all of the techniques discussed here. Many trusts cannot have their assets used for charity.

Reference: PLR 201713002

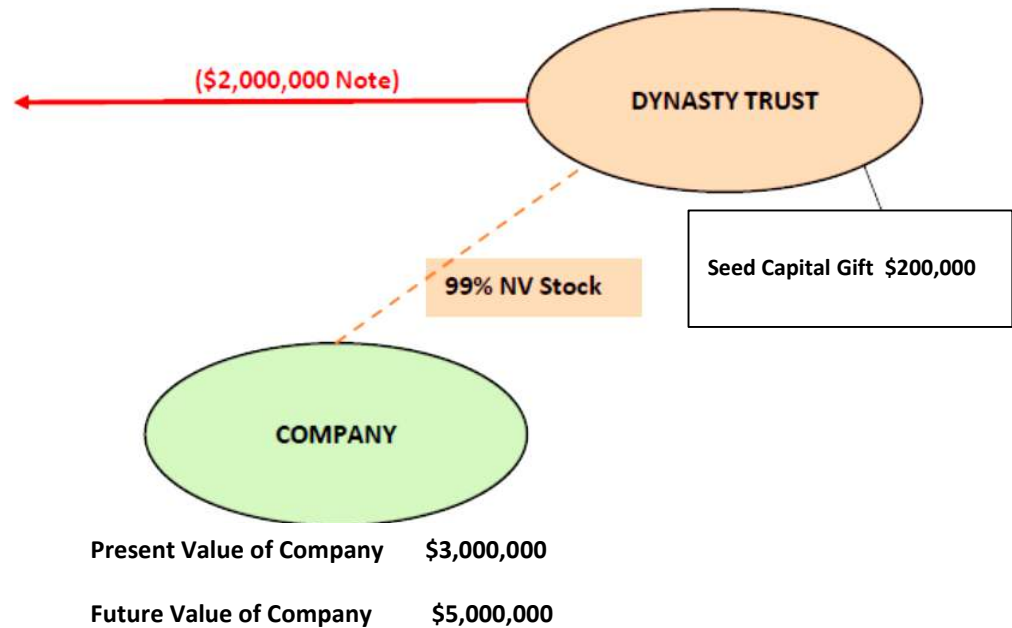
Using a Dynasty Trust and Underlying Charitable Entity

Estate, Tax and Charitable Planning for a Liquidity Event

(Assume Company Now Worth \$3,000,000 and will be Worth \$5,000,000 When Sold)

Year One

- * Establish Dynasty Trust
- * Fund Dynasty Trust with Seed Capital Gift
- * Sell 99% Non-Voting Stock in Company to Dynasty Trust for \$2M note (assume 33% discount)

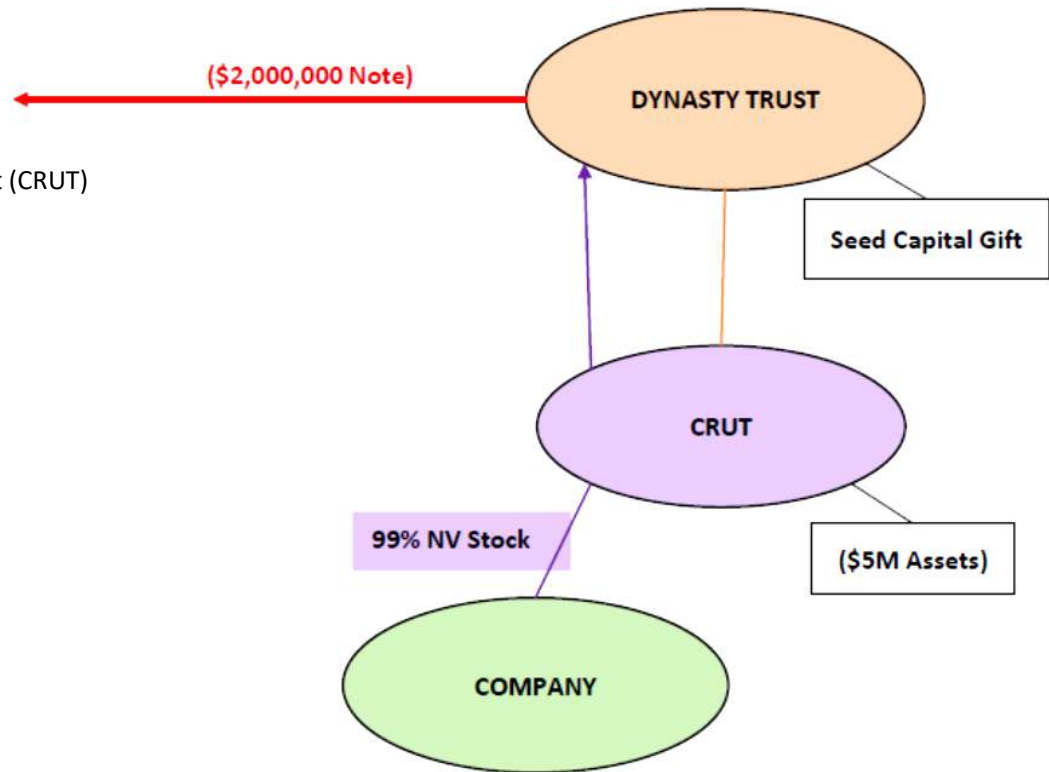


Using a Dynasty Trust and Underlying Charitable Entity (Cont.)

(Client Would Like to Defer Income Tax and Avoid Federal Estate Tax)

Year Three

- * Dynasty Trust donates stock to Charitable Remainder Unitrust (CRUT) well before stock is sold.
- * CRUT has \$5,000,000.
- * Will pay no income tax for first 14 years.

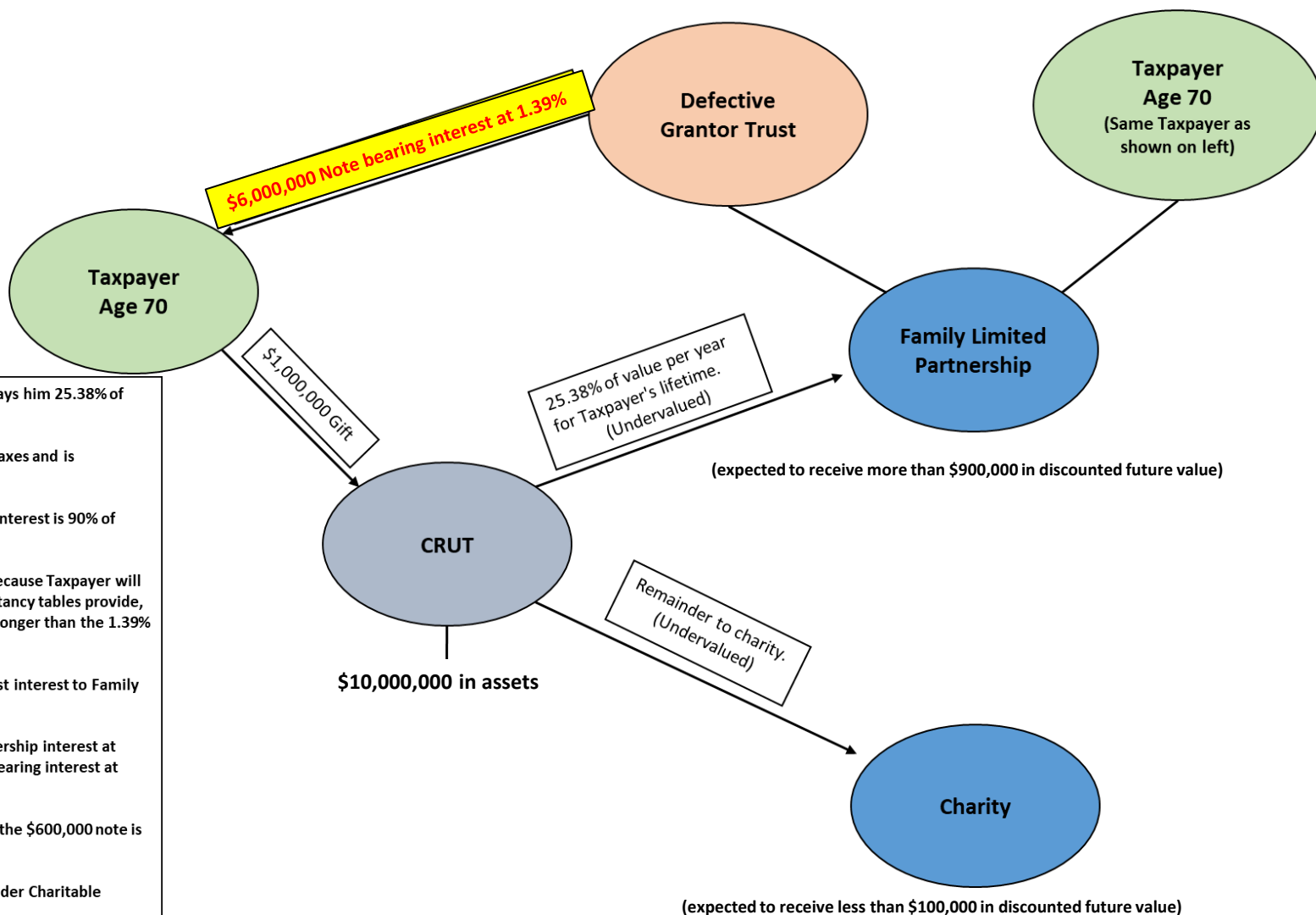


CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

4. Increase Valuation Discounts By Gifting Or Selling Annuity Or Unitrust Interests Or Ownership Interests In Entities That Own Such Interests

First establish the CRUT or CRAT and then value the payment rights. Gift or sell the payment rights to a Grantor Trust in exchange for a promissory note.





Step 1: Taxpayer funds CRUT that pays him 25.38% of value per year for lifetime.

Taxpayer saves \$37,000 in income taxes and is appreciated by the charity.

Step 2: IRC §7520 value of unitrust interest is 90% of what is contributed to CRUT.

In the real world it is worth more because Taxpayer will probably live longer than life expectancy tables provide, and rate of return will probably be longer than the 1.39% applicable Federal rate.

Step 3: Taxpayer contributes unitrust interest to Family Limited Partnership.

Step 4: Taxpayer sells limited partnership interest at 33.3% discount for \$600,000 note bearing interest at 1.39%.

Step 5: After Taxpayer's death only the \$600,000 note is included in his estate.

Charity receives what is then left under Charitable Remainder Unitrust.



CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

5. Consider Receiving Trustee Fees From CRUT To Reduce What Charity Receives

Consider allowing the client and/or one or more family members to serve as a Trustee or Co-Trustee of the CRT in order to maximize the return provided to the family, even though these will be an after tax dollars, if the client wants to maximize what the family receives.

The Trustee fees will be reduce the income tax to be paid upon final distribution from the Charitable Remainder Trust but also the remainder going to charity will be reduced. The income received by the Trustee will be taxable and may be deferred as to payment. The right to receive Trustee fees may help to show that the family will have a tangible financial benefit from being able to control the trust during the payment term.

1. This may allow a Trustee to fund a Roth IRA – Up to \$7,000 a year for 2024. Give your Parent-In-Law a Roth IRA - \$8,000 for 50 or older.
2. This may also allow a young beneficiary to “support her or himself” to not be subject to the Kiddie Tax by having more than one half of support paid for by earned income.
3. Some young professional corporate owners can place any additional incremental income from Trustee fees into a tax deductible 401k or other pension plan.



NIMCRUT – 15 Year FLIP With Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$81,370	(24,411)	\$56,959	\$15,307,760	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$76,946	(23,084)	\$53,862	\$16,193,456	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$0	\$0	\$81,352	(24,406)	\$56,946	\$16,839,866	\$0
10.88%	\$1,831,335	\$1,831,335	\$0	\$7,044,107	\$0	\$0	\$84,199	(25,260)	\$58,940	\$17,429,261	\$0
10.88%	\$1,895,432	\$1,895,432	\$0	\$8,939,539	\$0	\$0	\$87,146	(26,144)	\$61,002	\$18,039,286	\$0
10.88%	\$1,961,772	\$1,961,772	\$0	\$10,901,312	\$0	\$0	\$90,196	(27,059)	\$63,137	\$18,670,661	\$0
10.88%	\$2,030,434	\$2,030,434	\$0	\$12,931,746	\$0	\$0	\$93,353	(28,006)	\$65,347	\$19,324,134	\$0
10.88%	\$2,101,500	\$2,101,500	\$0	\$15,033,245	\$0	\$0	\$96,621	(28,986)	\$67,634	\$20,000,478	\$0
10.88%	\$2,175,052	\$2,175,052	\$0	\$17,208,297	\$0	\$0	\$100,002	(30,001)	\$70,002	\$20,700,495	\$0
10.88%	\$2,251,179	\$2,251,179	\$0	\$19,459,476	\$0	\$0	\$103,502	(31,051)	\$72,452	\$21,425,012	\$0
10.88%	\$2,329,970	\$2,329,970	\$0	\$21,789,446.34	\$0	\$0	\$107,125	(32,138)	\$74,988	\$22,174,888	\$0
10.88%	\$2,411,519	\$2,411,519	\$0	\$24,200,965.39	\$0	\$0	\$110,874	(33,262)	\$77,612	\$22,951,009	\$0
10.88%	\$2,495,922	\$2,495,922	\$0	\$26,696,887.60	\$0	\$0	\$114,755	(34,427)	\$80,329	\$23,754,294	\$0
10.88%	\$2,583,279	\$2,583,279	\$0	\$29,280,167.10	\$0	\$0	\$118,771	(35,631)	\$83,140	\$24,585,695	\$0
10.88%	\$2,673,694	\$2,673,694	\$9,295,122	\$22,658,739.09	\$9,295,122	\$9,295,122	\$122,928	(36,879)	\$86,050	\$16,151,072	\$3,878,530
10.88%	\$1,756,429				\$1,756,429	\$11,051,551	\$80,755	(24,227)	\$56,529	\$14,959,930	\$4,569,942
10.88%	\$1,626,892				\$1,626,892	\$12,678,444	\$74,800	(22,440)	\$52,360	\$13,856,635	\$5,174,111
10.88%	\$1,506,909				\$1,506,909	\$14,185,353	\$69,283	(20,785)	\$48,498	\$12,834,708	\$5,702,048
10.88%	\$1,395,775				\$1,395,775	\$15,581,127	\$64,174	(19,252)	\$44,921	\$11,888,149	\$6,163,369
10.88%	\$1,292,836				\$1,292,836	\$16,873,963	\$59,441	(17,832)	\$41,609	\$11,011,398	\$6,566,482
10.88%	\$1,197,489				\$800,494	\$17,674,457	\$55,057	(16,517)	\$38,540	\$10,596,303	\$6,801,951



NIMCRUT – 10 Year Flip No Fee

Year	Year #	Beginning Value	Growth (4%)	Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	End Value	PV of Annuity Payments
2022	1	\$16,274,000	(884,870)	10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$15,389,130	\$0
2023	2	\$15,389,130	\$881,272	10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$16,270,402	\$0
2024	3	\$16,270,402	\$650,816	10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$0	\$0	\$16,921,218	\$0
2025	4	\$16,921,218	\$676,849	10.88%	\$1,840,182	\$1,840,182	\$0	\$7,052,954	\$0	\$0	\$17,598,067	\$0
2026	5	\$17,598,067	\$703,923	10.88%	\$1,913,790	\$1,913,790	\$0	\$8,966,744	\$0	\$0	\$18,301,989	\$0
2027	6	\$18,301,989	\$732,080	10.88%	\$1,990,341	\$1,990,341	\$0	\$10,957,085	\$0	\$0	\$19,034,069	\$0
2028	7	\$19,034,069	\$761,363	10.88%	\$2,069,955	\$2,069,955	\$0	\$13,027,040	\$0	\$0	\$19,795,432	\$0
2029	8	\$19,795,432	\$791,817	10.88%	\$2,152,753	\$2,152,753	\$0	\$15,179,793	\$0	\$0	\$20,587,249	\$0
2030	9	\$20,587,249	\$823,490	10.88%	\$2,238,863	\$2,238,863	\$0	\$17,418,657	\$0	\$0	\$21,410,739	\$0
2031	10	\$21,410,739	\$856,430	10.88%	\$2,328,418	\$2,328,418	\$5,993,169	\$13,753,906	\$5,993,169	\$5,993,169	\$16,274,000	\$3,346,554
2032	11	\$16,274,000	\$650,960	10.88%	\$1,769,798				\$1,769,798	\$7,762,966	\$15,155,163	\$4,278,861
2033	12	\$15,155,163	\$606,207	10.88%	\$1,648,124				\$1,648,124	\$9,411,090	\$14,113,245	\$5,097,928
2034	13	\$14,113,245	\$564,530	10.88%	\$1,534,815				\$1,534,815	\$10,945,905	\$13,142,959	\$5,817,510
2035	14	\$13,142,959	\$525,718	10.88%	\$1,429,297				\$1,429,297	\$12,375,202	\$12,239,381	\$6,449,689
2036	15	\$12,239,381	\$489,575	10.88%	\$1,331,033				\$1,331,033	\$13,706,235	\$11,397,924	\$7,005,083
2037	16	\$11,397,924	\$455,917	10.88%	\$1,239,524				\$1,239,524	\$14,945,759	\$10,614,316	\$7,493,017
2038	17	\$10,614,316	\$424,573	10.88%	\$1,154,307				\$1,154,307	\$16,100,066	\$9,884,582	\$7,921,685
2039	18	\$9,884,582	\$395,383	10.88%	\$1,074,948				\$1,074,948	\$17,175,014	\$9,205,017	\$8,298,287
2040	19	\$9,205,017	\$368,201	10.88%	\$1,001,046				\$1,001,046	\$18,176,060	\$8,572,172	\$8,629,145
2041	20	\$8,572,172	\$342,887	10.88%	\$932,224				\$932,224	\$19,108,284	\$7,982,835	\$8,919,817
2042	21	\$7,982,835	\$319,313	10.88%	\$868,133				\$800,494	\$19,908,778	\$7,501,655	\$9,155,287



NIMCRUT – Current FLIP No Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cummulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0		0	\$0	\$15,389,130	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0		0	\$0	\$16,270,402	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$1,769,406	\$1,769,406		0	\$0	\$15,151,812	\$1,485,628
10.88%	\$1,647,760				\$1,647,760	\$3,417,166		0	\$0	\$14,110,125	\$2,790,807
10.88%	\$1,534,476				\$1,534,476	\$4,951,642		0	\$0	\$13,140,054	\$3,937,457
10.88%	\$1,428,981				\$1,428,981	\$6,380,623		0	\$0	\$12,236,675	\$4,944,832
10.88%	\$1,330,738				\$1,330,738	\$7,711,361		0	\$0	\$11,395,404	\$5,829,849
10.88%	\$1,239,250				\$1,239,250	\$8,950,611		0	\$0	\$10,611,970	\$6,607,370
10.88%	\$1,154,052				\$1,154,052	\$10,104,663		0	\$0	\$9,882,397	\$7,290,452
10.88%	\$1,074,711				\$1,074,711	\$11,179,374		0	\$0	\$9,202,982	\$7,890,565
10.88%	\$1,000,824				\$1,000,824	\$12,180,198		0	\$0	\$8,570,277	\$8,417,786
10.88%	\$932,018				\$932,018	\$13,112,215		0	\$0	\$7,981,070	\$8,880,970
10.88%	\$867,941				\$867,941	\$13,980,157		0	\$0	\$7,432,372	\$9,287,895
10.88%	\$808,270				\$808,270	\$14,788,427		0	\$0	\$6,921,396	\$9,645,394
10.88%	\$752,702				\$752,702	\$15,541,129		0	\$0	\$6,445,550	\$9,959,470
10.88%	\$700,954				\$700,954	\$16,242,083		0	\$0	\$6,002,419	\$10,235,398
10.88%	\$652,763				\$652,763	\$16,894,846		0	\$0	\$5,589,752	\$10,477,811
10.88%	\$607,886				\$607,886	\$17,502,731		0	\$0	\$5,205,457	\$10,690,780
10.88%	\$566,093				\$566,093	\$18,068,825		0	\$0	\$4,847,582	\$10,877,881
10.88%	\$527,175				\$527,175	\$18,595,999		0	\$0	\$4,514,310	\$11,042,257
10.88%	\$490,931				\$800,494	\$19,396,493		0	\$0	\$3,894,389	\$11,277,726



NIMCRUT – Current FLIP With Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$81,370	(24,411)	\$56,959	\$15,307,760	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$76,946	(23,084)	\$53,862	\$16,193,456	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$1,769,406	\$1,769,406	\$81,352	(24,406)	\$56,946	\$15,070,460	\$1,485,628
10.88%	\$1,638,913				\$1,638,913	\$3,408,319	\$75,352	(22,606)	\$52,747	\$13,959,013	\$2,783,800
10.88%	\$1,518,043				\$1,518,043	\$4,926,361	\$69,795	(20,939)	\$48,857	\$12,929,536	\$3,918,170
10.88%	\$1,406,087				\$1,406,087	\$6,332,448	\$64,648	(19,394)	\$45,253	\$11,975,983	\$4,909,406
10.88%	\$1,302,388				\$1,302,388	\$7,634,837	\$59,880	(17,964)	\$41,916	\$11,092,754	\$5,775,568
10.88%	\$1,206,337				\$1,206,337	\$8,841,174	\$55,464	(16,639)	\$38,825	\$10,274,664	\$6,532,439
10.88%	\$1,117,370				\$1,117,370	\$9,958,543	\$51,373	(15,412)	\$35,961	\$9,516,907	\$7,193,808
10.88%	\$1,034,964				\$1,034,964	\$10,993,507	\$47,585	(14,275)	\$33,309	\$8,815,035	\$7,771,726
10.88%	\$958,635				\$958,635	\$11,952,142	\$44,075	(13,223)	\$30,853	\$8,164,926	\$8,276,723
10.88%	\$887,936				\$887,936	\$12,840,078	\$40,825	(12,247)	\$28,577	\$7,562,763	\$8,718,000
10.88%	\$822,450				\$822,450	\$13,662,528	\$37,814	(11,344)	\$26,470	\$7,005,009	\$9,103,597
10.88%	\$761,795				\$761,795	\$14,424,323	\$35,025	(10,508)	\$24,518	\$6,488,390	\$9,440,540
10.88%	\$705,612				\$705,612	\$15,129,935	\$32,442	(9,733)	\$22,709	\$6,009,871	\$9,734,967
10.88%	\$653,573				\$653,573	\$15,783,509	\$30,049	(9,015)	\$21,035	\$5,566,643	\$9,992,244
10.88%	\$605,372				\$605,372	\$16,388,881	\$27,833	(8,350)	\$19,483	\$5,156,103	\$10,217,058
10.88%	\$560,726				\$560,726	\$16,949,608	\$25,781	(7,734)	\$18,046	\$4,775,841	\$10,413,505
10.88%	\$519,373				\$519,373	\$17,468,980	\$23,879	(7,164)	\$16,715	\$4,423,622	\$10,585,164
10.88%	\$481,069				\$481,069	\$17,950,049	\$22,118	(6,635)	\$15,483	\$4,097,380	\$10,735,164
10.88%	\$445,590				\$445,590	\$18,395,639	\$20,487	(6,146)	\$14,341	\$3,795,198	\$10,866,236

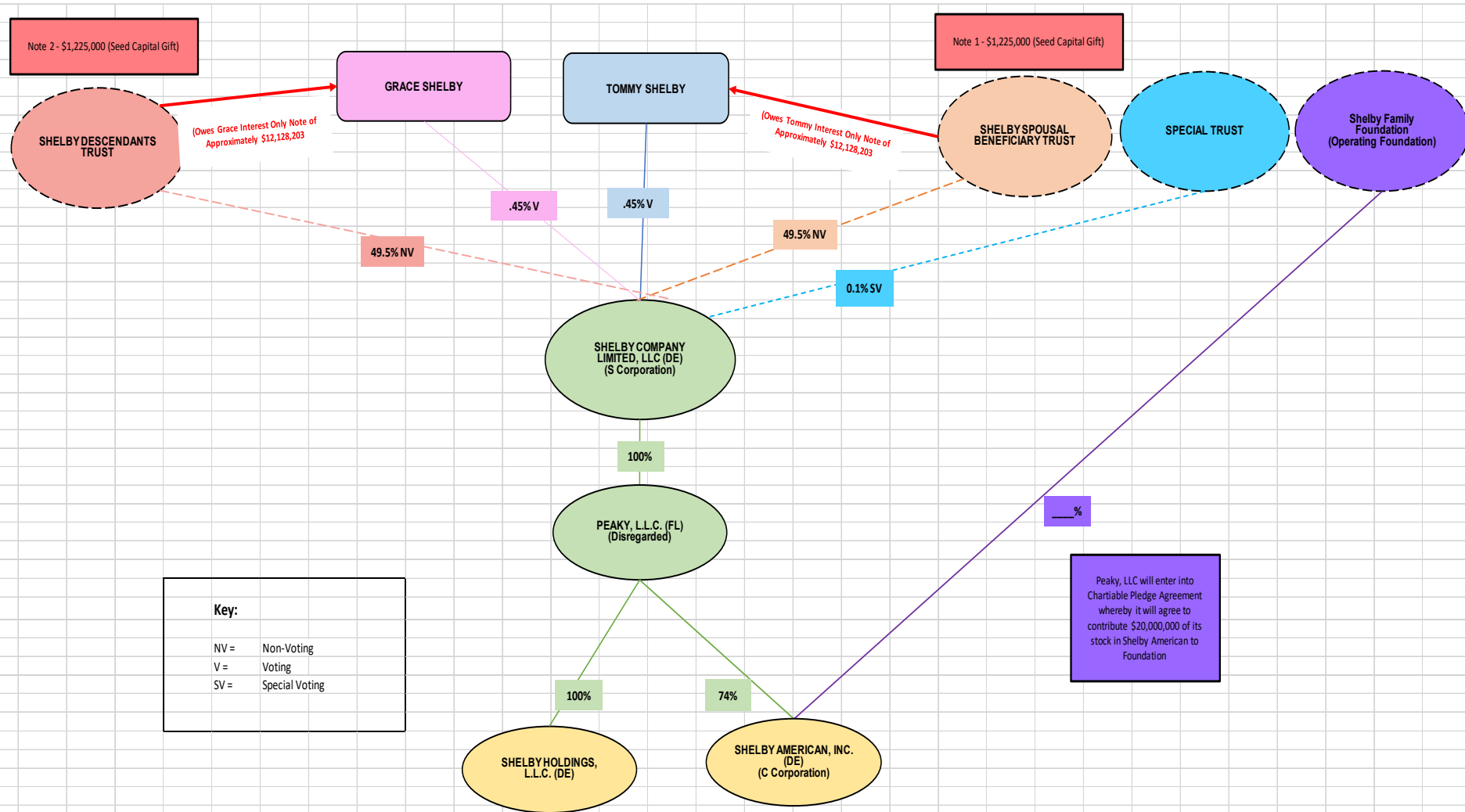
CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

6. Put a Value On The Benefits That a Person or Family Will Derive From Having Control Over the Charitable Remainder Entity. Keep Job Availability for Family and Friends and Family and Business Goodwill Enhancement in Mind

Ask the family if it is worth perhaps 5% of the day one value of the entity to have a remainder interest charity that will benefit the community.. The ability to pay for services, and goodwill in the community adds more value for the family in the equation. Consider what percentage of the value of the family charity disposition at the end of the term might be. Businesses and professional practices may increase sales by having community goodwill.

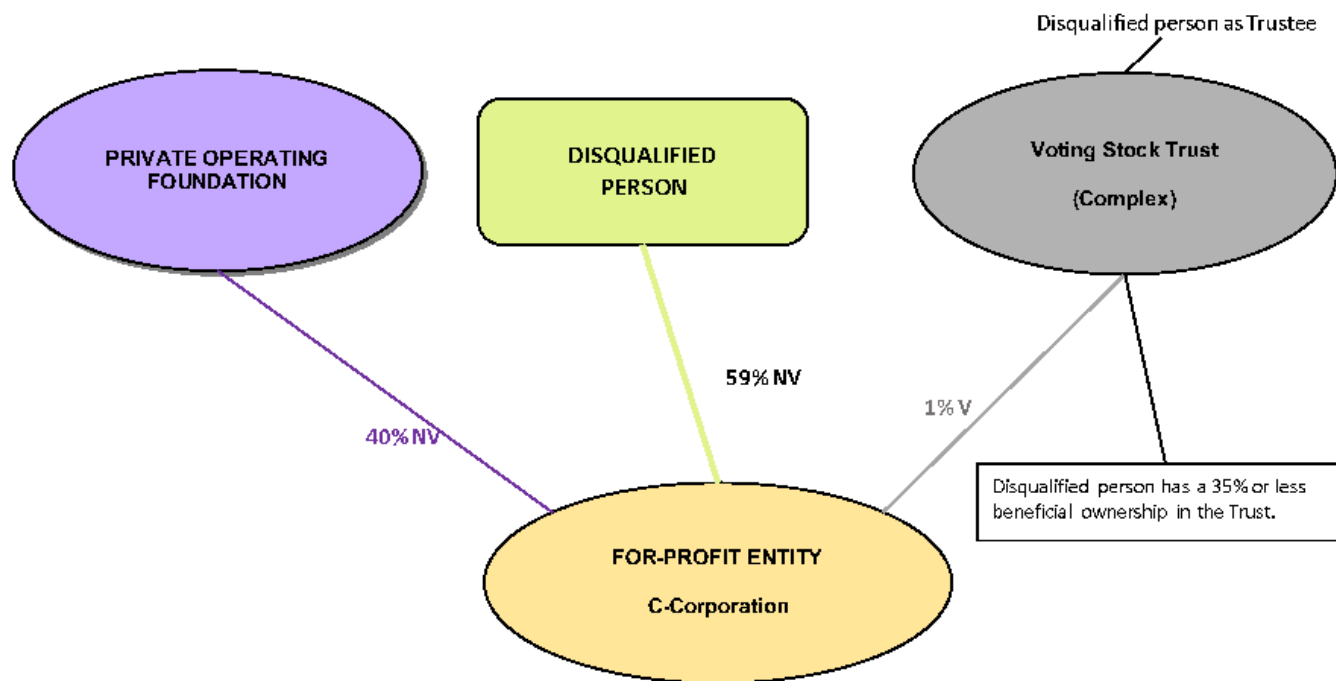


Installment Sale to Intentionally Defective Grantor Trust (IGDT) / Donation to Charity



Non-Profit Entity Owning For-Profit Business

Permitted - Disqualified Person Retaining Non-Voting Interests



The above structure should not cause an excess business holdings issue for the POF because the POF will not be deemed to own any of the voting interest that are held by the Voting Stock Trust as the disqualified person has less than a 35% beneficial ownership interest in the Voting Stock Trust. Section 4946(a)(1)(G).

The disqualified person holds a 59% non-voting interest outside of the Voting Stock Trust, which does not lead to an excess business holdings issue because the excess business holdings statute is only concerned with ownership of voting stock. Thus, the disqualified person can continue to own any percentage of the non-voting interest in the company as long as such person controls the voting interest through the use of a non-disqualified Voting Stock Trust.

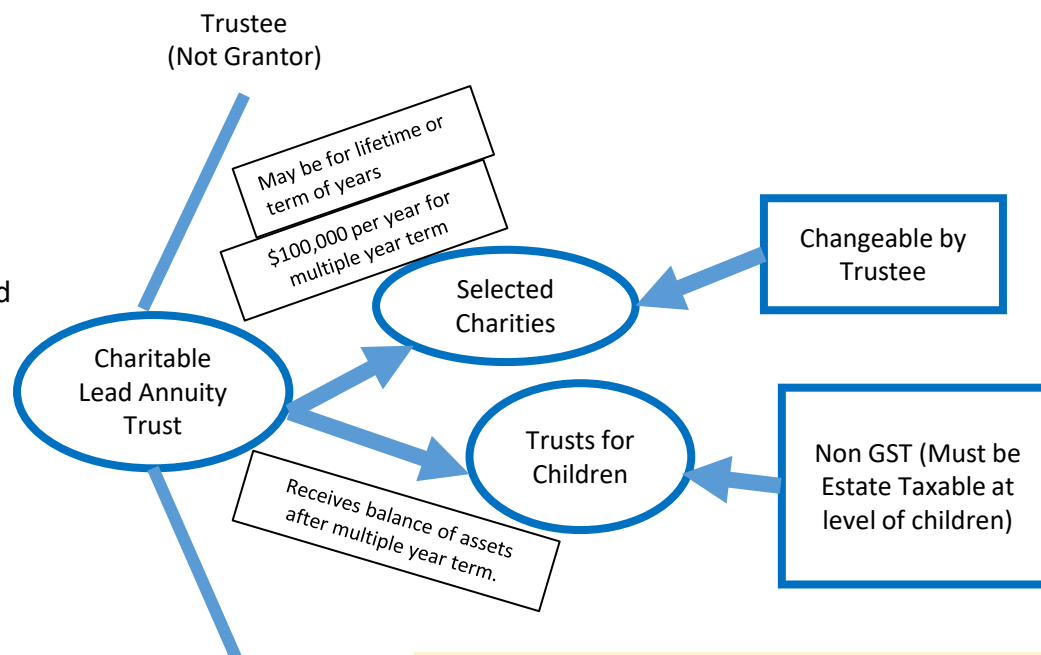
Lifetime Charitable Lead Annuity Trust

Grantor CLAT

- Grantor gets charitable deduction upon funding
- Grantor pays income tax on income – No further deduction for what goes to charity
- Charitable deduction recaptured if Grantor dies during annuity term

Non Grantor CLAT

- No charitable income tax deduction upon funding
- Income not taxable to the Grantor
- Trust is taxed as complex – Payments to charity carry out distributable net income
- Transfer of appreciated assets from CLAT to charity triggers income tax – Offset by value of what goes to charity



1. Well suited for stocks and bonds
2. Promissory notes may work well
3. C corporation stock can work well
4. Not suitable for IRAs
5. Not eligible to hold S corporation interests
6. Other limitations apply



Dispositions to Charity Under *McCord/Petter* Type Family Installment Sales

- In the Tax Court cases of *McCord v. Commissioner of Internal Revenue* and *Petter v. Commissioner of Internal Revenue*, taxpayers sold privately owned investment or corporate interest to trusts for descendants in exchange for notes based upon sale agreements that included adjustment clauses to provide that any value in excess of the agreed sales price passed at the time of the sale to a 501(c)(3) Public Charity in a manner intended to qualify for the federal gift tax charitable deduction.
- At the same time, the transactional documents provided for a small portion of the business entity to pass to the 501(c)(3) charity, and the 501(c)(3) reviewed and participated in the negotiation of the documents and also reviewed the valuation reports, presumably exercising appropriate fiduciary duties to assure that the organization was properly represented.
- One apparent reason for use of the charitable overflow arrangement was to overcome the IRS argument that adjustment clauses are contrary to public policy because they prevent the IRS from recharacterizing value. The opinions in *McCord* and *Petter* specifically found that it would not violate public policy to have an adjustment clause where the excess value determined to exist for gift tax purposes would go to charity.



Dispositions to Charity Under *McCord/Petter* Type Family Installment Sales (*cont'd*)

- Under the *McCord* and *Petter* arrangements, a small sliver of the applicable family entity was treated as going to charity at the moment of sale, and the only open question was whether a larger percentage of the entity was transferred to the charity at the time of the sale.
- In other words, as opposed to the agreements indicating that the charity was receiving a percent of the company and would therefore receive a greater percentage later if determined appropriate by a tax court or other court of competent jurisdiction, the agreement indicated that the charity was receiving a percentage of the applicable entity equal to a portion sufficient so that there would be no gift being considered as made to the family trust that was purchasing the rest of the applicable percentage for a fixed dollar amount.
- For instance, if the sales price was \$1 million for 25% and the charity was receiving 1% at the time of the transfer, if the Tax Court found that 25% of the entity was really worth \$2 million then the charity would be receiving 13.5% at the moment of the transaction, and the parties would correct percentages of ownership and provide makeup payments to take into account that the charity actually received 13.5% instead of 1% at the time of the sale.



Issues Presented by *McCord/Petter* Type Family Installment Sales (*cont'd*)

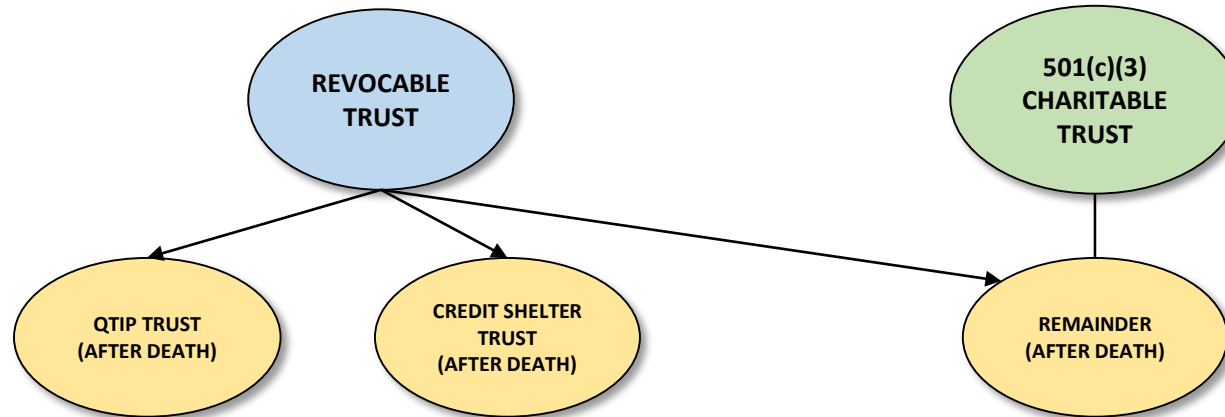
- Will the excess transfer qualify for an income tax deduction?
 - Specifically, will the taxpayer know within 3 years of filing the income tax return for the tax year in question whether the charitable contribution is actually greater than what is reported on the income tax return?
-
- ❖ One strategy is to file the gift tax return as soon as possible in the year following the sale in order to get the 3 year statute on the audit of a gift tax return running, while filing an extension for the individual income tax return of the taxpayer, and probably filing the income tax return on the last possible day, or possibly even thereafter if this is legal, given that gift tax auditors will commonly request an extension of the statute of limitations and may be less likely to settle on favorable terms if the taxpayer does not grant an extension to some extent.



Without Administrative Note

Revocable Trust Assets:

Home	\$ 4,000,000
Investments	\$28,610,000 (\$10,000,000 + \$13,610,000 + \$5,000,000)
Business	\$45,000,000 (Distributes \$5,000,000 a year in profits)
Business Dividends	\$ 7,000,000 (per year)



Home: \$ 4,000,000
 Investments: \$10,000,000
Total: \$14,000,000
(ENOUGH 😊)

Investments: \$13,610,000

Investments: \$ 5,000,000
 Business (becomes C corp.): \$45,000,000
 Receives in Dividends (per yr.) \$ 4,900,000 *
 Must Distribute 4.25% of net value to charity (per yr.) \$ 2,125,000

*Business becomes C corporation
 subject to income tax on its income – assume 30% rate)

(Must distribute 4.25% year to charity. 4.25% x \$50,000,000
 Is \$2,125,000)

Distributes income annually to spouse with remainder passing to family and charity upon spouse's death.

Can make distributions to family members, spouse and charity.

With Administrative Note

Revocable Trust Assets:

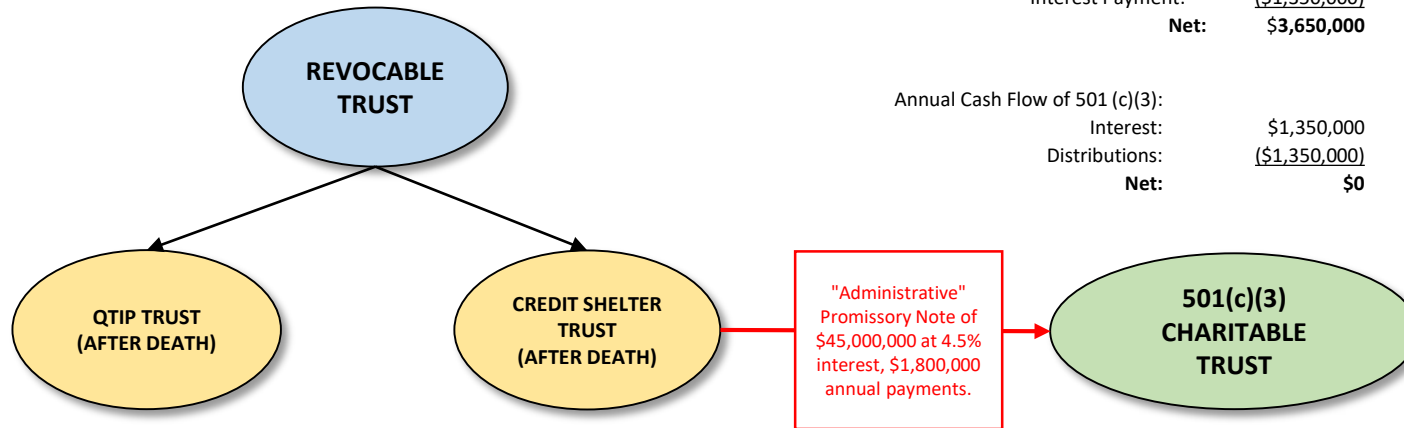
Home	\$ 4,000,000
Investments	\$28,610,000 (\$10,000,000 + \$13,610,000 + \$5,000,000)
Business	\$45,000,000 (Distributes \$5,000,000 a year in profits)
Business Dividends	\$ 7,000,000 (per year)

Annual Cash Flow of Credit Shelter Trust:

Business Income:	\$5,000,000
Interest Payment:	<u>(\$1,350,000)</u>
Net:	\$3,650,000

Annual Cash Flow of 501 (c)(3):

Interest:	\$1,350,000
Distributions:	<u>(\$1,350,000)</u>
Net:	\$0



Home: \$ 4,000,000
 Investments: \$10,000,000
Total: \$14,000,000
(ENOUGH 😊)

Distributes income annually to spouse with remainder passing to family and charity upon spouse's death.

Investments: \$13,610,000
 Business: \$45,000,000
 Promissory Note: **(\$45,000,000)**
Net Value: \$13,610,000

Can make distributions to family members, spouse and charity.

Cash Flow:

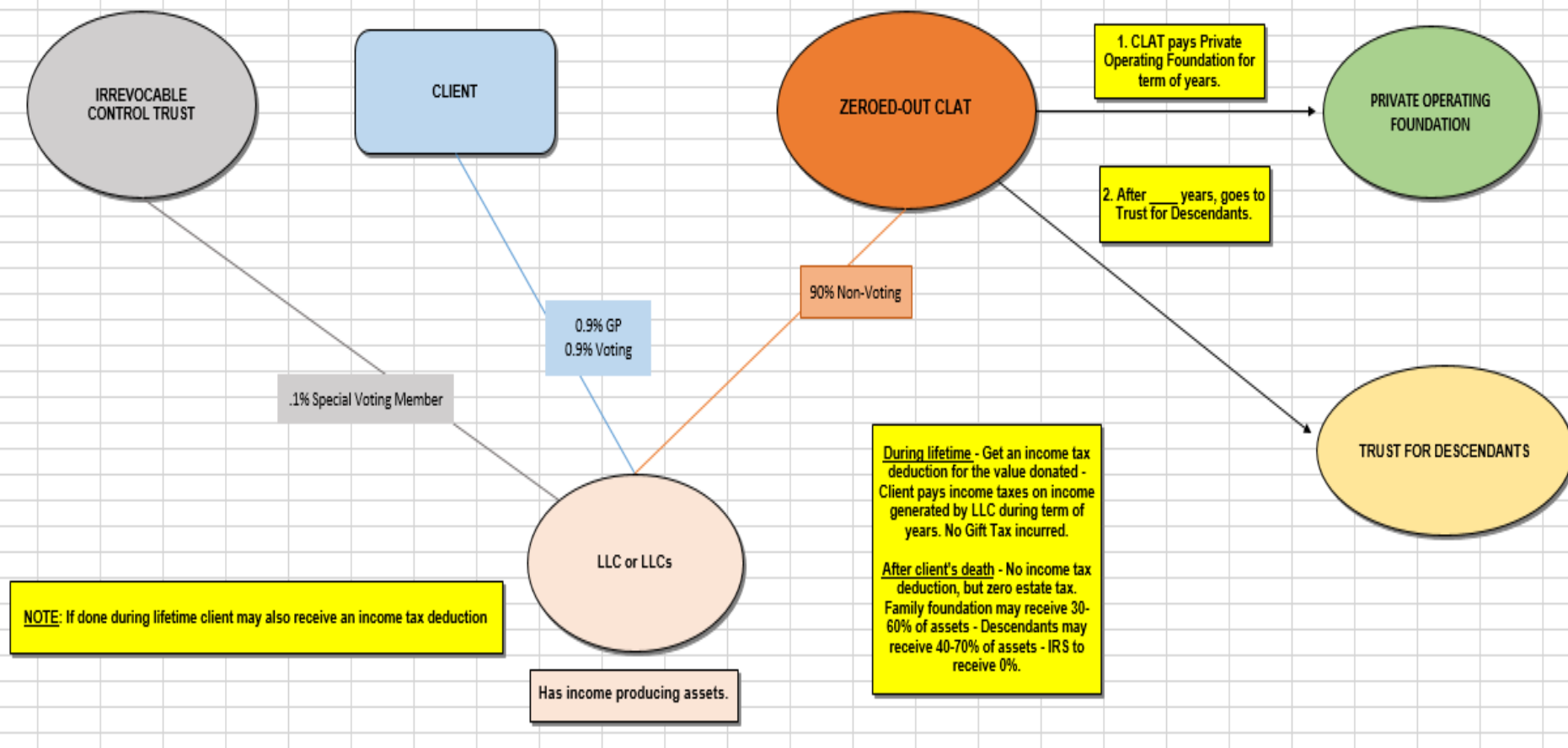
Dividends:	\$7,000,000
Interest Payment	(\$1,800,000)
Positive Cash Flow	\$5,200,000

Investments: \$ 5,000,000
 Promissory Note: \$45,000,000
 Receives in Interest 4.5%(per yr.) \$ 1,800,000
 Must Distribute 4.25% of net value to charity (per yr.) \$ 1,912,500

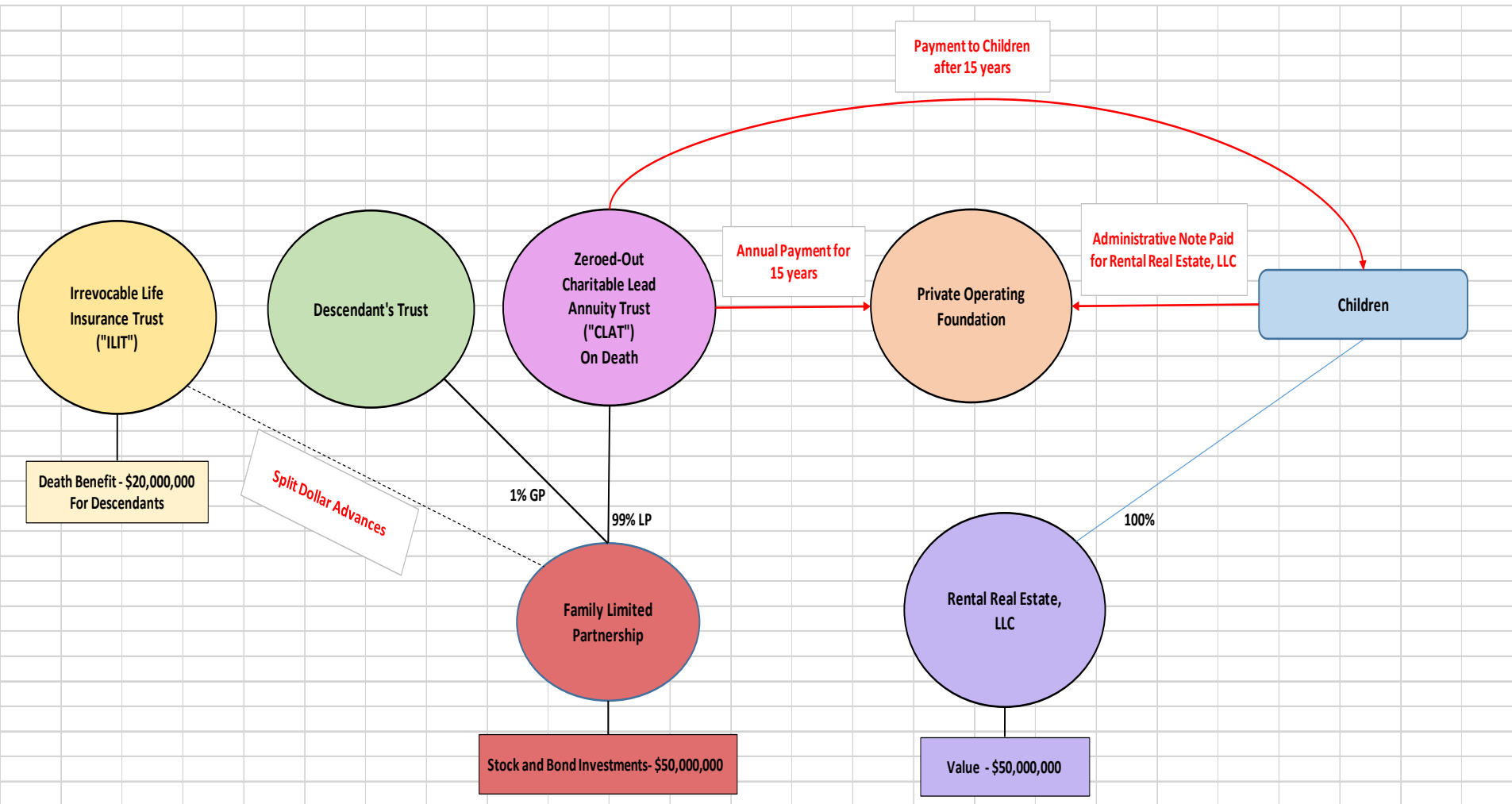


ZEROED-OUT CLAT PLANNING

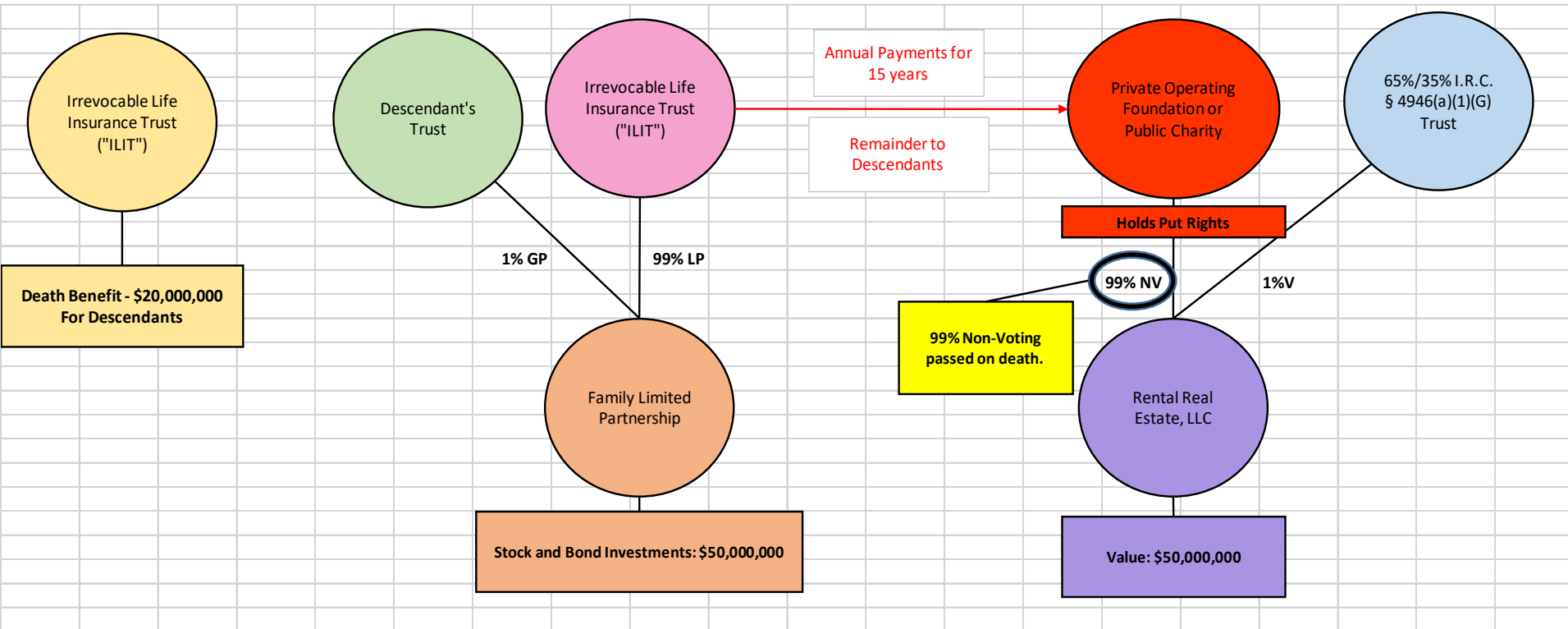
ZEROED-OUT CLAT PLANNING



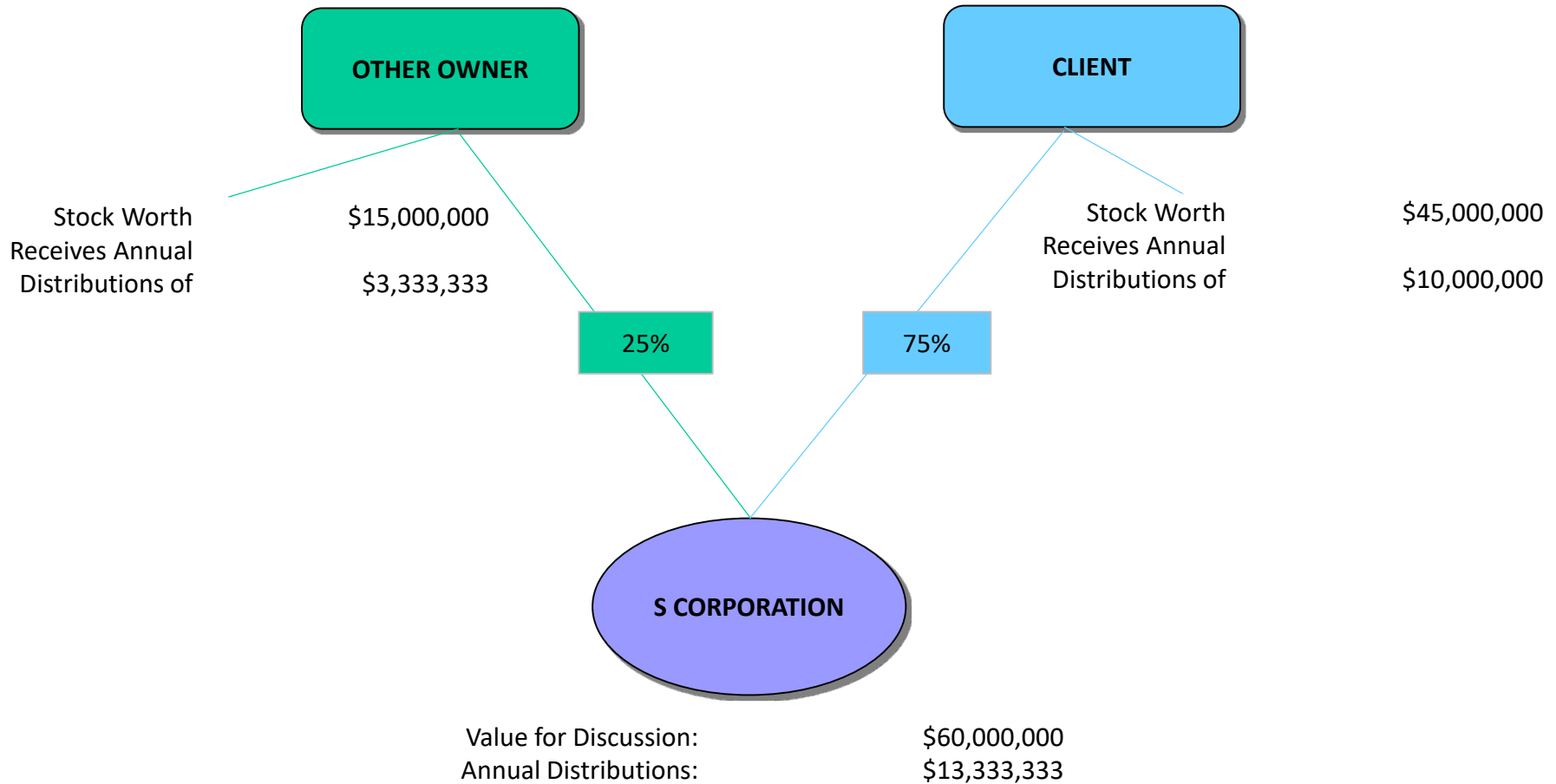
Zero Estate Tax Plan for Charitable Families **With Administrative Note Purchase**



Zero Estate Tax Plan for Charitable Families, Alternative Structure

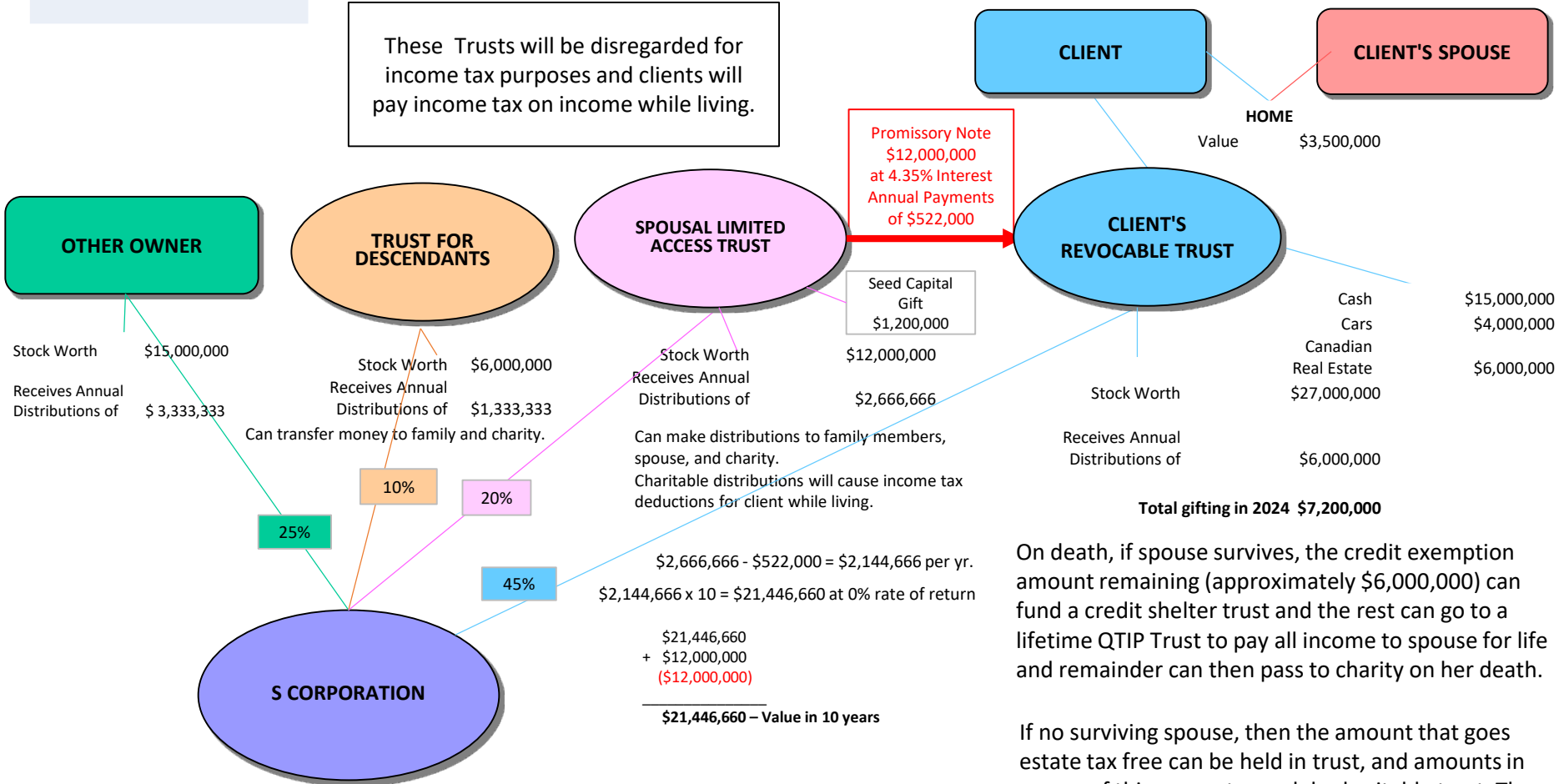


BEFORE PLANNING



AFTER PLANNING

These Trusts will be disregarded for income tax purposes and clients will pay income tax on income while living.



On death, if spouse survives, the credit exemption amount remaining (approximately \$6,000,000) can fund a credit shelter trust and the rest can go to a lifetime QTIP Trust to pay all income to spouse for life and remainder can then pass to charity on her death.

If no surviving spouse, then the amount that goes estate tax free can be held in trust, and amounts in excess of this can go to a solely charitable trust. The non-charitable trust can buy the company stock after death for a low interest note so that there will be plenty of cash flow for the non-charity trust to use to benefit family members and charity.

Value for Discussion: \$60,000,000

Annual Distributions: \$13,333,333



The Administrative Note Exception

Many philanthropic families leave all assets above the estate tax exclusion amount to charity in order to completely avoid federal estate tax, but there is an alternative that many advisors are not aware of.

A provision of the Estate Administration Exception (discussed in Chapter 4) provides an exception to the self-dealing rules that can significantly benefit estates that leave assets to Private Operating Foundations.

Under this exception, the self-dealing rules will not apply where a Disqualified Person is entitled under an option agreement meeting certain requirements to purchase assets from an estate or the revocable trust of a decedent that would otherwise pass to a 501(c)(3) charity.

In other words, on the death of a person who leaves assets to charity, the tax law may permit the family or other trusts left by that person to buy assets from the estate or revocable trust for a note that is owed to the foundation after the person's death.

This can be a useful tool to provide family members with the option to purchase business interests that would otherwise go to charity upon a decedent's death, subject to a number of requirements listed in the above-mentioned regulations.

Treas. Reg. § 53.4941(d)-1(b)(3) (as amended in 1973).

The Administrative Note Exception, Cont'd

Many The basic requirements to qualify for this treatment are as follows:

a. The note must require the payment of at least interest only and must balloon within 25 years of when it is made. It must be made after the death of the philanthropic individual and during the reasonable term of administration of the individual's trust or estate.

It appears that the use of the Applicable Federal Rate, which is promulgated monthly by the Internal Revenue Service and generally correlates to the rate of interest that the government is paying on newly issued 10-year Treasury Bills, can be used for notes exceeding 9 years in duration. As of February 2024, the long-term Applicable Federal Rate is 4.18%. It is worth noting that the rules permit a 25-year interest only note, which can be at the long-term applicable federal rate, but the note cannot be renegotiated as long as it is owed to a Private Operating Foundation. Once the Private Operating Foundation is converted to a Public Charity, the note may be renegotiated.

b. The note must be equal in value to the asset or assets that it was used to purchase. This will happen if the applicable federal rate was used pursuant to Treasury Regulation Section 25.2512-4, which indicates that a note is equal in value to its face amount for federal estate and gift tax purposes. It is noteworthy that the interest should be compounded semiannually in order to comply with IRC § 1274(d).

I.R.S. Priv. Ltr. Rul. 201129049 (Apr. 26, 2011).

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Jerry M. Hesch, Esq.; Alan S. Gassman, Esq.; and Christopher J. Denicolo, Esq., *Interesting Interest Questions: Interest Rates for Intra-Family Transactions, Estates, Gifts and Trusts Journal*, BNA Tax Management (2014).

I.R.S. Priv. Ltr. Rul. 201446024 (Aug. 21, 2014).

The Administrative Note Exception, Cont'd

- c. If an Option Agreement is not in place before death, then the following requirements must be met:
- i. The foundation must receive an interest or expectancy at least as liquid as the one given up. Fortunately, Private Letter Rulings have indicated that ownership of a 99% Non-Voting Member Interest in an LLC owning a promissory note is at least as liquid of the ownership of a business company, or
 - ii. The foundation must receive an asset related to the active carrying out of its exempt purpose.
 - iii. For most arrangements, there should be an Option Agreement in place before the death of the philanthropic individual that gives the family member or entity the right to purchase the asset or assets on the terms set forth above.
 - iv. The transaction must be approved by the probate court having jurisdiction over the estate.

While the Estate Administration Exception is specifically provided for under the Self-Dealing Rules for situations where there is a relationship between a private foundation and the philanthropic family, we see no reason that this technique cannot be used with respect to dispositions to Public Charities.

The Administrative Note Exception, Cont'd

One question is whether the family can satisfy its obligation to the charity by negotiating to prepay the note at a significant discount. There is nothing in the Estate Administration Exception, or the related literature known to us, to prevent an arm's-length prepayment discount from being negotiated with the charity. However, there may be self-dealing concerns. This prepayment would typically happen after the IRS has had the opportunity to review the Estate Tax Return, Form 706, and the deadlines have passed for audits and changes to the return.

Another question is how the entity that signs the note can budget to pay the note when it balloons in year 25 or before then.

There is a possible self-dealing issue when interest payments are made on the promissory note after the estate administration period ends. It appears that the safest course of action would be to place the note into an LLC and have the Disqualified Person purchase a 1% voting interest in the LLC. The 99% non-voting interest can then be distributed to the foundation, along with the cash the LLC received from the Disqualified Person in exchange for the 1% voting interest. The foundation is deemed to hold an interest in the LLC and not the note that it holds.

I.R.S. Priv. Ltr. Rul. 201446024 (Aug. 21, 2014).

I.R.S. Priv. Ltr. Rul. 201407023 (Nov. 18, 2013).

The Administrative Note Exception, Cont'd

One question is whether the family can satisfy its obligation to the charity by negotiating to prepay the note at a significant discount. There is nothing in the Estate Administration Exception, or the related literature known to us, to prevent an arm's-length prepayment discount from being negotiated with the charity. However, there may be self-dealing concerns. This prepayment would typically happen after the IRS has had the opportunity to review the Estate Tax Return, Form 706, and the deadlines have passed for audits and changes to the return.

Another question is how the entity that signs the note can budget to pay the note when it balloons in year 25 or before then.

There is a possible self-dealing issue when interest payments are made on the promissory note after the estate administration period ends. It appears that the safest course of action would be to place the note into an LLC and have the Disqualified Person purchase a 1% voting interest in the LLC. The 99% non-voting interest can then be distributed to the foundation, along with the cash the LLC received from the Disqualified Person in exchange for the 1% voting interest. The foundation is deemed to hold an interest in the LLC and not the note that it holds.

I.R.S. Priv. Ltr. Rul. 201446024 (Aug. 21, 2014).

I.R.S. Priv. Ltr. Rul. 201407023 (Nov. 18, 2013).

Charitable Lead Annuity Trusts

In addition to the disposition for charity, a philanthropic individual could provide for some assets to pass on death to a “zeroed-out Charitable Lead Annuity Trust” that would qualify for the estate tax charitable deduction for the full value of assets passing to it. The individual could additionally provide that, after a series of payments to a selected charity or charities, any remaining assets would pass to the same person, people, or entity who have the option to purchase other estate or trust assets for the Administrative Note.

An example, as of July 2022, of this would be a Charitable Lead Annuity Trust that would pay \$709,990.27 annually to charity for 20 years. Assuming that the assets grow at a rate above 3.6%, any remaining assets will pass to the trust or individuals who owe the Administrative Note. If the assets have a 7% rate of return, then there will be \$9,590,444 remaining at the end of the term.

A CLAT must generally be funded with non-business and non-active real estate or other assets because of the unrelated business income and other Private Foundation rules that a CLAT is subject to. However, a CLAT may be funded with a limited partnership or non-voting LLC interest that may be valued on a discounted basis.



Charitable Lead Annuity Trusts, Cont'd

For example, consider a CLAT that is funded with \$1 million worth of discounted non-voting LLC interests held under a family LLC that is valued at a 25% discount, with assets that will grow at 6% per year. Assuming that the LLC will make annual distributions sufficient to enable the CLAT to make its charitable payments, the CLAT's share of the underlying LLC's assets at the end of year 20 will be worth \$1,248,330. There will be no income tax on dividends, interest, capital gains, or other components of income under a typical CLAT/LLC scenario because distributions to charity carry out any distributable net income under a properly structured testamentary CLAT.

Philanthropic families who want to take advantage of the time value of money may want to get the CLAT started well before the death of a philanthropist, so that the note can be prepaid earlier than 20 years after the formation of a post-death testamentary CLAT. The above techniques are explained in Private Letter Rulings 200404009, 200328030, 199908002, and 201834011, which permitted an Administrative Note to be used to purchase assets passing from a Q-TIP Trust on the death of the surviving spouse, even though the Administrative Note Regulations only refer to an estate. This demonstrates that the IRS, at least presently, takes a somewhat liberal view of this aspect of this Treasury Regulation.

IRS No Longer Issues Favorable PLRs on Notes Contributed to LLCs That Are Partly Owned by CLATs or Other Charitable Vehicles

In Revenue Procedure 2021-40, published in September 2021, the IRS announced that it will no longer issue letter rulings on whether self-dealing occurs when a Private Foundation (or other entity subject to IRC § 4941) owns or receives an interest in a limited liability company that holds a promissory note owed by a Disqualified Person. This has been a popular method of estate tax avoidance whereby a donor sells assets to a dynasty trust and then contributes the note to an LLC. The donor then donates the 99% non-voting interest in the LLC to a zeroed-out CLAT that makes annual payments to one or more charities, with remaining assets after a term of years to pass to individuals without being subject to federal estate tax.

IRC § 4941(d)(1)(B) provides that the “lending of money or other extension of credit between a Private Foundation and a Disqualified Person” is a prohibited act of self-dealing. Treas. Reg. § 53.4941(d)-2(c)(1) further provides that an act of self-dealing occurs “where a note, the obligor of which is a Disqualified Person, is transferred by a third party to a Private Foundation which becomes the creditor under the note.”

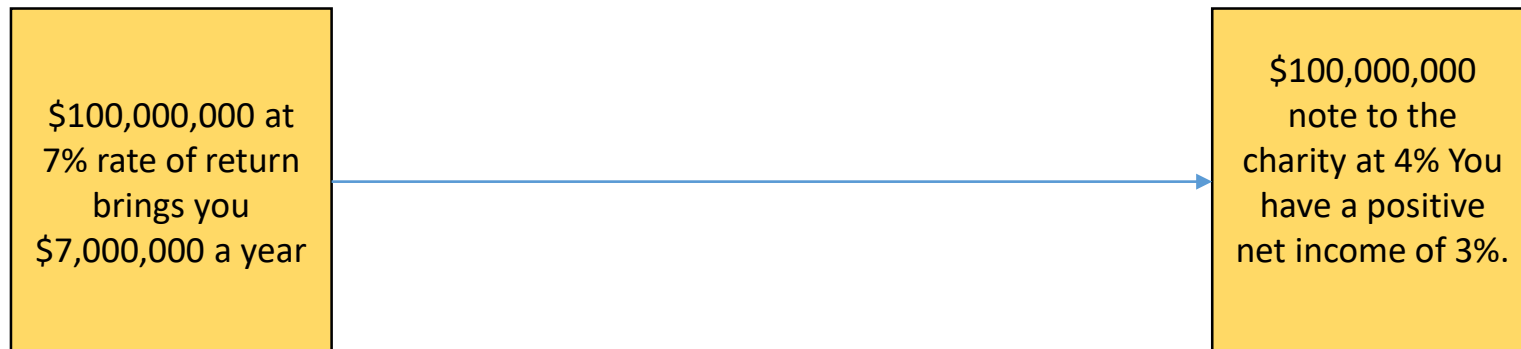
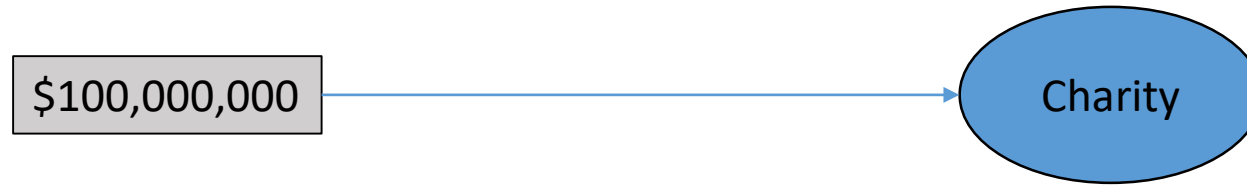
While transferring a Disqualified Person’s promissory note directly to a Private Foundation would violate IRC § 4941(d)(1)(B) and Treas. Reg. § 53.4941(d)-2(c)(1) and thus be a prohibited act of self-dealing, because the LLC that the note is contributed to is not considered to be controlled by the Private Foundation under Treas. Reg. § 53.4941(d)-1(b)(5), which reads as follows:

IRS No Longer Issues Favorable PLRs on Notes Contributed to LLCs That Are Partly Owned by CLATs or Other Charitable Vehicles, Cont'd

Control. For purposes of this paragraph, an organization is controlled by a Private Foundation if the foundation or one or more of its foundation managers (acting only in such capacity) may, only by aggregating their votes or positions of authority, require the organization to engage in a transaction which if engaged in with the Private Foundation would constitute self-dealing. Similarly, for purposes of this paragraph, an organization is controlled by a Private Foundation in the case of such a transaction between the organization and a Disqualified Person, if such Disqualified Person, together with one or more persons who are Disqualified Persons by reason of such a person's relationship (within the meaning of section 4946(a)(1) (C) through (G)) to such Disqualified Person, may, only by aggregating their votes or positions of authority with that of the foundation, require the organization to engage in such a transaction.

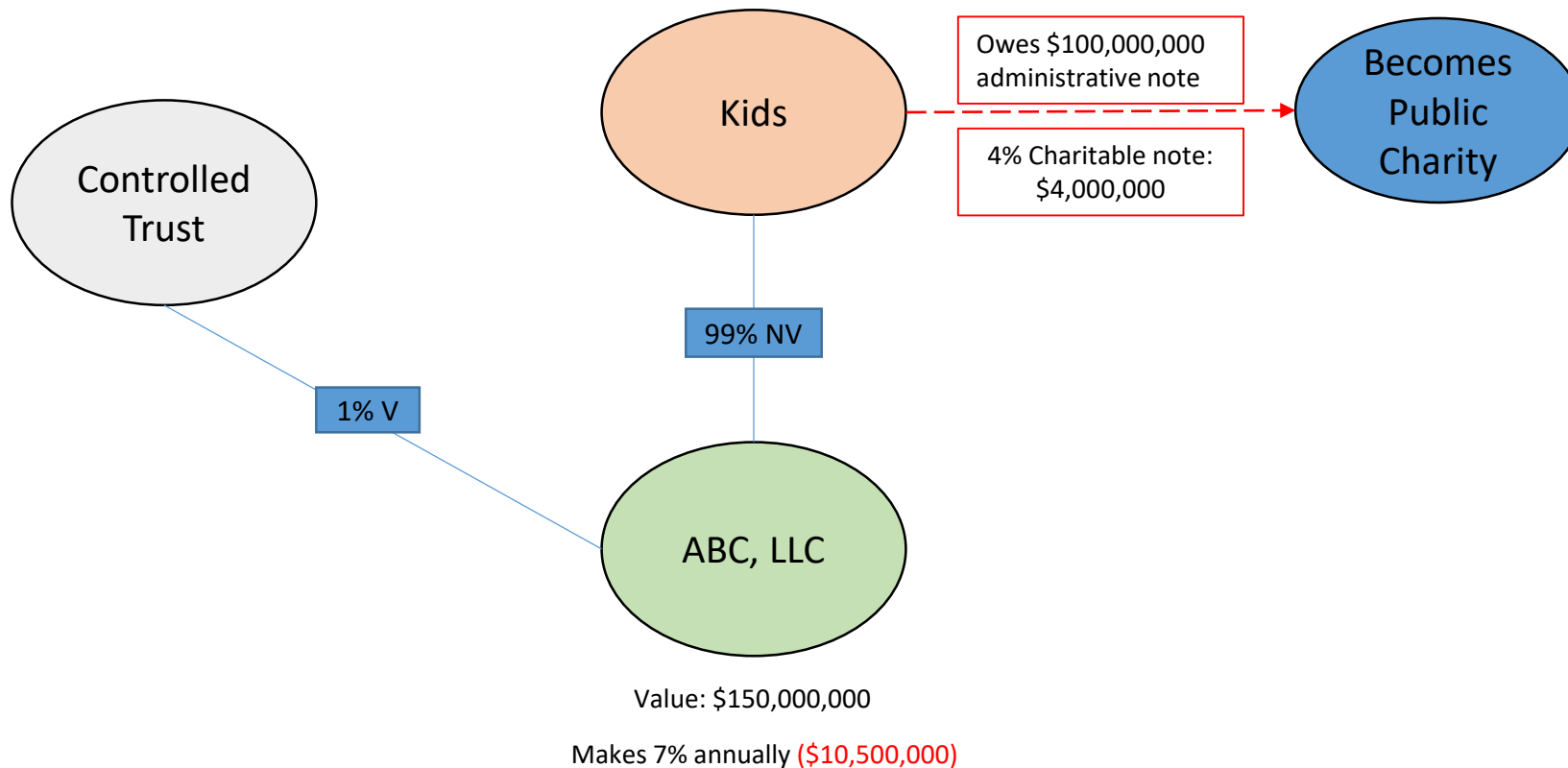
The “controlled” organization need not be a Private Foundation; for example, it may be any type of exempt or nonexempt organization including a school, hospital, operating foundation, or social welfare organization. For purposes of this paragraph, an organization will be considered to be controlled by a Private Foundation or by a Private Foundation and Disqualified Persons referred to in the second sentence of this subparagraph if such persons are able, in fact, to control the organization (even if their aggregate voting power is less than 50 percent of the total voting power of the organization's governing body) or if one or more of such persons has the right to exercise veto power over the actions of such organization relevant to any potential acts of self-dealing. A Private Foundation shall not be regarded as having control over an organization merely because it exercises expenditure responsibility (as defined in section 4945 (d)(4) and (h)) with respect to contributions to such organization. See example (6) of subparagraph (8) of this paragraph.

AN ADMINISTRATIVE
NOTE CAN BE OWED
TO A CHARITABLE
LEAD ANNUITY TRUST



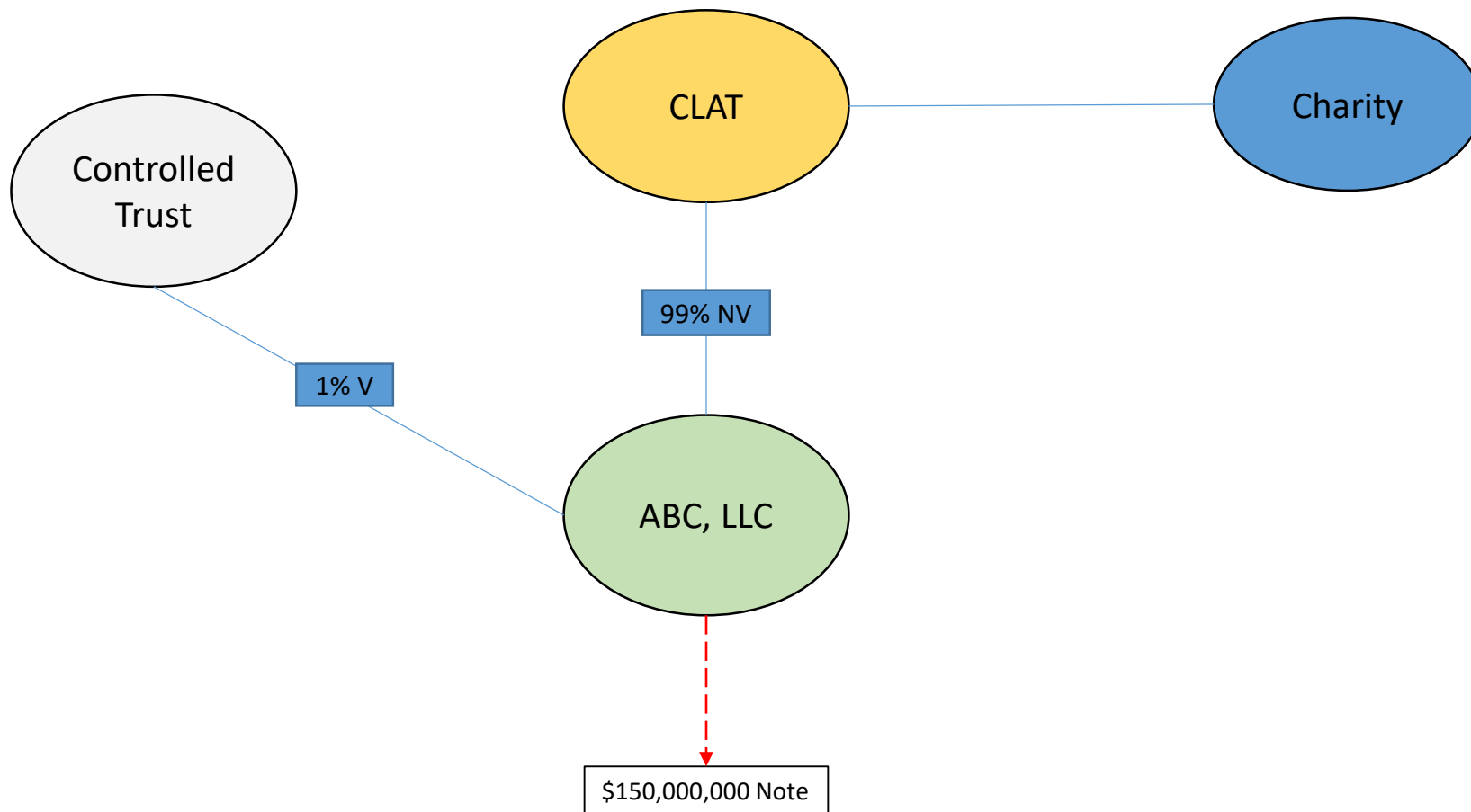
Buy the note from the charity for \$65,000,000 then
you are ahead by \$35,000,000



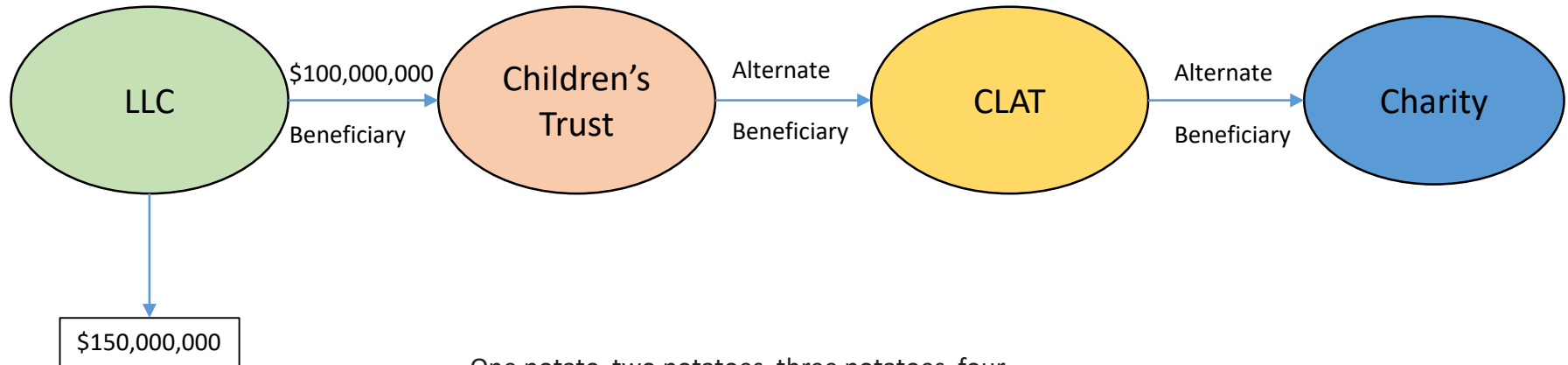


The positive cash flow would be \$6,500,000 a year. They may buy the note for \$65,000,000 (after the charity becomes public) in which event \$150,000,000 minus \$65,000,000 is \$85,000,000 to the kids and \$65,000,000 to charity.





1 Disclaimer, 2 Disclaimer, No Third Disclaimer



One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more
One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more

One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more

One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more
One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more

One potato, two potatoes, three potatoes, four
Five potatoes, six potatoes, seven potatoes, more



Excess to Charity Charitable Remainder Trust(s)

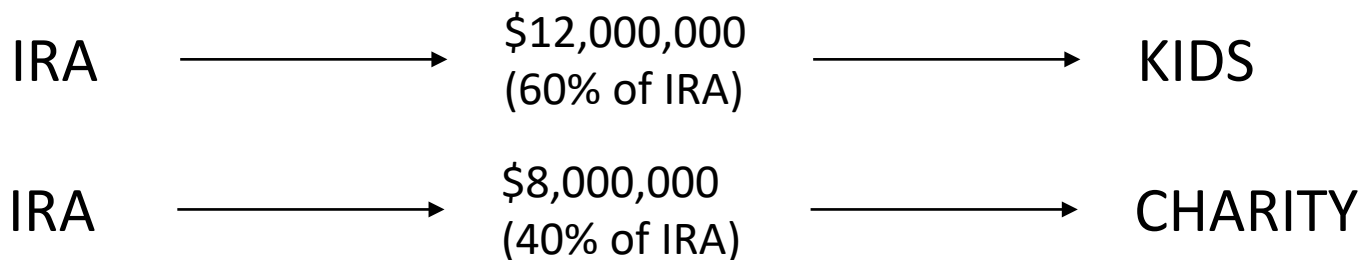
ASSETS

ANN SMITH (Has Exemption Plus DSUA of \$15 million)	
Home	\$3,000,000
IRA	\$20,000,000
TOTAL:	\$23,000,000

ALTERNATE A



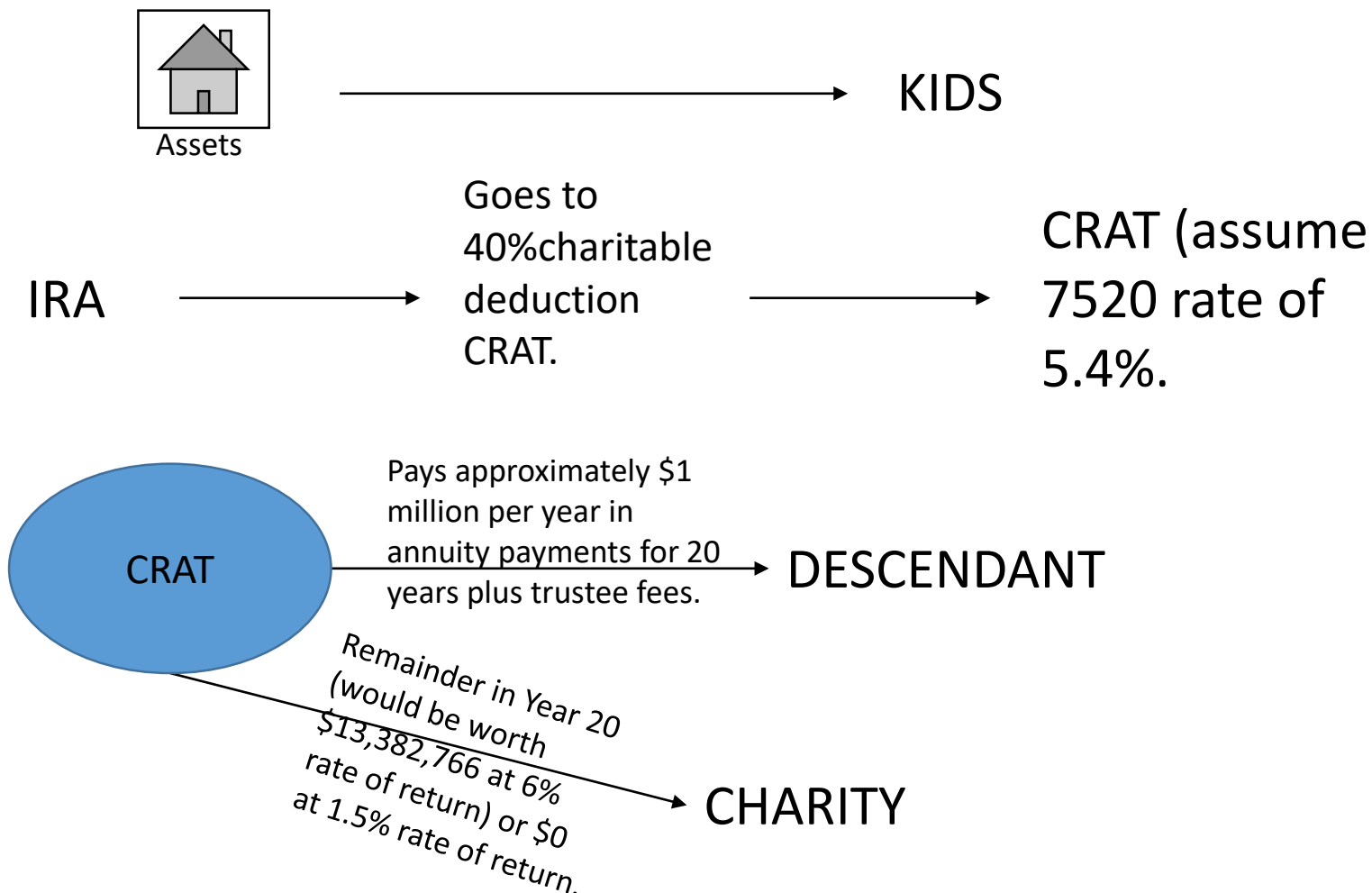
KIDS



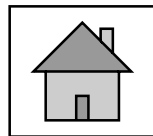
ZERO ESTATE TAX



ALTERNATE B



ALTERNATE C



Assets



DYNASTY TRUST

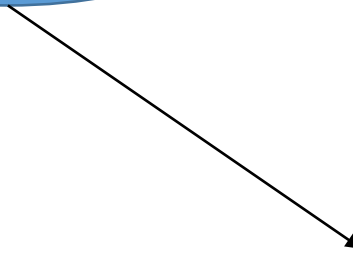
IRA



FLIP NIMCRUT
40% charitable
deduction



DYNASTY
TRUST



CHARITY

(See Following Pages)



IRA PAYABLE TO 40% Charitable Deduction CRUT or FLIP NIMCRUT

For a CRUT to get a 40% charitable deduction and meet the 5% minimum payment test assuming a 7520 rate of 5.4%, you have to use an 18-year CRUT.

If growth is at 6% a year and payments are made annually, then payments average approximately \$1,100,000 a year over the 18 years, and charity receives approximately \$23,400,000 at the end of year 18.

Assuming a 5.8% discount rate, the present value of the annuity payments on Day 1 would be \$11,600,000, and the present value of the remainder interest would be \$8,000,000.

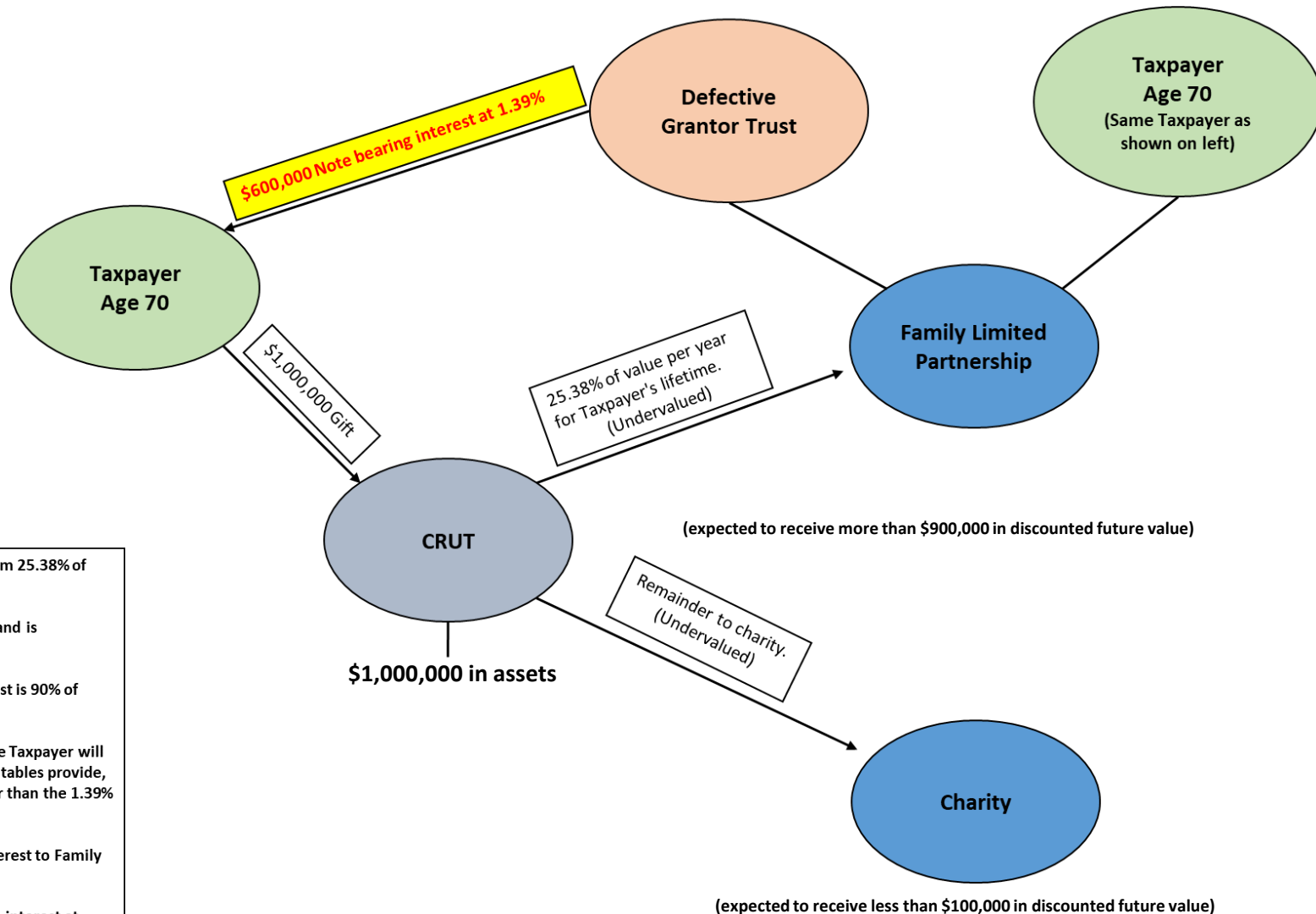
If growth is at 7.5% a year, then the average payment is approximately \$1,230,000 a year, and the remainder interest to charity is approximately \$30,500,000. The present value of the annuity payments is approximately \$12,900,000, and the present value of the remainder interest is approximately \$10,500,000.

IRA PAYABLE TO 40% Charitable Deduction CRUT or FLIP NIMCRUT, continued

If the rate of return is 0%, then the average payment is approximately \$700,000 a year, and charity receives approximately \$7,650,000. The present value of the annuity payments would be approximately \$7,800,000, and the present value of the remainder interest payments is \$2,600,000.

If a FLIP-NIMCRUT is used with a 6% rate of return and an 11 year deferral, then the payment in year 11 would be \$12,302,000, with subsequent payments averaging \$1,185,000 per year, with charity receiving approximately \$23,900,000. The present value of the annuity is \$11,500,000, and the present value of the remainder interest payment is \$11,200,000.

If a FLIP-NIMCRUT is used with a 7.5% rate of return and an 11 year deferral, then the payment in year 11 would be \$15,140,000, with subsequent payments averaging \$1,450,000, and \$32,000,000 passing to charity. The present value of the annuity \$13,000,000, and the present value of the remainder interest would be \$11,000,000.



Step 1: Taxpayer funds CRUT that pays him 25.38% of value per year for lifetime.

Taxpayer saves \$37,000 in income taxes and is appreciated by the charity.

Step 2: IRC §7520 value of unitrust interest is 90% of what is contributed to CRUT.

In the real world it is worth more because Taxpayer will probably live longer than life expectancy tables provide, and rate of return will probably be longer than the 1.39% applicable Federal rate.

Step 3: Taxpayer contributes unitrust interest to Family Limited Partnership.

Step 4: Taxpayer sells limited partnership interest at 33.3% discount for \$600,000 note bearing interest at 1.39%.

Step 5: After Taxpayer's death only the \$600,000 note is included in his estate.

Charity receives what is then left under Charitable Remainder Unitrust.



CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

Consider Receiving Trustee Fees From CRUT To Reduce What Charity Receives

Consider allowing the client and/or one or more family members to serve as a Trustee or Co-Trustee of the CRT in order to maximize the return provided to the family, even though these will be an after tax dollars, if the client wants to maximize what the family receives.

The Trustee fees will be reduce the income tax to be paid upon final distribution from the Charitable Remainder Trust but also the remainder going to charity will be reduced. The income received by the Trustee will be taxable and may be deferred as to payment. The right to receive Trustee fees may help to show that the family will have a tangible financial benefit from being able to control the trust during the payment term.

1. This may allow a Trustee to fund a Roth IRA – Up to \$7,000 a year for 2024. Give your Parent-In-Law a Roth IRA - \$8,000 for 50 or older.
2. This may also allow a young beneficiary to “support her or himself” to not be subject to the Kiddie Tax by having more than one half of support paid for by earned income.
3. Some young professional corporate owners can place any additional incremental income from Trustee fees into a tax deductible 401k or other pension plan.



NIMCRUT – 15 Year FLIP With Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$81,370	(24,411)	\$56,959	\$15,307,760	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$76,946	(23,084)	\$53,862	\$16,193,456	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$0	\$0	\$81,352	(24,406)	\$56,946	\$16,839,866	\$0
10.88%	\$1,831,335	\$1,831,335	\$0	\$7,044,107	\$0	\$0	\$84,199	(25,260)	\$58,940	\$17,429,261	\$0
10.88%	\$1,895,432	\$1,895,432	\$0	\$8,939,539	\$0	\$0	\$87,146	(26,144)	\$61,002	\$18,039,286	\$0
10.88%	\$1,961,772	\$1,961,772	\$0	\$10,901,312	\$0	\$0	\$90,196	(27,059)	\$63,137	\$18,670,661	\$0
10.88%	\$2,030,434	\$2,030,434	\$0	\$12,931,746	\$0	\$0	\$93,353	(28,006)	\$65,347	\$19,324,134	\$0
10.88%	\$2,101,500	\$2,101,500	\$0	\$15,033,245	\$0	\$0	\$96,621	(28,986)	\$67,634	\$20,000,478	\$0
10.88%	\$2,175,052	\$2,175,052	\$0	\$17,208,297	\$0	\$0	\$100,002	(30,001)	\$70,002	\$20,700,495	\$0
10.88%	\$2,251,179	\$2,251,179	\$0	\$19,459,476	\$0	\$0	\$103,502	(31,051)	\$72,452	\$21,425,012	\$0
10.88%	\$2,329,970	\$2,329,970	\$0	\$21,789,446.34	\$0	\$0	\$107,125	(32,138)	\$74,988	\$22,174,888	\$0
10.88%	\$2,411,519	\$2,411,519	\$0	\$24,200,965.39	\$0	\$0	\$110,874	(33,262)	\$77,612	\$22,951,009	\$0
10.88%	\$2,495,922	\$2,495,922	\$0	\$26,696,887.60	\$0	\$0	\$114,755	(34,427)	\$80,329	\$23,754,294	\$0
10.88%	\$2,583,279	\$2,583,279	\$0	\$29,280,167.10	\$0	\$0	\$118,771	(35,631)	\$83,140	\$24,585,695	\$0
10.88%	\$2,673,694	\$2,673,694	\$9,295,122	\$22,658,739.09	\$9,295,122	\$9,295,122	\$122,928	(36,879)	\$86,050	\$16,151,072	\$3,878,530
10.88%	\$1,756,429				\$1,756,429	\$11,051,551	\$80,755	(24,227)	\$56,529	\$14,959,930	\$4,569,942
10.88%	\$1,626,892				\$1,626,892	\$12,678,444	\$74,800	(22,440)	\$52,360	\$13,856,635	\$5,174,111
10.88%	\$1,506,909				\$1,506,909	\$14,185,353	\$69,283	(20,785)	\$48,498	\$12,834,708	\$5,702,048
10.88%	\$1,395,775				\$1,395,775	\$15,581,127	\$64,174	(19,252)	\$44,921	\$11,888,149	\$6,163,369
10.88%	\$1,292,836				\$1,292,836	\$16,873,963	\$59,441	(17,832)	\$41,609	\$11,011,398	\$6,566,482
10.88%	\$1,197,489				\$800,494	\$17,674,457	\$55,057	(16,517)	\$38,540	\$10,596,303	\$6,801,951



NIMCRUT – 10 Year Flip No Fee

Year	Year #	Beginning Value	Growth (4%)	Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	End Value	PV of Annuity Payments
2022	1	\$16,274,000	(884,870)	10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$15,389,130	\$0
2023	2	\$15,389,130	\$881,272	10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$16,270,402	\$0
2024	3	\$16,270,402	\$650,816	10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$0	\$0	\$16,921,218	\$0
2025	4	\$16,921,218	\$676,849	10.88%	\$1,840,182	\$1,840,182	\$0	\$7,052,954	\$0	\$0	\$17,598,067	\$0
2026	5	\$17,598,067	\$703,923	10.88%	\$1,913,790	\$1,913,790	\$0	\$8,966,744	\$0	\$0	\$18,301,989	\$0
2027	6	\$18,301,989	\$732,080	10.88%	\$1,990,341	\$1,990,341	\$0	\$10,957,085	\$0	\$0	\$19,034,069	\$0
2028	7	\$19,034,069	\$761,363	10.88%	\$2,069,955	\$2,069,955	\$0	\$13,027,040	\$0	\$0	\$19,795,432	\$0
2029	8	\$19,795,432	\$791,817	10.88%	\$2,152,753	\$2,152,753	\$0	\$15,179,793	\$0	\$0	\$20,587,249	\$0
2030	9	\$20,587,249	\$823,490	10.88%	\$2,238,863	\$2,238,863	\$0	\$17,418,657	\$0	\$0	\$21,410,739	\$0
2031	10	\$21,410,739	\$856,430	10.88%	\$2,328,418	\$2,328,418	\$5,993,169	\$13,753,906	\$5,993,169	\$5,993,169	\$16,274,000	\$3,346,554
2032	11	\$16,274,000	\$650,960	10.88%	\$1,769,798				\$1,769,798	\$7,762,966	\$15,155,163	\$4,278,861
2033	12	\$15,155,163	\$606,207	10.88%	\$1,648,124				\$1,648,124	\$9,411,090	\$14,113,245	\$5,097,928
2034	13	\$14,113,245	\$564,530	10.88%	\$1,534,815				\$1,534,815	\$10,945,905	\$13,142,959	\$5,817,510
2035	14	\$13,142,959	\$525,718	10.88%	\$1,429,297				\$1,429,297	\$12,375,202	\$12,239,381	\$6,449,689
2036	15	\$12,239,381	\$489,575	10.88%	\$1,331,033				\$1,331,033	\$13,706,235	\$11,397,924	\$7,005,083
2037	16	\$11,397,924	\$455,917	10.88%	\$1,239,524				\$1,239,524	\$14,945,759	\$10,614,316	\$7,493,017
2038	17	\$10,614,316	\$424,573	10.88%	\$1,154,307				\$1,154,307	\$16,100,066	\$9,884,582	\$7,921,685
2039	18	\$9,884,582	\$395,383	10.88%	\$1,074,948				\$1,074,948	\$17,175,014	\$9,205,017	\$8,298,287
2040	19	\$9,205,017	\$368,201	10.88%	\$1,001,046				\$1,001,046	\$18,176,060	\$8,572,172	\$8,629,145
2041	20	\$8,572,172	\$342,887	10.88%	\$932,224				\$932,224	\$19,108,284	\$7,982,835	\$8,919,817
2042	21	\$7,982,835	\$319,313	10.88%	\$868,133				\$800,494	\$19,908,778	\$7,501,655	\$9,155,287



NIMCRUT – Current FLIP No Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cummulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0		0	\$0	\$15,389,130	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0		0	\$0	\$16,270,402	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$1,769,406	\$1,769,406		0	\$0	\$15,151,812	\$1,485,628
10.88%	\$1,647,760				\$1,647,760	\$3,417,166		0	\$0	\$14,110,125	\$2,790,807
10.88%	\$1,534,476				\$1,534,476	\$4,951,642		0	\$0	\$13,140,054	\$3,937,457
10.88%	\$1,428,981				\$1,428,981	\$6,380,623		0	\$0	\$12,236,675	\$4,944,832
10.88%	\$1,330,738				\$1,330,738	\$7,711,361		0	\$0	\$11,395,404	\$5,829,849
10.88%	\$1,239,250				\$1,239,250	\$8,950,611		0	\$0	\$10,611,970	\$6,607,370
10.88%	\$1,154,052				\$1,154,052	\$10,104,663		0	\$0	\$9,882,397	\$7,290,452
10.88%	\$1,074,711				\$1,074,711	\$11,179,374		0	\$0	\$9,202,982	\$7,890,565
10.88%	\$1,000,824				\$1,000,824	\$12,180,198		0	\$0	\$8,570,277	\$8,417,786
10.88%	\$932,018				\$932,018	\$13,112,215		0	\$0	\$7,981,070	\$8,880,970
10.88%	\$867,941				\$867,941	\$13,980,157		0	\$0	\$7,432,372	\$9,287,895
10.88%	\$808,270				\$808,270	\$14,788,427		0	\$0	\$6,921,396	\$9,645,394
10.88%	\$752,702				\$752,702	\$15,541,129		0	\$0	\$6,445,550	\$9,959,470
10.88%	\$700,954				\$700,954	\$16,242,083		0	\$0	\$6,002,419	\$10,235,398
10.88%	\$652,763				\$652,763	\$16,894,846		0	\$0	\$5,589,752	\$10,477,811
10.88%	\$607,886				\$607,886	\$17,502,731		0	\$0	\$5,205,457	\$10,690,780
10.88%	\$566,093				\$566,093	\$18,068,825		0	\$0	\$4,847,582	\$10,877,881
10.88%	\$527,175				\$527,175	\$18,595,999		0	\$0	\$4,514,310	\$11,042,257
10.88%	\$490,931				\$800,494	\$19,396,493		0	\$0	\$3,894,389	\$11,277,726



NIMCRUT – Current FLIP With Fee

Payout Rate	Annual Payment Amount	Make-Up Payment Owed	Make-Up Payment Made	Cumulative Make-Up Owed	Actual Payment Made	Cumulative Actual Payments Made	Trustee Fee	Taxes on Trustee Fee	Net Trustee Fee	End Value	PV of Annuity Payments
10.88%	\$1,769,798	\$1,769,798	\$0	\$1,769,798	\$0	\$0	\$81,370	(24,411)	\$56,959	\$15,307,760	\$0
10.88%	\$1,673,568	\$1,673,568	\$0	\$3,443,365	\$0	\$0	\$76,946	(23,084)	\$53,862	\$16,193,456	\$0
10.88%	\$1,769,406	\$1,769,406	\$0	\$5,212,772	\$1,769,406	\$1,769,406	\$81,352	(24,406)	\$56,946	\$15,070,460	\$1,485,628
10.88%	\$1,638,913				\$1,638,913	\$3,408,319	\$75,352	(22,606)	\$52,747	\$13,959,013	\$2,783,800
10.88%	\$1,518,043				\$1,518,043	\$4,926,361	\$69,795	(20,939)	\$48,857	\$12,929,536	\$3,918,170
10.88%	\$1,406,087				\$1,406,087	\$6,332,448	\$64,648	(19,394)	\$45,253	\$11,975,983	\$4,909,406
10.88%	\$1,302,388				\$1,302,388	\$7,634,837	\$59,880	(17,964)	\$41,916	\$11,092,754	\$5,775,568
10.88%	\$1,206,337				\$1,206,337	\$8,841,174	\$55,464	(16,639)	\$38,825	\$10,274,664	\$6,532,439
10.88%	\$1,117,370				\$1,117,370	\$9,958,543	\$51,373	(15,412)	\$35,961	\$9,516,907	\$7,193,808
10.88%	\$1,034,964				\$1,034,964	\$10,993,507	\$47,585	(14,275)	\$33,309	\$8,815,035	\$7,771,726
10.88%	\$958,635				\$958,635	\$11,952,142	\$44,075	(13,223)	\$30,853	\$8,164,926	\$8,276,723
10.88%	\$887,936				\$887,936	\$12,840,078	\$40,825	(12,247)	\$28,577	\$7,562,763	\$8,718,000
10.88%	\$822,450				\$822,450	\$13,662,528	\$37,814	(11,344)	\$26,470	\$7,005,009	\$9,103,597
10.88%	\$761,795				\$761,795	\$14,424,323	\$35,025	(10,508)	\$24,518	\$6,488,390	\$9,440,540
10.88%	\$705,612				\$705,612	\$15,129,935	\$32,442	(9,733)	\$22,709	\$6,009,871	\$9,734,967
10.88%	\$653,573				\$653,573	\$15,783,509	\$30,049	(9,015)	\$21,035	\$5,566,643	\$9,992,244
10.88%	\$605,372				\$605,372	\$16,388,881	\$27,833	(8,350)	\$19,483	\$5,156,103	\$10,217,058
10.88%	\$560,726				\$560,726	\$16,949,608	\$25,781	(7,734)	\$18,046	\$4,775,841	\$10,413,505
10.88%	\$519,373				\$519,373	\$17,468,980	\$23,879	(7,164)	\$16,715	\$4,423,622	\$10,585,164
10.88%	\$481,069				\$481,069	\$17,950,049	\$22,118	(6,635)	\$15,483	\$4,097,380	\$10,735,164
10.88%	\$445,590				\$445,590	\$18,395,639	\$20,487	(6,146)	\$14,341	\$3,795,198	\$10,866,236

CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

Put a Value On The Benefits That a Person or Family Will Derive From Having Control Over the Charitable Remainder Entity. Keep Job Availability for Family and Friends and Family and Business Goodwill Enhancement in Mind

Ask the family if it is worth perhaps 5% of the day one value of the entity to have a remainder interest charity that will benefit the community.. The ability to pay for services, and goodwill in the community adds more value for the family in the equation. Consider what percentage of the value of the family charity disposition at the end of the term might be. Businesses and professional practices may increase sales by having community goodwill.



CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

An S Corporation Can Contribute Assets To A Charitable Remainder Unitrust (But Not Substantially All Of Its Assets)

The income tax deduction and deferral will flow through the S Corporation to shareholders pro rata to ownership.

It is not otherwise applicable because of the second class of stock rules.

A Charitable Remainder Unitrust interest owned by an S Corporation may be worth significantly less than 90% of the value of the assets donated – even if a 20% remainder limitation applies because of the willing buyer – willing selling rules.



CHARITABLE REMAINDER TRUST CREATIVE PLANNING STRATEGIES

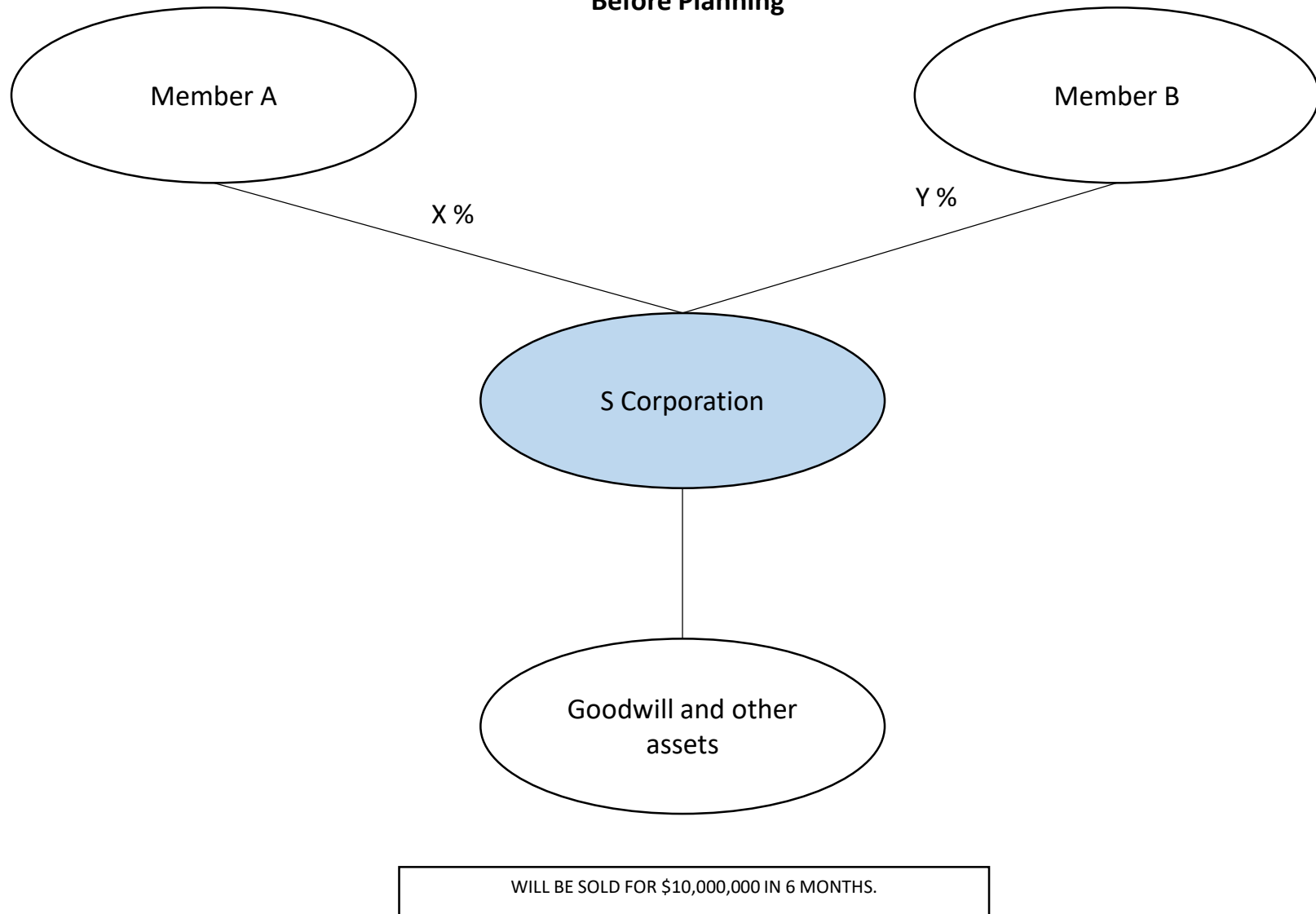
**Sell The S Corporation To An Arms Length Purchaser After Placing
79% Of Value Into A NIMCRUT Using A New Parent F Reorganization**

See Next Slides



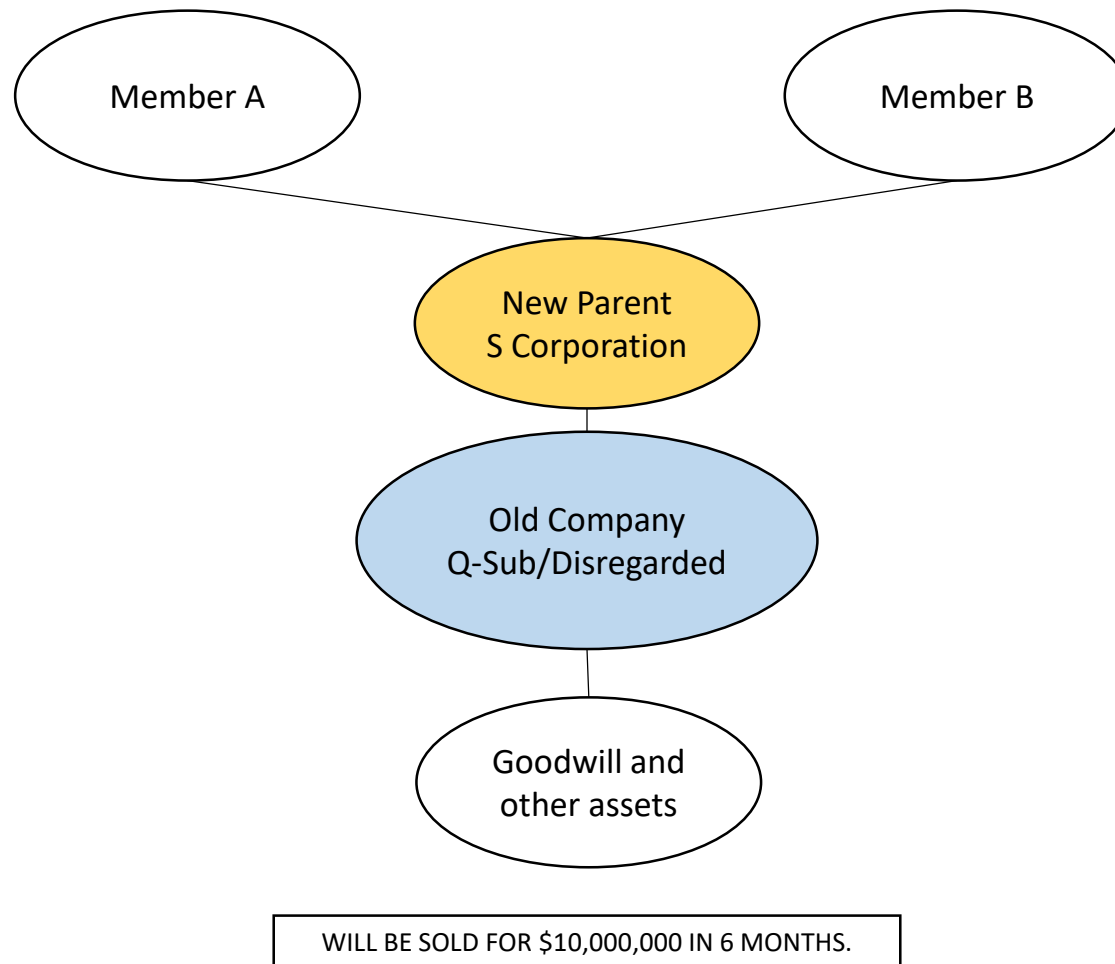
S Corp Transfers Assets to Charitable Remainder Unitrust Before Sale

Before Planning



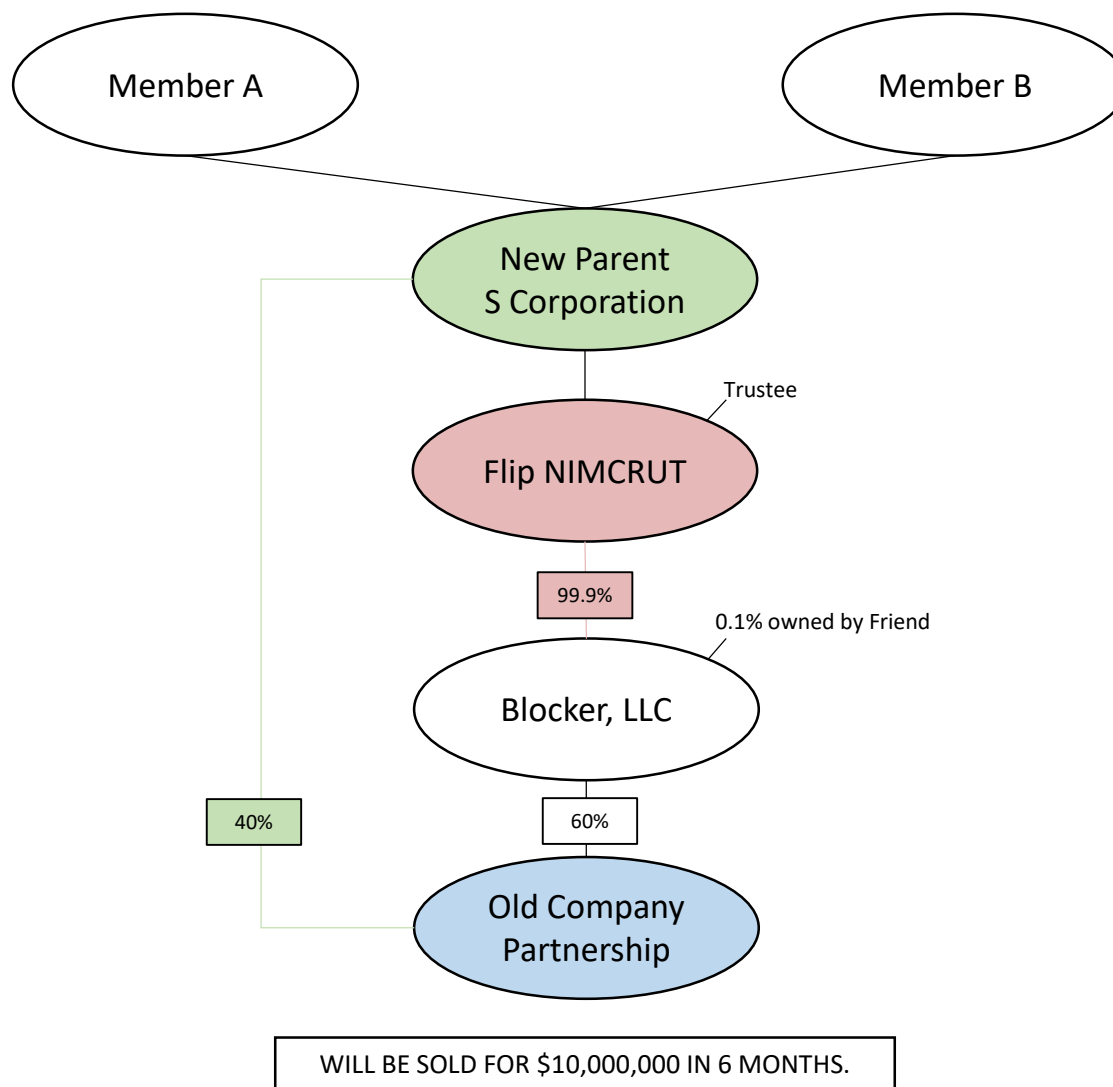
S Corp Transfers Assets to Charitable Remainder Unitrust Before Sale

Establish New Parent S Corporation So That Existing Corporation Becomes a QSUB



S Corp Transfers Assets to Charitable Remainder Unitrust Before Sale

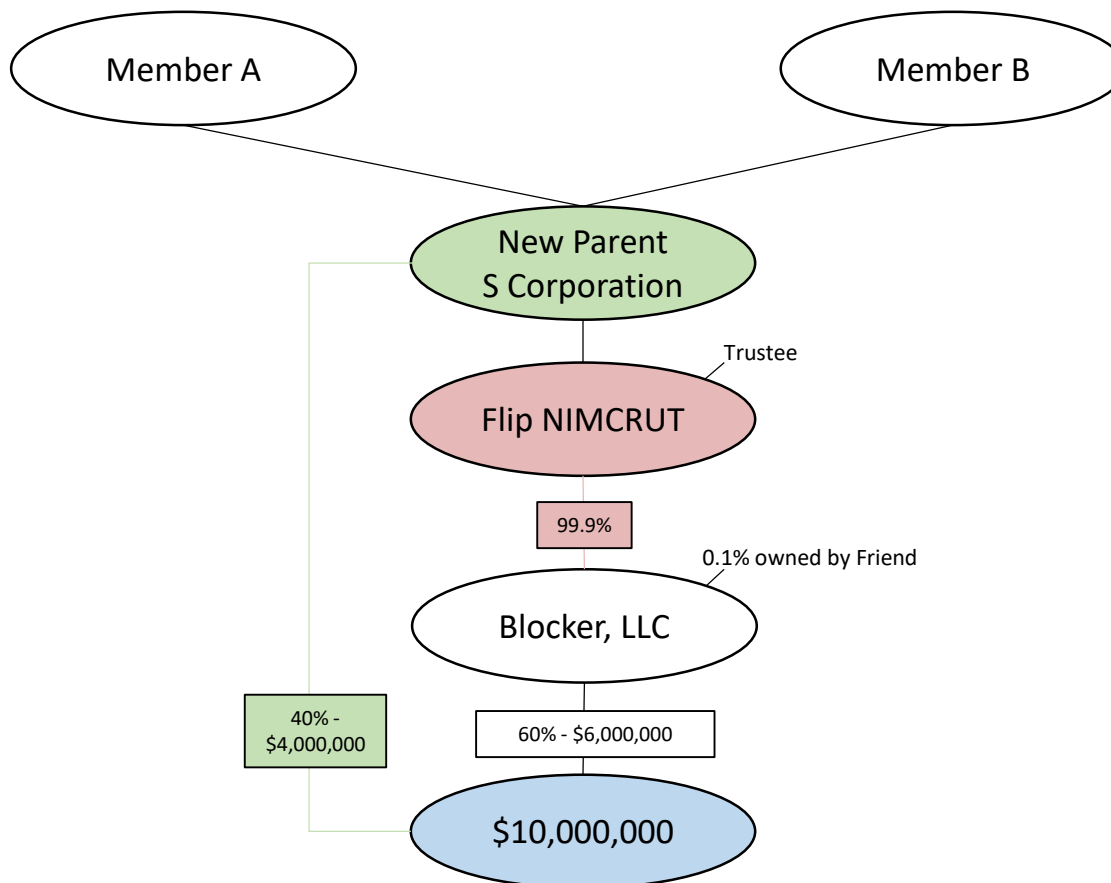
New Parent S Corporation Establishes Charitable Remainder Annuity Trust Which Owns Blocker, LLC
New Parent S Corporation Gifts 60% of QSUB to Blocker, LLC



S Corp Transfers Assets to Charitable Remainder Unitrust Before Sale

The Assets Are Sold For \$10 Million Dollars – 60% Goes To Blocker, LLC And 40% Goes To Member A And Member B In Proportion To Their Ownership

AFTER THE \$10,000,000 SALE

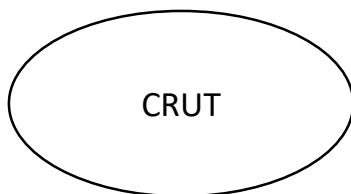


THE CRUT DEFERS \$2,400,000 OF TAXABLE INCOME. SO, THEY CAN INVEST \$6,000,000 INSTEAD OF \$3,400,000. \$3,400,000 TIMES 6% WOULD BE \$204,000 A YEAR. AND \$6,000,000 TIMES 6% IS \$360,000 A YEAR. IT IS SAVING, EXTRA INCOME IS GOING TO BE \$154,000 A YEAR.

S Corp Transfers Assets to Charitable Remainder Unitrust Before Sale

CHOICE A

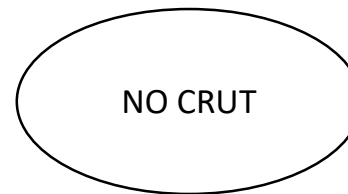
SAVE/DEFER MONEY ON INCOME TAXES



- Receives \$6 million invested for \$360,000 a year (6% rate of return)
- 10.5% annual payment for 20 years
- Defer tax until cash is needed
- Remainder to charity

CHOICE B

PAY TAXES



- \$3,600,000 invested at 6% will bring \$204,000 a year
- No income tax deferral
- No obligation to comply with CRUT rules
- No charitable requirements



CRAT Details Table

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

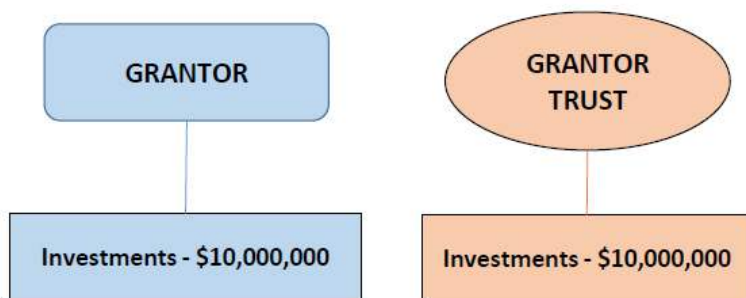
Year	Year #	Grantor Age	Survivor Age	Probability Survival To Year	Probability Of Death Each Year	Beginning Value	Growth	Annuity Amount*	End Value	Yr 1 Pmt Rate	PV of Annuity Payments	PV of Remainder
2025	1	78	0	96.28%	3.97%	\$10,000,000.00	\$153,150.68	\$118,350.14	\$10,034,800.54	5.02%	\$111,440.81	\$9,448,964.73
2026	2	79	0	92.31%	4.19%	\$10,034,800.54	\$652,262.04	\$502,300.00	\$10,184,762.58	5.02%	\$556,803.82	\$9,030,293.71
2027	3	80	0	88.12%	4.43%	\$10,184,762.58	\$662,009.57	\$502,300.00	\$10,344,472.15	5.02%	\$976,166.35	\$8,636,440.48
2028	4	81	0	83.70%	4.64%	\$10,344,472.15	\$672,390.69	\$502,300.00	\$10,514,562.84	5.02%	\$1,371,046.33	\$8,265,957.23
2029	5	82	0	79.05%	4.86%	\$10,514,562.84	\$683,446.58	\$502,300.00	\$10,695,709.42	5.02%	\$1,742,873.05	\$7,917,480.67
2030	6	83	0	74.20%	5.02%	\$10,695,709.42	\$695,221.11	\$502,300.00	\$10,888,630.53	5.02%	\$2,092,992.37	\$7,589,727.11
2031	7	84	0	69.18%	5.26%	\$10,888,630.53	\$707,760.98	\$502,300.00	\$11,094,091.51	5.02%	\$2,422,671.58	\$7,281,487.81
2032	8	85	0	63.91%	5.41%	\$11,094,091.51	\$721,115.95	\$502,300.00	\$11,312,907.46	5.02%	\$2,733,103.98	\$6,991,624.58
2033	9	86	0	58.50%	5.53%	\$11,312,907.46	\$735,338.98	\$502,300.00	\$11,545,946.44	5.02%	\$3,025,413.21	\$6,719,065.70
2034	10	87	0	52.97%	5.58%	\$11,545,946.44	\$750,486.52	\$502,300.00	\$11,794,132.96	5.02%	\$3,300,657.31	\$6,462,802.02
2035	11	88	0	47.40%	5.55%	\$11,794,132.96	\$766,618.64	\$502,300.00	\$12,058,451.60	5.02%	\$3,559,832.54	\$6,221,883.29
2036	12	89	0	41.85%	5.43%	\$12,058,451.60	\$783,799.35	\$502,300.00	\$12,339,950.95	5.02%	\$3,803,877.01	\$5,995,414.76
2037	13	90	0	36.41%	5.23%	\$12,339,950.95	\$802,096.81	\$502,300.00	\$12,639,747.76	5.02%	\$4,033,674.07	\$5,782,553.90
2038	14	91	0	31.18%	4.94%	\$12,639,747.76	\$821,583.60	\$502,300.00	\$12,959,031.36	5.02%	\$4,250,055.48	\$5,582,507.39
2039	15	92	0	26.24%	4.58%	\$12,959,031.36	\$842,337.04	\$502,300.00	\$13,299,068.40	5.02%	\$4,453,804.45	\$5,394,528.21
2040	16	93	0	21.66%	4.14%	\$13,299,068.40	\$864,439.45	\$502,300.00	\$13,661,207.85	5.02%	\$4,645,658.47	\$5,217,912.97
2041	17	94	0	17.52%	3.66%	\$13,661,207.85	\$887,978.51	\$502,300.00	\$14,046,886.36	5.02%	\$4,826,311.98	\$5,051,999.33
2042	18	95	0	13.86%	3.16%	\$14,046,886.36	\$913,047.61	\$502,300.00	\$14,457,633.97	5.02%	\$4,996,418.86	\$4,896,163.63
2043	19	96	0	10.70%	2.65%	\$14,457,633.97	\$939,746.21	\$502,300.00	\$14,895,080.18	5.02%	\$5,156,594.83	\$4,749,818.64
2044	20	97	0	8.06%	2.15%	\$14,895,080.18	\$737,408.49	\$382,573.70	\$15,249,914.97	5.02%	\$5,271,469.63	\$4,579,067.94



Illustration 1 – \$4 million Reversible Asset Protection Trust ("APT")

STRATEGY ONE

\$10,000,000 Gift to Irreversible Trust



Grantor will run out of assets at age 87.

STRATEGY TWO

**\$4,000,000 Gift to Reversible APT Trust and
\$6,000,000 to Completed Gift Trust**



Grantor will run out of assets at age 87.

Grantor Trust 1 can support Grantor to age 96.

Note: If investments go well and spending is conservative, the Grantor may release all rights to make the Reversible APT "Irreversible" three years before the Grantor's death.



Illustration 2 – Paying Higher Interest When Needed

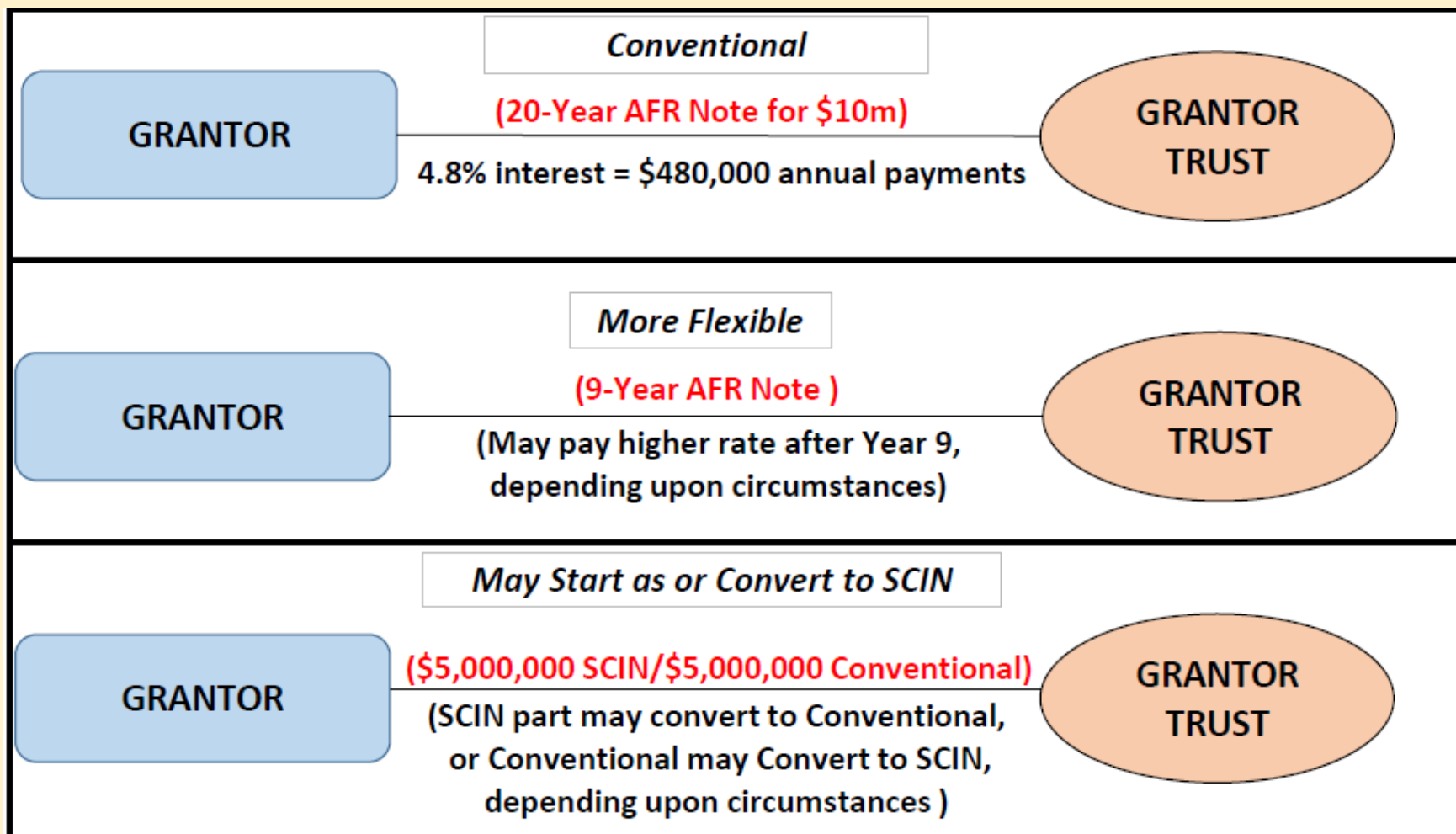


Illustration 2 – Paying Higher Interest When Needed

Conventional Note sale for Years 1 through 9
Grantor's Estate

Grantor's Estate																	
Year	Grantor Age	Assets (w/ Note)	Assets (w/o Note)	Income On Assets (w/o Note)	Taxes On Income (w/o Note)	After-Tax Income On Assets (w/o Note)	Annual Saving (or Spending)	Note Payment	Income Taxes Paid By Grantor On Trust Income (Burn)	Taxable Estate Reduction From Burn	Estate Tax Savings From Burn	Taxable Estate Without Burn	Estate Tax Liability Without Burn	Taxable Estate	Exemption	Estate Tax Liability	Estate Tax Savings Over No Planning
2024	60	\$20,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000,000	\$2,556,000	\$20,000,000	\$13,610,000	\$2,556,000	\$0
2024	60	\$19,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,000,000	\$2,556,000	\$19,000,000	\$12,610,000	\$2,556,000	\$0
2024	60	\$19,000,000	\$9,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,000,000	\$2,556,000	\$19,000,000	\$12,610,000	\$2,556,000	\$0
2025	61	\$19,000,000	\$9,000,000	\$630,000	\$189,000	\$441,000	(\$800,000)	\$450,000	(\$231,000)	\$231,000	\$92,400	\$19,091,000	\$2,432,400	\$18,860,000	\$13,010,000	\$2,340,000	\$128,000
2026	62	\$18,860,000	\$8,860,000	\$620,200	\$186,060	\$434,140	(\$824,000)	\$450,000	(\$237,720)	\$480,039	\$192,016	\$19,162,459	\$5,180,984	\$18,682,420	\$6,210,000	\$4,988,968	\$264,960
2027	63	\$18,682,420	\$8,682,420	\$607,769	\$182,331	\$425,439	(\$848,720)	\$450,000	(\$244,910)	\$748,471	\$299,389	\$19,212,699	\$5,113,080	\$18,464,228	\$6,430,000	\$4,813,691	\$411,507
2028	64	\$18,464,228	\$8,464,228	\$592,496	\$177,749	\$414,747	(\$874,182)	\$450,000	(\$252,604)	\$1,037,751	\$415,100	\$19,239,940	\$5,035,976	\$18,202,190	\$6,650,000	\$4,620,876	\$568,313
2029	65	\$18,202,190	\$8,202,190	\$574,153	\$172,246	\$401,907	(\$900,407)	\$450,000	(\$260,836)	\$1,349,437	\$539,775	\$19,242,290	\$4,944,916	\$17,892,853	\$6,880,000	\$4,405,141	\$736,095
2030	66	\$17,892,853	\$7,892,853	\$552,500	\$165,750	\$386,750	(\$927,419)	\$450,000	(\$269,645)	\$1,685,204	\$674,082	\$19,217,743	\$4,839,097	\$17,532,539	\$7,120,000	\$4,165,016	\$915,621
2031	67	\$17,532,539	\$7,532,539	\$527,278	\$158,183	\$369,094	(\$955,242)	\$450,000	(\$279,070)	\$2,046,849	\$818,740	\$19,164,171	\$4,721,668	\$17,117,322	\$7,360,000	\$3,902,929	\$1,107,715
2032	68	\$17,117,322	\$7,117,322	\$498,213	\$149,464	\$348,749	(\$983,899)	\$450,000	(\$289,155)	\$2,436,300	\$974,520	\$19,079,316	\$4,583,726	\$16,643,016	\$7,620,000	\$3,609,206	\$1,313,255
2033	69	\$16,643,016	\$6,643,016	\$465,011	\$139,503	\$325,508	(\$1,013,416)	\$450,000	(\$299,946)	\$2,855,624	\$1,142,250	\$18,960,786	\$4,436,315	\$16,105,162	\$7,870,000	\$3,294,065	\$1,533,183
2034	70	\$16,105,162	\$6,105,162	\$427,361	\$128,208	\$299,153	(\$1,043,819)	\$10,450,000	(\$311,492)	\$3,307,042	\$1,322,817	\$18,806,046	\$4,266,419	\$15,499,004	\$8,140,000	\$2,943,602	\$1,768,505



Illustration 2 – Paying Higher Interest When Needed

Conventional Note sale for Years 1 through 9
Irrevocable Grantor Trust

Irrevocable Grantor Trust								
Assets	Note Balance	Growth	Income Taxes Paid By Trust	Payment	Net Assets	Net Assets if Grantor Dies This Year	Year	Notes
\$0	\$0	\$0	0	0	\$0	\$0	2024	Initial Values
\$1,000,000	\$0	\$0	0	0	\$0	\$0	2024	Year One Gift to Trust
\$11,000,000	\$10,000,000	\$0	0	0	\$1,000,000	\$1,000,000	2024	Sale of Assets to Trust
\$11,000,000	\$10,000,000	\$770,000	0	(\$450,000)	\$1,320,000	\$1,320,000	2025	
\$11,320,000	\$10,000,000	\$792,400	0	(\$450,000)	\$1,662,400	\$1,662,400	2026	
\$11,662,400	\$10,000,000	\$816,368	0	(\$450,000)	\$2,028,768	\$2,028,768	2027	
\$12,028,768	\$10,000,000	\$842,014	0	(\$450,000)	\$2,420,782	\$2,420,782	2028	
\$12,420,782	\$10,000,000	\$869,455	0	(\$450,000)	\$2,840,236	\$2,840,236	2029	
\$12,840,236	\$10,000,000	\$898,817	0	(\$450,000)	\$3,289,053	\$3,289,053	2030	
\$13,289,053	\$10,000,000	\$930,234	0	(\$450,000)	\$3,769,287	\$3,769,287	2031	
\$13,769,287	\$10,000,000	\$963,850	0	(\$450,000)	\$4,283,137	\$4,283,137	2032	
\$14,283,137	\$10,000,000	\$999,820	0	(\$450,000)	\$4,832,956	\$4,832,956	2033	
\$14,832,956	\$0	\$1,038,307	0	(\$10,450,000)	\$5,421,263	\$5,421,263	2034	



Illustration 2 – Paying Higher Interest When Needed

Conversion to SCIN in Year 9 – Grantor's Estate

Grantor's Estate																	
Year	Grantor Age	Assets (w/ Note)	Assets (w/o Note)	Income On Assets (w/o Note)	Taxes On Income (w/o Note)	After-Tax Income On Assets (w/o Note)	Annual Saving (or Spending)	Note Payment	Income Taxes Paid By Grantor On Trust Income (Burn)	Taxable Estate Reduction From Burn	Estate Tax Savings From Burn	Taxable Estate Without Burn	Estate Tax Liability Without Burn	Taxable Estate	Exemption	Estate Tax Liability	Estate Tax Savings Over No Planning
2024	69	\$20,388,299	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,388,299	\$2,711,320	\$20,388,299	\$13,610,000	\$2,711,320	\$0
2024	69	\$20,388,299	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,388,299	\$2,711,320	\$20,388,299	\$13,610,000	\$2,711,320	\$0
2024	69	\$16,105,162	\$6,105,162	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,105,162	\$0	\$6,105,162	\$13,610,000	\$0	\$2,711,320
2025	70	\$16,105,162	\$6,105,162	\$427,361	\$128,208	\$299,153	(\$800,000)	\$837,270	(\$299,946)	\$299,946	\$119,978	\$6,441,585	\$0	\$6,141,639	\$14,010,000	\$0	\$2,630,930
2026	71	\$16,141,639	\$6,141,639	\$429,915	\$128,974	\$300,940	(\$824,000)	\$837,270	(\$303,359)	\$618,003	\$247,201	\$6,770,493	\$0	\$6,152,490	\$7,210,000	\$0	\$5,424,842
2027	72	\$16,152,490	\$6,152,490	\$430,674	\$129,202	\$301,472	(\$848,720)	\$837,270	(\$307,012)	\$955,297	\$382,119	\$7,090,797	\$0	\$6,135,500	\$7,430,000	\$0	\$5,404,487
2028	73	\$16,135,500	\$6,135,500	\$429,485	\$128,846	\$300,640	(\$874,182)	\$837,270	(\$310,920)	\$1,313,026	\$525,211	\$7,401,334	\$0	\$6,088,308	\$7,650,000	\$0	\$5,377,262
2029	74	\$16,088,308	\$6,088,308	\$426,182	\$127,854	\$298,327	(\$900,407)	\$837,270	(\$315,102)	\$1,692,466	\$676,987	\$7,700,863	\$0	\$6,008,396	\$7,880,000	\$0	\$5,338,525
2030	75	\$16,008,396	\$6,008,396	\$420,588	\$126,176	\$294,411	(\$927,419)	\$837,270	(\$319,576)	\$2,094,973	\$837,989	\$7,988,056	\$0	\$5,893,082	\$8,120,000	\$0	\$5,287,593
2031	76	\$15,893,082	\$5,893,082	\$412,516	\$123,755	\$288,761	(\$955,242)	\$837,270	(\$324,364)	\$2,521,991	\$1,008,796	\$8,261,498	\$0	\$5,739,507	\$8,360,000	\$0	\$5,227,741
2032	77	\$15,739,507	\$5,739,507	\$401,766	\$120,530	\$281,236	(\$983,899)	\$837,270	(\$329,487)	\$2,975,055	\$1,190,022	\$8,519,683	\$0	\$5,544,627	\$8,620,000	\$0	\$5,150,196
2033	78	\$15,544,627	\$5,544,627	\$388,124	\$116,437	\$271,687	(\$1,013,416)	\$837,270	(\$334,968)	\$3,455,801	\$1,382,321	\$8,761,001	\$0	\$5,305,200	\$8,870,000	\$0	\$5,066,142
2034	79	\$15,305,200	\$5,305,200	\$371,364	\$111,409	\$259,955	(\$1,043,819)	\$837,270	(\$340,833)	\$3,965,969	\$1,586,388	\$8,983,742	\$0	\$5,017,773	\$9,140,000	\$0	\$4,962,707
2035	80	\$15,017,773	\$5,017,773	\$351,244	\$105,373	\$245,871	(\$1,075,133)	\$10,837,270	(\$347,109)	\$4,507,410	\$1,802,964	\$9,186,082	\$3,910,433	\$14,678,672	\$9,410,000	\$2,107,469	\$2,739,502
2036	81	\$14,678,672	\$14,678,672	\$1,027,507	\$308,252	\$719,255	(\$1,107,387)	\$0	(\$143,824)	\$4,872,097	\$1,948,839	\$9,018,813	\$3,727,525	\$14,146,716	\$9,700,000	\$1,778,686	\$2,931,267
2037	82	\$14,146,716	\$14,146,716	\$990,270	\$297,081	\$693,189	(\$1,140,609)	\$0	(\$153,892)	\$5,264,721	\$2,105,889	\$18,810,126	\$3,528,050	\$13,545,405	\$9,990,000	\$1,422,162	\$3,136,456
2038	83	\$13,545,405	\$13,545,405	\$948,178	\$284,453	\$663,725	(\$1,174,827)	\$0	(\$164,664)	\$5,687,357	\$2,274,943	\$18,556,995	\$3,306,798	\$12,869,638	\$10,290,000	\$1,031,855	\$3,356,008
2039	84	\$12,869,638	\$12,869,638	\$900,875	\$270,262	\$630,612	(\$1,210,072)	\$0	(\$176,190)	\$6,142,228	\$2,456,891	\$18,256,216	\$3,062,486	\$12,113,989	\$10,600,000	\$605,595	\$3,590,928
2040	85	\$12,113,989	\$12,113,989	\$847,979	\$254,394	\$593,585	(\$1,246,374)	\$0	(\$188,524)	\$6,631,720	\$2,652,688	\$17,904,397	\$2,793,759	\$11,272,676	\$10,920,000	\$141,071	\$3,842,293
2041	86	\$11,272,676	\$11,272,676	\$789,087	\$236,726	\$552,361	(\$1,283,765)	\$0	(\$201,720)	\$7,158,395	\$2,863,358	\$17,497,947	\$2,503,179	\$10,339,552	\$11,240,000	\$0	\$3,751,074
2042	87	\$10,339,552	\$10,339,552	\$723,769	\$217,131	\$506,638	(\$1,322,278)	\$0	(\$215,841)	\$7,724,997	\$3,089,999	\$17,033,068	\$2,181,227	\$9,308,071	\$11,580,000	\$0	\$3,490,270
2043	88	\$9,308,071	\$9,308,071	\$651,565	\$195,469	\$456,095	(\$1,361,946)	\$0	(\$230,950)	\$8,334,472	\$3,333,789	\$16,505,742	\$1,830,297	\$8,171,270	\$11,930,000	\$0	\$3,203,482
2044	89	\$8,171,270	\$8,171,270	\$571,989	\$171,597	\$400,392	(\$1,402,805)	\$0	(\$247,116)	\$8,989,977	\$3,595,991	\$15,911,719	\$1,448,687	\$6,921,742	\$12,290,000	\$0	\$2,889,159
2045	90	\$6,921,742	\$6,921,742	\$484,522	\$145,357	\$339,165	(\$1,444,889)	\$0	(\$264,414)	\$9,694,900	\$3,877,960	\$15,246,504	\$1,038,602	\$5,551,604	\$12,650,000	\$0	\$2,549,656
2046	91	\$5,551,604	\$5,551,604	\$388,612	\$116,584	\$272,029	(\$1,488,236)	\$0	(\$282,923)	\$10,452,874	\$4,181,149	\$14,505,347	\$590,139	\$4,052,473	\$13,030,000	\$0	\$2,175,235
2047	92	\$4,052,473	\$4,052,473	\$283,673	\$85,102	\$198,571	(\$1,532,883)	\$0	(\$302,728)	\$11,267,792	\$4,507,117	\$13,683,226	\$101,291	\$2,415,434	\$13,430,000	\$0	\$1,764,057
2048	93	\$2,415,434	\$2,415,434	\$169,080	\$50,724	\$118,356	(\$1,578,869)	\$0	(\$323,919)	\$12,143,833	\$4,857,533	\$12,774,835	\$0	\$631,002	\$13,830,000	\$0	\$1,322,176
2049	94	\$631,002	\$631,002	\$44,170	\$13,251	\$30,919	(\$1,626,235)	\$0	(\$346,593)	\$13,085,474	\$5,234,190	\$11,774,567	\$0	\$1,810,907	\$14,240,000	\$0	\$843,536
2050	95	\$1,810,907	\$1,810,907	\$0	\$0	\$0	(\$1,675,022)	\$0	(\$370,855)	\$14,097,517	\$5,639,007	\$10,676,498	\$0	\$3,336,784	\$14,670,000	\$0	\$321,965
2051	96	\$3,336,784	\$3,336,784	\$0	\$0	\$0	(\$1,725,273)	\$0	(\$396,815)	\$15,185,110	\$6,074,044	\$9,474,374	\$0	\$5,478,872	\$15,110,000	\$0	\$0
2052	97	\$5,478,872	\$5,478,872	\$0	\$0	\$0	(\$1,777,031)	\$0	(\$424,592)	\$16,353,772	\$6,541,509	\$8,161,587	\$0	\$7,680,484	\$15,560,000	\$0	\$0
2053	98	\$7,680,484	\$7,680,484	\$0	\$0	\$0	(\$1,830,342)	\$0	(\$454,313)	\$17,609,419	\$7,043,768	\$6,731,162	\$0	\$9,985,150	\$16,030,000	\$0	\$0
2054	99	\$9,985,150	\$9,985,150	\$0	\$0	\$0	(\$1,885,252)	\$0	(\$486,115)	\$18,958,396	\$7,583,358	\$5,175,737	\$0	\$12,338,517	\$16,510,000	\$0	\$0
2055	100	\$12,338,517	\$12,338,517	\$0	\$0	\$0	(\$1,941,810)	\$0	(\$520,143)	\$20,407,500	\$8,163,000	\$3,487,538	\$0	\$14,798,470	\$17,010,000	\$0	\$0



Illustration 2 – Paying Higher Interest When Needed

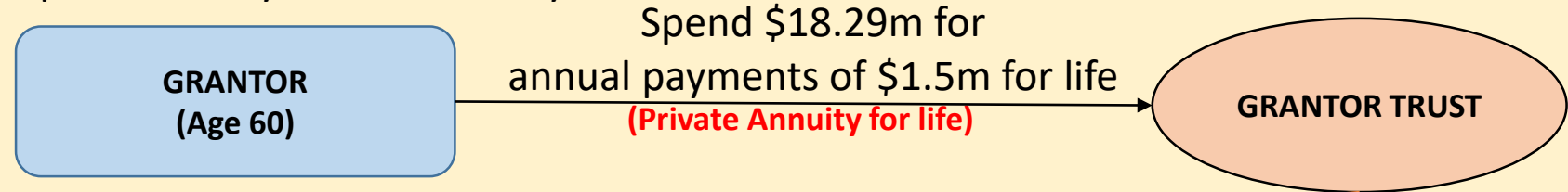
Conversion to SCIN in Year 9 – Irrevocable Grantor Trust

Irrevocable Grantor Trust							
Assets	Note Balance	Growth	Income Taxes Paid By Trust	Payment	Net Assets	Net Assets if Grantor Dies This Year	Notes
\$0	\$0	\$0	0	0	\$0	\$0	2024 Initial Values
\$0	\$0	\$0	0	0	\$0	\$0	2024 Year One Gift to Trust
\$14,283,137	\$10,000,000	\$0	0	0	\$4,283,137	\$14,283,137	2024 Sale of Assets to Trust
\$14,283,137	\$10,000,000	\$999,820	0	(\$837,270)	\$4,445,687	\$14,445,687	2025
\$14,445,687	\$10,000,000	\$1,011,198	0	(\$837,270)	\$4,619,615	\$14,619,615	2026
\$14,619,615	\$10,000,000	\$1,023,373	0	(\$837,270)	\$4,805,718	\$14,805,718	2027
\$14,805,718	\$10,000,000	\$1,036,400	0	(\$837,270)	\$5,004,848	\$15,004,848	2028
\$15,004,848	\$10,000,000	\$1,050,339	0	(\$837,270)	\$5,217,917	\$15,217,917	2029
\$15,217,917	\$10,000,000	\$1,065,254	0	(\$837,270)	\$5,445,901	\$15,445,901	2030
\$15,445,901	\$10,000,000	\$1,081,213	0	(\$837,270)	\$5,689,845	\$15,689,845	2031
\$15,689,845	\$10,000,000	\$1,098,289	0	(\$837,270)	\$5,950,864	\$15,950,864	2032
\$15,950,864	\$10,000,000	\$1,116,560	0	(\$837,270)	\$6,230,154	\$16,230,154	2033
\$16,230,154	\$10,000,000	\$1,136,111	0	(\$837,270)	\$6,528,995	\$16,528,995	2034
\$16,528,995	\$0	\$1,157,030	0	(\$10,837,270)	\$6,848,755	\$6,848,755	2035
\$6,848,755	\$0	\$479,413	0	0	\$7,328,167	\$7,328,167	2036
\$7,328,167	\$0	\$512,972	0	0	\$7,841,139	\$7,841,139	2037
\$7,841,139	\$0	\$548,880	0	0	\$8,390,019	\$8,390,019	2038
\$8,390,019	\$0	\$587,301	0	0	\$8,977,320	\$8,977,320	2039
\$8,977,320	\$0	\$628,412	0	0	\$9,605,733	\$9,605,733	2040
\$9,605,733	\$0	\$672,401	0	0	\$10,278,134	\$10,278,134	2041
\$10,278,134	\$0	\$719,469	0	0	\$10,997,603	\$10,997,603	2042
\$10,997,603	\$0	\$769,832	0	0	\$11,767,435	\$11,767,435	2043
\$11,767,435	\$0	\$823,720	0	0	\$12,591,156	\$12,591,156	2044
\$12,591,156	\$0	\$881,381	0	0	\$13,472,537	\$13,472,537	2045
\$13,472,537	\$0	\$943,078	0	0	\$14,415,614	\$14,415,614	2046
\$14,415,614	\$0	\$1,009,093	0	0	\$15,424,707	\$15,424,707	2047
\$15,424,707	\$0	\$1,079,730	0	0	\$16,504,437	\$16,504,437	2048
\$16,504,437	\$0	\$1,155,311	0	0	\$17,659,748	\$17,659,748	2049
\$17,659,748	\$0	\$1,236,182	0	0	\$18,895,930	\$18,895,930	2050
\$18,895,930	\$0	\$1,322,715	0	0	\$20,218,645	\$20,218,645	2051
\$20,218,645	\$0	\$1,415,305	0	0	\$21,633,950	\$21,633,950	2052
\$21,633,950	\$0	\$1,514,377	0	0	\$23,148,327	\$23,148,327	2053
\$23,148,327	\$0	\$1,620,383	0	0	\$24,768,710	\$24,768,710	2054
\$24,768,710	\$0	\$1,733,810	0	0	\$26,502,519	\$26,502,519	2055



Illustration 3 – SCIN/Private Annuity Hybrid to Reduce Exhaustion Reserve Requirements

Option 1 – Buy Private Annuity

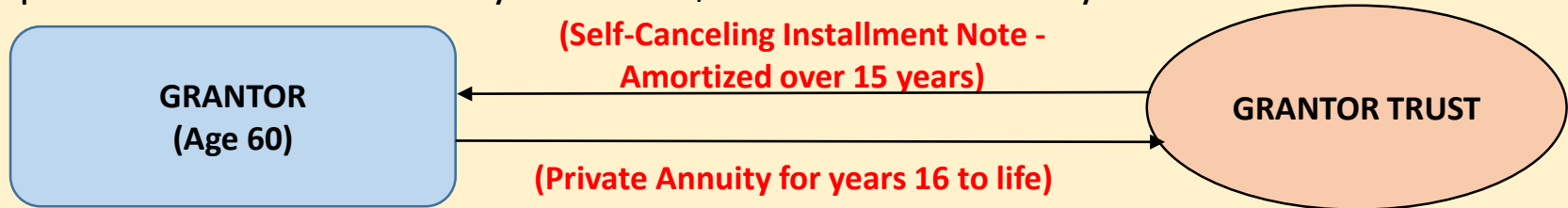


7520 Rate - 5.4%

Assets sufficient to satisfy exhaustion test for Private Annuity.

Exhaustion Test	\$25,682,000
Pay for Annuity	- <u>18,290,000</u>
Excess Value Required	\$ 7,392,000

Option 2 – Sell SCIN and buy deferred \$1.5m Private Annuity



Assets sufficient to satisfy exhaustion test for Private Annuity.

Exhaustion Test	\$10,509,748
Pay for Annuity	- <u>4,303,220</u>
Excess Value Required	\$ 6,209,780

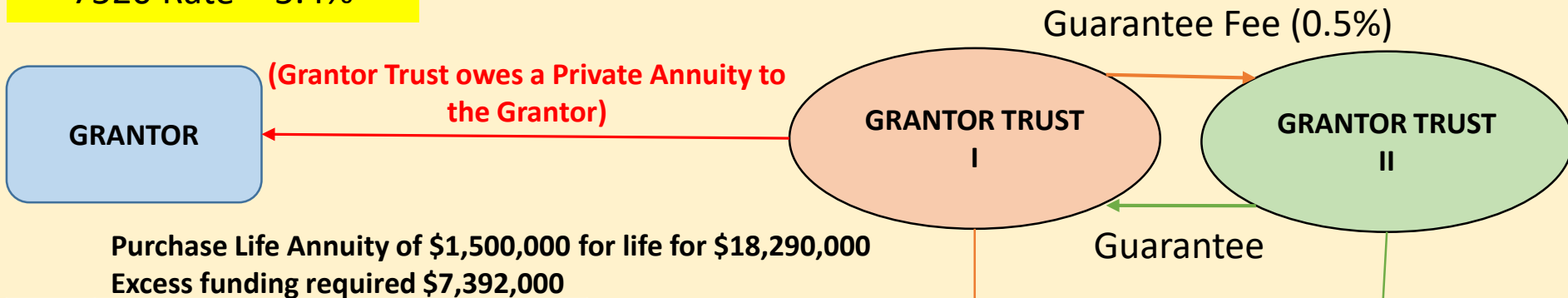
Reduction in Gift Required	\$7,392,000
	- <u>6,209,780</u>
Total Reduction in Gift	\$1,182,220

15-year SCIN: Sell \$13.98m for \$1.5m in annual payments for years 1-15; then
16th year Deferred Private Annuity: Spend \$4,303,220 for annual payments of \$1.5m for life



Illustration 4 – Excess Assets to Satisfy Exhaustion Test in Grantor Trust II

7520 Rate - 5.4%



Year	Grantor Trust I	Grantor Trust II	Total
1	\$20.1m	\$5.6m	\$25.7m
5	\$19.6m	\$7.4m	\$27.0m
10	\$18.8m	\$10.5m	\$29.3m
15	\$17.6m	\$14.7m	\$32.3m
20	\$16.1m	\$20.6m	\$36.7m
25	\$14.1m	\$28.9m	\$43.0m
30	\$11.2m	\$40.4m	\$51.6m
35	\$7.3m	\$56.5m	\$63.8m
40	\$1.8m	\$78.9m	\$80.7m

Owns assets worth 110% of Private Annuity Sales Price

7.5% Rate of Return will satisfy the payment rights well past age 110.

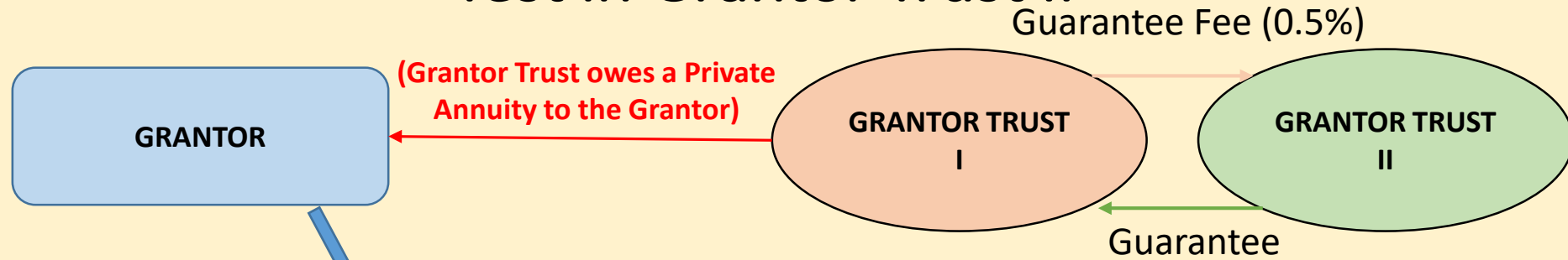
Funded with \$18,290,000
+ 1,829,000
\$20,119,000

Can guarantee Private Annuity and toggle off at appropriate time.

Funded with \$ 7,392,000
- 1,829,000
\$ 5,563,000



Illustration 4 – Excess Assets to Satisfy Exhaustion Test in Grantor Trust II



Private Annuity

Standard Pro **Pro-Plus**

Center Screenshot

\$ 7520 Rate 5.40%

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)

Grantor Yr of Death 100 (Year 40)

of Years Illustrated 40

Mortality Table Table 2010CM (**)

Deferral Period (Yrs) 0

Payment Terms Level

Estate Assets Amount \$60,000,000

Estate Annual Saving/Spending (\$1,500,000)

Lifetime Exemption Already Used \$0

Consumer Price Index Growth Rate 3.00%

Estate Tax Rate (%) 40.00%

Annual Growth Rate 7.00%

Annual Investment Tax Rate (as % of assets) 2.00%

Year to Toggle Off Grantor Trust Status Never

Private Annuity Summaries [Alter Summary Columns](#)

Annuity #	Grantor Age	Life Expectancy	Year of Death	# of Years Illustrated	Year One Gift	Year One Gift Discount Rate	Year One Gift Reportable Value	Sale Value Before Discounts	Sale Value After Discounts	Growth Rate	Deferral Period	Payment Terms	\$ 7520 Rate	Annuity Factor	YR1 Annual Annuity	Remainder Value	Total Estate Tax Savings	Trust Value at Inception	Exhaustion Test Requirement Important Information:	Exhaustion Test Excess or (Shortfall)
1	60	N/A	40	40	\$1,829,000	0.00%	\$1,829,000	\$18,290,000	\$18,290,000	7.00%	0	Level	5.40%	12.1861	\$1,500,890	\$1,640,702	(\$75,319)	\$20,119,000	\$25,681,919	\$5,562,919

Private Annuity Details [Alter Detail Columns Below](#)

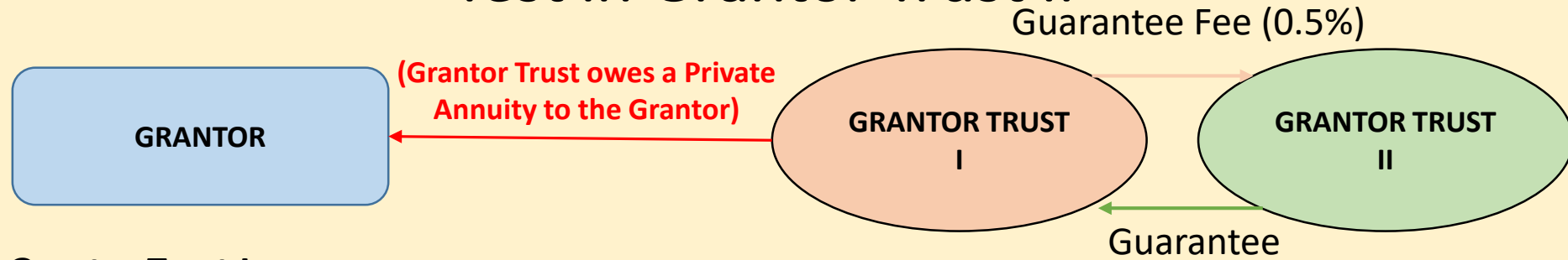
Private Annuity 1

Show Every 5 Year(s) Year Of Death

Year	Year #	Grantor Age	Probability Survival To Year	Grantor - Beginning of Year	Grantor - Spending/Saving	Grantor - Annuity Payment	Grantor - Income Tax (Burn) on Trust Income	Grantor - Cumulative Burn and Lost Growth For Grantor	Grantor - Growth	Grantor - Tax on Growth	Grantor - Growth After Tax	Grantor - Taxable Estate (EOY)	Grantor - Lifetime Exclusion Available	Grantor - Estate Tax Liability	Grantor - Estate Tax Savings From Trust Assets	Grantor - Estate Tax Savings From Burn	Grantor - Total Estate Tax Savings
2029	5	65	96.12%	\$46,472,530	(\$1,688,263)	\$1,500,890	(\$394,161)	(\$2,202,567)	\$3,253,077	(\$929,451)	\$2,323,626	\$48,214,623	\$6,051,000	\$16,865,449	\$6,222,057	\$881,027	\$7,103,084
2034	10	70	89.54%	\$55,577,752	(\$1,957,160)	\$1,500,890	(\$380,206)	(\$4,946,451)	\$3,890,443	(\$1,111,555)	\$2,778,888	\$57,520,164	\$7,311,000	\$20,083,666	\$4,825,877	\$1,978,581	\$6,804,458
2039	15	75	80.28%	\$65,713,537	(\$2,268,885)	\$1,500,890	(\$360,634)	(\$8,354,151)	\$4,599,948	(\$1,314,271)	\$3,285,677	\$67,870,585	\$8,771,000	\$23,639,834	\$3,043,959	\$3,341,660	\$6,385,619
2044	20	80	67.44%	\$76,949,511	(\$2,630,259)	\$1,500,890	(\$333,184)	(\$12,571,118)	\$5,386,466	(\$1,538,990)	\$3,847,476	\$79,334,435	\$10,461,000	\$27,549,374	\$769,730	\$5,028,447	\$5,798,177
2049	25	85	50.54%	\$89,348,912	(\$3,049,191)	\$1,500,890	(\$294,603)	(\$14,264,646)	\$6,254,424	(\$1,786,978)	\$4,467,446	\$91,973,374	\$12,411,000	\$31,824,950	(\$731,600)	\$5,705,859	\$4,974,259
2054	30	90	30.57%	\$102,966,205	(\$3,534,848)	\$1,500,890	(\$240,683)	(\$11,375,676)	\$7,207,634	(\$2,059,324)	\$5,148,310	\$105,839,874	\$14,681,000	\$36,463,550	(\$731,600)	\$4,550,270	\$3,818,670
2059	35	95	12.80%	\$117,845,355	(\$4,097,858)	\$1,500,890	(\$164,946)	(\$7,323,745)	\$8,249,175	(\$2,356,907)	\$5,892,268	\$120,975,709	\$17,311,000	\$41,465,884	(\$731,600)	\$2,929,498	\$2,197,898
2064	40	100	3.07%	\$134,019,689	(\$4,750,540)	\$1,500,890	(\$58,721)	(\$1,640,702)	\$9,381,378	(\$2,680,394)	\$6,700,984	\$137,412,302	\$20,361,000	\$46,820,521	(\$731,600)	\$656,281	(\$75,319)



Illustration 4 – Excess Assets to Satisfy Exhaustion Test in Grantor Trust II



Grantor Trust I

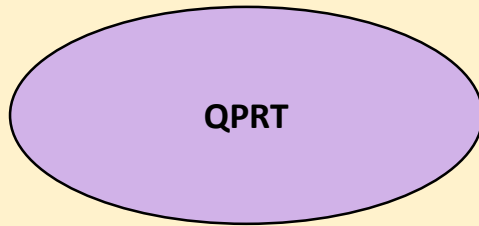
Year	Year #	Grantor Age	Probability Survival To Year	Trust - Beginning Value	Trust - Growth	Trust - Tax on Growth	Trust - Growth After Tax	Trust - Annuity Amount	Trust - Guarantee Fee	Trust - End Value
2025	1	61	100.00%	\$20,119,000.00	\$1,408,330.00	-\$402,380.00	\$1,408,330.00	-\$1,500,890.36	-\$27,815.00	\$19,998,624.64
2029	5	65	96.12%	\$19,596,777.28	\$1,379,562.61	-\$394,160.75	\$1,379,562.61	-\$1,500,890.36	-\$27,815.00	\$19,447,634.53
2034	10	70	89.54%	\$18,759,978.05	\$1,330,721.91	-\$380,206.26	\$1,330,721.91	-\$1,500,890.36	-\$27,815.00	\$18,561,994.60
2039	15	75	80.28%	\$17,642,308.73	\$1,262,220.31	-\$360,634.37	\$1,262,220.31	-\$1,500,890.36	-\$27,815.00	\$17,375,823.68
2044	20	80	67.44%	\$16,130,704.56	\$1,166,143.27	-\$333,183.79	\$1,166,143.27	-\$1,500,890.36	-\$27,815.00	\$15,768,142.47
2049	25	85	50.54%	\$14,066,586.41	\$1,031,390.25	-\$294,682.93	\$1,031,390.25	-\$1,500,890.36	-\$27,815.00	\$13,569,271.30
2054	30	90	30.57%	\$11,227,538.81	\$842,392.17	-\$240,683.48	\$842,392.17	-\$1,500,890.36	-\$27,815.00	\$10,541,225.61
2059	35	95	12.80%	\$7,301,612.56	\$577,312.58	-\$164,946.45	\$577,312.58	-\$1,500,890.36	-\$27,815.00	\$6,350,219.77
2064	40	100	3.07%	\$1,851,282.78	\$205,524.74	-\$58,721.36	\$205,524.74	-\$1,500,890.36	-\$27,815.00	\$528,102.17

Grantor Trust II

Year	Year #	Grantor Age	Probability Survival To Year	Trust - Beginning Value	Trust - Growth	Trust - Tax on Growth	Trust - Growth After Tax	Trust - Guarantee Fee	Trust - End Value
2025	1	61	100.00%	\$5,563,000.00	\$389,410.00	-\$111,260.00	\$389,410.00	\$27,815.00	\$5,980,225.00
2029	5	65	96.12%	\$7,403,218.20	\$510,437.07	-\$145,839.16	\$510,437.07	\$27,815.00	\$7,941,470.28
2034	10	70	89.54%	\$10,477,683.60	\$715,914.40	-\$204,546.97	\$715,914.40	\$27,815.00	\$11,221,413.00
2039	15	75	80.28%	\$14,733,795.48	\$1,004,106.98	-\$286,887.71	\$1,004,106.98	\$27,815.00	\$15,765,717.46
2044	20	80	67.44%	\$20,647,227.68	\$1,408,311.99	-\$402,374.85	\$1,408,311.99	\$27,815.00	\$22,083,354.66
2049	25	85	50.54%	\$28,885,137.36	\$1,975,230.42	-\$564,351.55	\$1,975,230.42	\$27,815.00	\$30,888,182.78
2054	30	90	30.57%	\$40,383,246.96	\$2,770,362.84	-\$791,532.24	\$2,770,362.84	\$27,815.00	\$43,181,424.80
2059	35	95	12.80%	\$56,453,955.61	\$3,885,577.19	-\$1,110,164.91	\$3,885,577.19	\$27,815.00	\$60,367,347.80
2064	40	100	3.07%	\$78,937,970.94	\$5,449,723.02	-\$1,557,063.72	\$5,449,723.02	\$27,815.00	\$84,415,508.96



Illustration 5 – Compare the Use of \$3.5M of Exemption



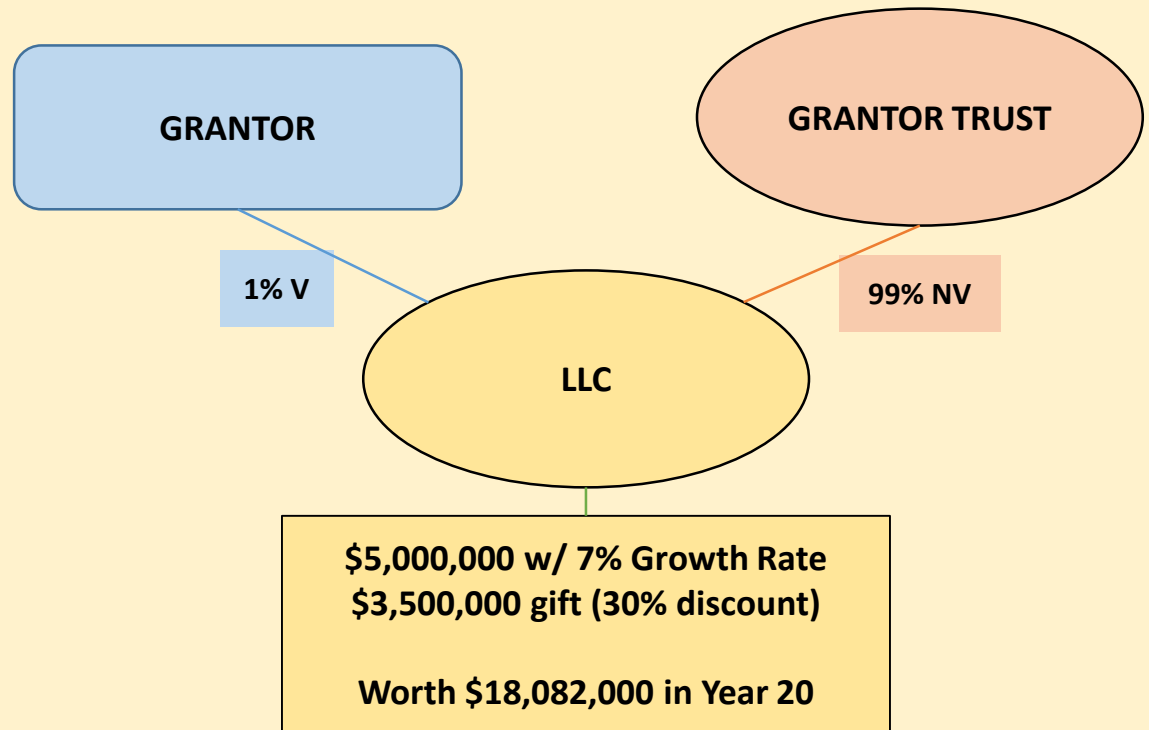
7520 Rate - 5.4%

\$7,349,000 Home
65-year-old Grantor
10-Year Possessory Term
4% Growth Rate
Pays Rent at 7% of Value
(after 10th year)
Dies in Year 20
\$3,500,000 Gift
Removes \$28,572,000 from Estate

Estate Tax Savings Calculation:

	\$28,572,000
x	0.4
Total Estate Tax Savings	\$11,428,800

CHECK THESE NUMBERS



Reduction of estate from the burn - \$7,232,500

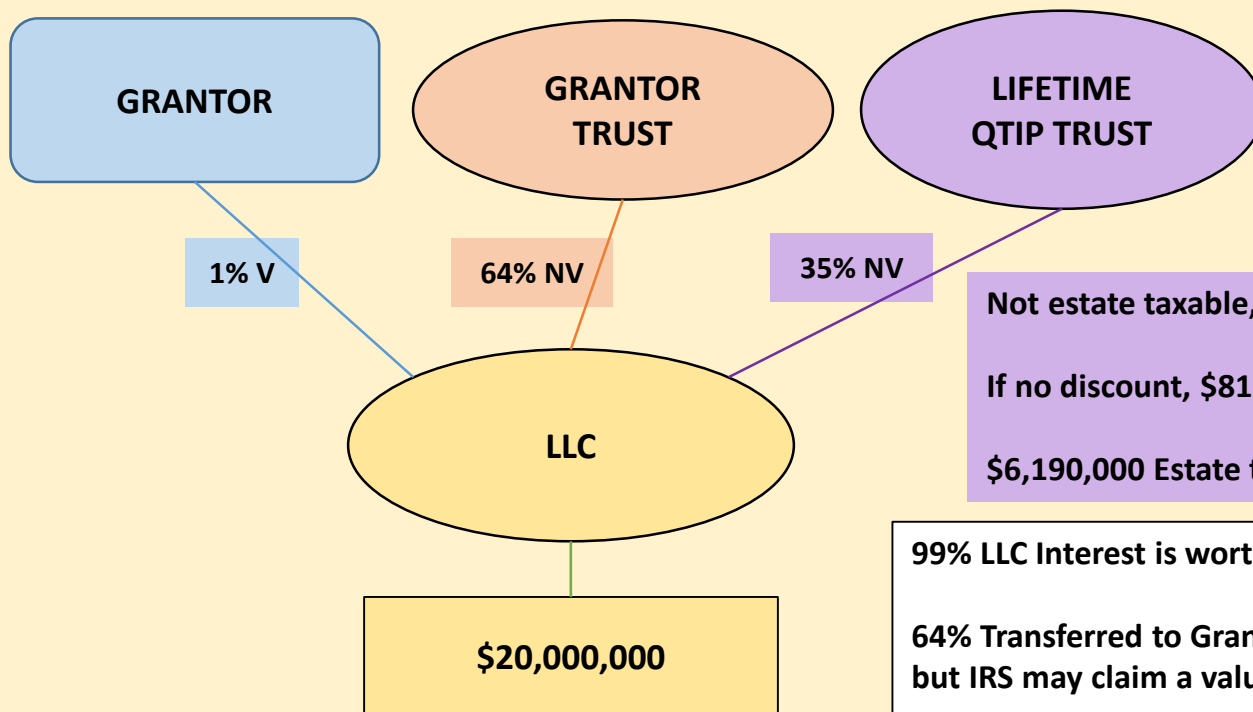
Estate Tax Savings Calculation:

	\$18,082,000
+	7,232,500
	\$25,314,500
x	0.4
Total Estate Tax Savings	\$10,125,800

CHECK THESE NUMBERS



Illustration 6 – Eliminate Risk of Having Discounting Cause Taxable Gift



Not estate taxable, if 30% discount.

If no discount, \$810,000 exempt from estate tax.

\$6,190,000 Estate taxable on surviving spouse's death.

99% LLC Interest is worth \$13,000,000 at 30% discount.

64% Transferred to Grantor Trust should be worth \$8,960,000, but IRS may claim a value of \$12,800,000 (64% of \$20,000,000).

35% to QTIP Trust - Make a formula marital deduction election - if zero discount allowed QTIP will be worth \$7,200,000 (\$13,610,000 - \$12,800,000 = \$810,000).

If 20% discount allowed, QTIP Marital Deduction Trust share will be worth \$_____.



Using Spreadsheet Modeling to Communicate the Benefits of Estate Planning Techniques to Clients in an Understandable Manner

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Brandon L. Ketron
Brad Dillon

Estate Planning Conference
Joseph F. Rice School of Law
University of South Carolina
Columbia, South Carolina
October 17, 2024



The Four Factors Designed to Shift Value Out of the Estate Without Using Exemption

1. Valuation Discounts

- A one-time benefit that is often the least significant factor in effectively shifting wealth outside of the estate over the long term

2. Freezing the Current Value of Assets

- Usually done by a sale for a promissory note or a partnership freeze; growth above the interest rate on the note (or preferred rate of return on the partnership interest) limits the value of the clients estate at its current level

3. Financial Leverage

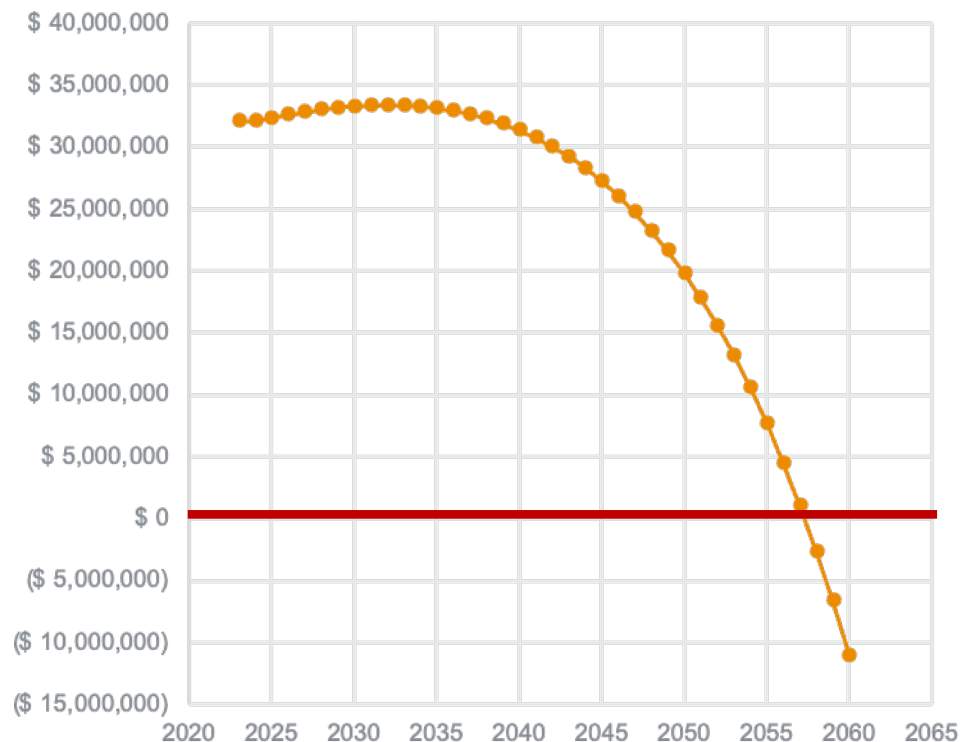
4. Using Grantor Trusts

- Disregarded sales/transactions between grantor & trust coupled with the grantor's payment of the trust's income taxes is powerful but watch out for the "burn"



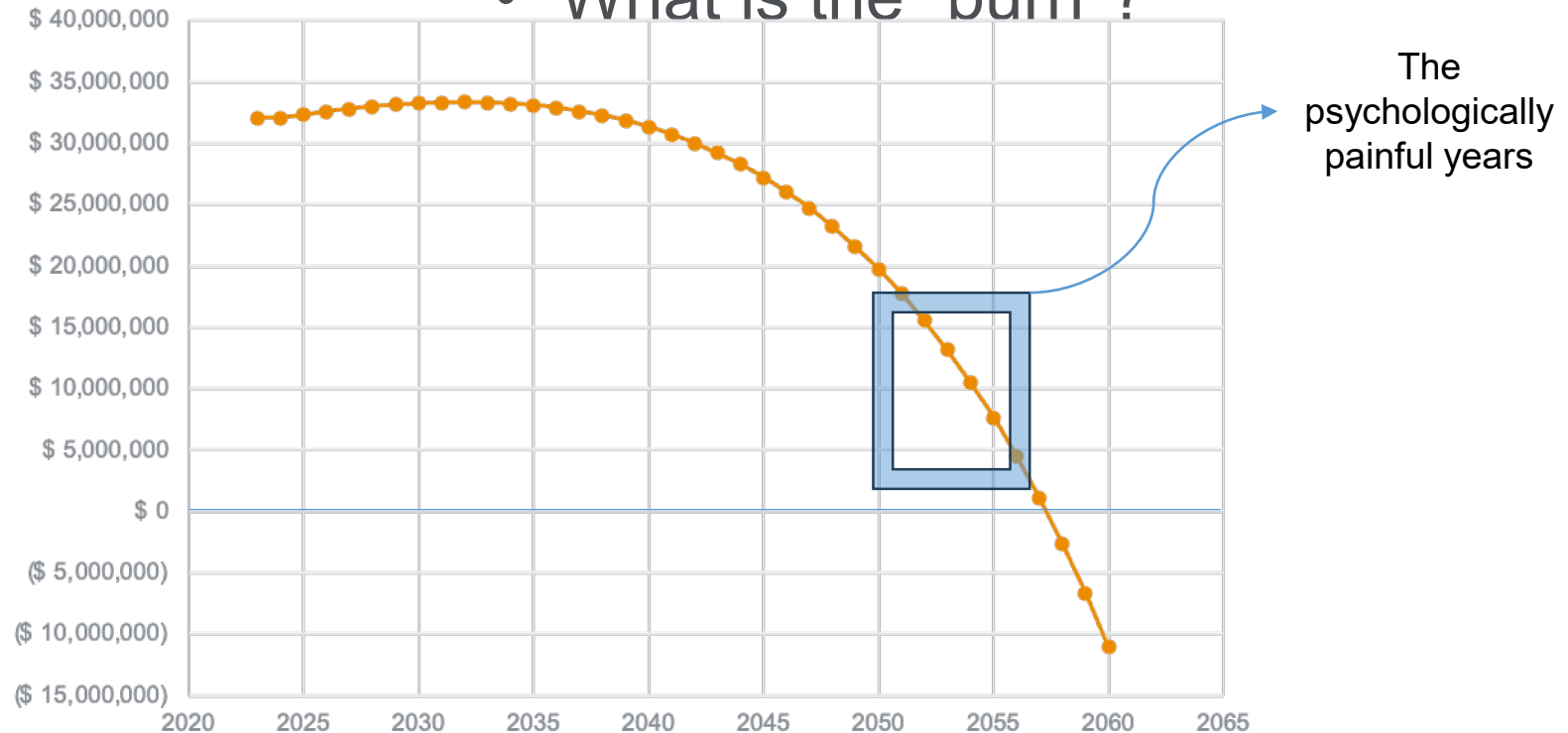
What is the "Burn" of Grantor Trust Status?

- 58-year old client
- \$46M of investment assets
- Uses current exemption (\$13.61M, no discount) to fund grantor trust by gift
- Modest spend rate of 2%
- Modest inflation rate of 3%
- Effective federal and state income tax rate of 32%
- 27 years later client's retained assets are fully depleted by personal consumption and the "burn." Client now 85 and living!



Mitigating the “Burn” of Grantor Trust Status

- What is the “burn”?



The IRS's mortality tables are inaccurate for our clients

- What's wrong with them anyway?
- For most of our clients, the 2010CM mortality tables should be considered a floor, not a ceiling
 - The “new” tables are already nearly 15 years old
 - Life expectancies continued to rise after 2010 until the Covid-19 pandemic
 - The tables provide a function that showcases the likelihood that a person living at age X will live until age Y, but likelihood is measured by 50/50 odds
 - The tables reflect the 2010CM census data of the entire US population
 - Our subset of clients typically are wealthier and have better access to healthcare, meaning they tend to also live longer than used by the 2010CM tables.



Taking Advantage of the IRS's Inaccurate Mortality Tables

- Benefit

- When doing any modeling for a client, projections should never be run only to their life expectancy
 - (unless, of course, there is a reason NOT to)
 - Running projections out until life expectancy will be misleading
 - Running the projections out until at least age 95 often show some interesting results



Modeling the Burn to Determine Exemption Usage

- Just because you have it, doesn't mean you should use it
- The use-it-or-lose-it Bonus Exemption is set to be cut approximately in half at the end of next year, so naturally the question many clients have is whether to maximize the use of the exemption
- Intuition is simply not enough to answer this question effectively
- Commercially available programs do model the effect of the "burn." They only show the buildup in the grantor trust. They do not show the impact on the grantor's remaining assets.



Modeling the Burn to Determine Exemption Usage

• Situation #1 –Maximum Exemption Used

- Consider the following assumptions
 - Single individual, age 64
 - Investment assets = \$38,000,000, with rate of return of 7%
 - Spends \$1,000,000/year, with spend rate increasing 3% annually
 - Effective income tax rate of 32%
 - Estate tax rate is 40%
 - Valuation discount is 35%
 - No prior gifts
-
- Client owns a non-voting interest in an entity with an equity of \$20,938,462 (capital account value before discount)
 - Transfers the interest to a grantor trust
 - Value of taxable gift after discount is \$13,610,000.
 - Retained assets are \$17,061,538.

Let's see the effect of the “burn” of grantor trust status on this 64-year old....



Modeling the Burn to Determine Exemption Usage

Situation #1 – Maximum Exemption Used

Year	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	Personal Consumption	End of Year Investments Value	Total Exemption	Estate Tax Liability	Estate Tax Savings
2024	0	64	100.00%	\$38,000,000	\$20,938,462						\$38,000,000	\$13,610,000	\$9,756,000	\$0
2024	0	64	100.00%	\$38,000,000							\$17,061,538	\$0	\$6,824,615	\$2,931,385
2025	1	65	97.55%	\$17,061,538		\$1,194,308	\$383,885	\$810,423	(\$471,115)	(\$1,000,000)	\$16,400,846	\$0	\$6,560,338	\$7,561,662
2026	2	66	96.19%	\$16,400,846		\$1,148,059	\$369,019	\$779,040	(\$504,093)	(\$1,030,000)	\$15,645,793	\$0	\$6,258,317	\$8,188,978
2027	3	67	94.72%	\$15,645,793		\$1,095,206	\$352,030	\$743,175	(\$539,380)	(\$1,060,900)	\$14,788,688	\$0	\$5,915,475	\$8,820,206
2028	4	68	93.15%	\$14,788,688		\$1,035,208	\$332,745	\$702,463	(\$577,137)	(\$1,092,727)	\$13,821,287	\$0	\$5,528,515	\$9,494,421
2029	5	69	91.47%	\$13,821,287		\$967,490	\$310,979	\$656,511	(\$617,536)	(\$1,125,509)	\$12,734,753	\$0	\$5,093,901	\$10,218,910
2030	6	70	89.68%	\$12,734,753		\$891,433	\$286,532	\$604,901	(\$660,764)	(\$1,159,274)	\$11,519,616	\$0	\$4,607,847	\$10,997,194
2031	7	71	87.76%	\$11,519,616		\$806,373	\$259,191	\$547,182	(\$707,017)	(\$1,194,052)	\$10,165,729	\$0	\$4,066,291	\$11,829,037
2032	8	72	85.71%	\$10,165,729		\$711,601	\$228,729	\$482,872	(\$756,508)	(\$1,229,874)	\$8,662,218	\$0	\$3,464,887	\$12,722,470
2033	9	73	83.52%	\$8,662,218		\$606,355	\$194,900	\$411,455	(\$809,464)	(\$1,266,770)	\$6,997,440	\$0	\$2,798,976	\$13,677,803
2034	10	74	81.17%	\$6,997,440		\$489,821	\$157,442	\$332,378	(\$866,126)	(\$1,304,773)	\$5,158,919	\$0	\$2,063,567	\$14,703,649
2035	11	75	78.67%	\$5,158,919		\$361,124	\$116,076	\$245,049	(\$926,755)	(\$1,343,916)	\$3,133,296	\$0	\$1,253,318	\$15,804,945
2036	12	76	76.00%	\$3,133,296		\$219,331	\$70,499	\$148,832	(\$991,628)	(\$1,384,234)	\$906,265	\$0	\$362,506	\$16,982,971
2037	13	77	73.18%	\$906,265		\$63,439	\$20,391	\$43,048	(\$1,061,042)	(\$1,425,761)	(\$1,537,490)	\$0	\$0	\$17,632,383
2038	14	78	70.16%	(\$1,537,490)		(\$107,624)	(\$34,594)	(\$73,031)	(\$1,135,315)	(\$1,468,534)	(\$4,214,370)	\$0	\$0	\$17,914,467
2039	15	79	66.98%	(\$4,214,370)		(\$295,006)	(\$94,823)	(\$200,183)	(\$1,214,787)	(\$1,512,590)	(\$7,141,929)	\$0	\$0	\$18,199,179
2040	16	80	63.61%	(\$7,141,929)		(\$499,935)	(\$160,693)	(\$339,242)	(\$1,299,822)	(\$1,557,967)	(\$10,338,960)	\$0	\$0	\$18,473,923
2041	17	81	60.08%	(\$10,338,960)		(\$723,727)	(\$232,627)	(\$491,101)	(\$1,390,810)	(\$1,604,706)	(\$13,825,577)	\$0	\$0	\$18,746,061
2042	18	82	56.39%	(\$13,825,577)		(\$967,790)	(\$311,075)	(\$656,715)	(\$1,488,166)	(\$1,652,848)	(\$17,623,306)	\$0	\$0	\$19,014,910
2043	19	83	52.58%	(\$17,623,306)		(\$1,233,631)	(\$396,524)	(\$837,107)	(\$1,592,338)	(\$1,702,433)	(\$21,755,184)	\$0	\$0	\$19,275,735
2044	20	84	48.58%	(\$21,755,184)		(\$1,522,863)	(\$489,492)	(\$1,033,371)	(\$1,703,802)	(\$1,753,506)	(\$26,245,864)	\$0	\$0	\$19,531,750
2045	21	85	44.46%	(\$26,245,864)		(\$1,837,210)	(\$590,532)	(\$1,246,679)	(\$1,823,068)	(\$1,806,111)	(\$31,121,721)	\$0	\$0	\$19,778,114
2046	22	86	40.26%	(\$31,121,721)		(\$2,178,520)	(\$700,239)	(\$1,478,282)	(\$1,950,683)	(\$1,860,295)	(\$36,410,980)	\$0	\$0	\$20,013,927
2047	23	87	36.02%	(\$36,410,980)		(\$2,548,769)	(\$819,247)	(\$1,729,522)	(\$2,087,230)	(\$1,916,103)	(\$42,143,836)	\$0	\$0	\$20,242,227
2048	24	88	31.81%	(\$42,143,836)		(\$2,950,068)	(\$948,236)	(\$2,001,832)	(\$2,233,337)	(\$1,973,587)	(\$48,352,591)	\$0	\$0	\$20,461,988
2049	25	89	27.68%	(\$48,352,591)		(\$3,384,681)	(\$1,087,933)	(\$2,296,748)	(\$2,389,670)	(\$2,032,794)	(\$55,071,803)	\$95,000	\$0	\$20,668,115
2050	26	90	23.70%	(\$55,071,803)		(\$3,855,026)	(\$1,239,116)	(\$2,615,911)	(\$2,556,947)	(\$2,093,778)	(\$62,338,439)	\$305,000	\$0	\$20,859,439
2051	27	91	19.94%	(\$62,338,439)		(\$4,363,691)	(\$1,402,615)	(\$2,961,076)	(\$2,735,933)	(\$2,156,591)	(\$70,192,039)	\$515,000	\$0	\$21,038,716
2052	28	92	16.46%	(\$70,192,039)		(\$4,913,443)	(\$1,579,321)	(\$3,334,122)	(\$2,927,449)	(\$2,221,289)	(\$78,674,899)	\$735,000	\$0	\$21,200,619
2053	29	93	13.32%	(\$78,674,899)		(\$5,507,243)	(\$1,770,185)	(\$3,737,058)	(\$3,132,370)	(\$2,287,928)	(\$87,832,254)	\$965,000	\$0	\$21,343,737
2054	30	94	10.53%	(\$87,832,254)		(\$6,148,258)	(\$1,976,226)	(\$4,172,032)	(\$3,351,636)	(\$2,356,566)	(\$97,712,487)	\$1,195,000	\$0	\$21,470,569
2055	31	95	8.13%	(\$97,712,487)		(\$6,839,874)	(\$2,198,531)	(\$4,641,343)	(\$3,586,250)	(\$2,427,262)	(\$108,367,344)	\$1,435,000	\$0	\$21,575,516
2056	32	96	6.12%	(\$108,367,344)		(\$7,585,714)	(\$2,438,265)	(\$5,147,449)	(\$3,837,288)	(\$2,500,080)	(\$119,852,161)	\$1,685,000	\$0	\$21,656,881
2057	33	97	4.49%	(\$119,852,161)		(\$8,389,651)	(\$2,696,674)	(\$5,692,978)	(\$4,105,898)	(\$2,575,083)	(\$132,226,119)	\$1,945,000	\$0	\$21,712,859
2058	34	98	3.19%	(\$132,226,119)		(\$9,255,828)	(\$2,975,088)	(\$6,280,741)	(\$4,393,311)	(\$2,652,335)	(\$145,552,506)	\$2,205,000	\$0	\$21,745,536
2059	35	99	2.21%	(\$145,552,506)		(\$10,188,675)	(\$3,274,931)	(\$6,913,744)	(\$4,700,843)	(\$2,731,905)	(\$159,898,998)	\$2,475,000	\$0	\$21,748,877
2060	36	100	1.48%									\$2,755,000	\$0	\$21,720,724



Modeling the Burn to Determine Exemption Usage

- Situation #1 – Maximum Exemption Used

Year	Year #	Beginning Trust Value	Growth on Trust Assets	Income Tax Paid By Trust	End Trust Value
2024	0	\$0	\$0	\$0	\$0
2024	0	\$0	\$0	\$0	\$20,938,462
2025	1	\$20,938,462	\$1,465,692	\$0	\$22,404,154
2026	2	\$22,404,154	\$1,568,291	\$0	\$23,972,445
2027	3	\$23,972,445	\$1,678,071	\$0	\$25,650,516
2028	4	\$25,650,516	\$1,795,536	\$0	\$27,446,052
2029	5	\$27,446,052	\$1,921,224	\$0	\$29,367,275
2030	6	\$29,367,275	\$2,055,709	\$0	\$31,422,985
2031	7	\$31,422,985	\$2,199,609	\$0	\$33,622,594
2032	8	\$33,622,594	\$2,353,582	\$0	\$35,976,175
2033	9	\$35,976,175	\$2,518,332	\$0	\$38,494,508
2034	10	\$38,494,508	\$2,694,616	\$0	\$41,189,123
2035	11	\$41,189,123	\$2,883,239	\$0	\$44,072,362
2036	12	\$44,072,362	\$3,085,065	\$0	\$47,157,427
2037	13	\$47,157,427	\$3,301,020	\$0	\$50,458,447
2038	14	\$50,458,447	\$3,532,091	\$0	\$53,990,538
2039	15	\$53,990,538	\$3,779,338	\$0	\$57,769,876
2040	16	\$57,769,876	\$4,043,891	\$0	\$61,813,767
2041	17	\$61,813,767	\$4,326,964	\$0	\$66,140,731
2042	18	\$66,140,731	\$4,629,851	\$0	\$70,770,582
2043	19	\$70,770,582	\$4,953,941	\$0	\$75,724,523
2044	20	\$75,724,523	\$5,300,717	\$0	\$81,025,239
2045	21	\$81,025,239	\$5,671,767	\$0	\$86,697,006
2046	22	\$86,697,006	\$6,068,790	\$0	\$92,765,796
2047	23	\$92,765,796	\$6,493,606	\$0	\$99,259,402
2048	24	\$99,259,402	\$6,948,158	\$0	\$106,207,560
2049	25	\$106,207,560	\$7,434,529	\$0	\$113,642,090
2050	26	\$113,642,090	\$7,954,946	\$0	\$121,597,036
2051	27	\$121,597,036	\$8,511,793	\$0	\$130,108,828
2052	28	\$130,108,828	\$9,107,618	\$0	\$139,216,446
2053	29	\$139,216,446	\$9,745,151	\$0	\$148,961,598
2054	30	\$148,961,598	\$10,427,312	\$0	\$159,388,909
2055	31	\$159,388,909	\$11,157,224	\$0	\$170,546,133
2056	32	\$170,546,133	\$11,938,229	\$0	\$182,484,362
2057	33	\$182,484,362	\$12,773,905	\$0	\$195,258,268
2058	34	\$195,258,268	\$13,668,079	\$0	\$208,926,347
2059	35	\$208,926,347	\$14,624,844	\$0	\$223,551,191
2060	36	\$223,551,191	\$15,648,583	\$0	\$239,199,774



Modeling the Burn to Determine Exemption Usage

• Situation #2 – Smaller Exemption Used

- Consider the following assumptions
 - Single individual, age 64
 - Investment assets = \$38,000,000, with rate of return of 7%
 - Spends \$1,000,000/year, with spend rate increasing 3% annually
 - Effective income tax rate of 32%
 - Estate tax rate is 40%
 - Valuation discount is 35%
 - No prior gifts
-
- Client owns a \$15,384,616 non-voting (capital account before discount)
 - Transfers the interest to a grantor trust
 - Value of taxable gift after discount is \$10,000,000.
 - Retained assets = \$22,615,384

Let's see the effect of the "burn" of grantor trust status on this 64-year old....



Modeling the Burn to Determine Exemption Usage

- Situation #2 – Smaller Exemption Used

Year	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	Personal Consumption	End of Year Investments Value	Total Exemption	Estate Tax Liability	Estate Tax Savings
2024	0	64	100.00%	\$38,000,000	\$15,384,616						\$38,000,000	\$13,610,000	\$9,756,000	\$0
2024	0	64	100.00%	\$38,000,000							\$22,615,384	\$3,610,000	\$7,602,154	\$2,153,846
2025	1	65	97.55%	\$22,615,384		\$1,583,077	\$508,846	\$1,074,231	(\$346,154)	(\$1,000,000)	\$22,343,461	\$0	\$8,937,384	\$5,184,616
2026	2	66	96.19%	\$22,343,461		\$1,564,042	\$502,728	\$1,061,314	(\$370,385)	(\$1,030,000)	\$22,004,391	\$0	\$8,801,756	\$5,645,539
2027	3	67	94.72%	\$22,004,391		\$1,540,307	\$495,099	\$1,045,209	(\$396,312)	(\$1,060,900)	\$21,592,388	\$0	\$8,636,955	\$6,098,726
2028	4	68	93.15%	\$21,592,388		\$1,511,467	\$485,829	\$1,025,638	(\$424,053)	(\$1,092,727)	\$21,101,246	\$0	\$8,440,498	\$6,582,437
2029	5	69	91.47%	\$21,101,246		\$1,477,087	\$474,778	\$1,002,309	(\$453,737)	(\$1,125,509)	\$20,524,309	\$0	\$8,209,724	\$7,103,088
2030	6	70	89.68%	\$20,524,309		\$1,436,702	\$461,797	\$974,905	(\$485,499)	(\$1,159,274)	\$19,854,441	\$0	\$7,941,776	\$7,663,264
2031	7	71	87.76%	\$19,854,441		\$1,389,811	\$446,725	\$943,086	(\$519,484)	(\$1,194,052)	\$19,083,991	\$0	\$7,633,596	\$8,261,733
2032	8	72	85.71%	\$19,083,991		\$1,335,879	\$429,390	\$906,490	(\$555,847)	(\$1,229,874)	\$18,204,759	\$0	\$7,281,904	\$8,905,454
2033	9	73	83.52%	\$18,204,759		\$1,274,333	\$409,607	\$864,726	(\$594,757)	(\$1,266,770)	\$17,207,958	\$0	\$6,883,183	\$9,593,596
2034	10	74	81.17%	\$17,207,958		\$1,204,557	\$387,179	\$817,378	(\$636,390)	(\$1,304,773)	\$16,084,173	\$0	\$6,433,669	\$10,333,547
2035	11	75	78.67%	\$16,084,173		\$1,125,892	\$361,894	\$763,998	(\$680,937)	(\$1,343,916)	\$14,823,318	\$0	\$5,929,327	\$11,128,936
2036	12	76	76.00%	\$14,823,318		\$1,037,632	\$333,525	\$704,108	(\$728,603)	(\$1,384,234)	\$13,414,589	\$0	\$5,365,836	\$11,979,641
2037	13	77	73.18%	\$13,414,589		\$939,021	\$301,828	\$637,193	(\$779,605)	(\$1,425,761)	\$11,846,417	\$0	\$4,738,567	\$12,893,816
2038	14	78	70.16%	\$11,846,417		\$829,249	\$266,544	\$562,705	(\$834,177)	(\$1,468,534)	\$10,106,411	\$0	\$4,042,564	\$13,871,903
2039	15	79	66.98%	\$10,106,411		\$707,449	\$227,394	\$480,055	(\$892,570)	(\$1,512,590)	\$8,181,306	\$0	\$3,272,522	\$14,926,656
2040	16	80	63.61%	\$8,181,306		\$572,691	\$184,079	\$388,612	(\$955,049)	(\$1,557,967)	\$6,056,901	\$0	\$2,422,760	\$16,051,162
2041	17	81	60.08%	\$6,056,901		\$423,983	\$136,280	\$287,703	(\$1,021,903)	(\$1,604,706)	\$3,717,995	\$0	\$1,487,198	\$17,258,864
2042	18	82	56.39%	\$3,717,995		\$260,260	\$83,655	\$176,605	(\$1,093,436)	(\$1,652,848)	\$1,148,316	\$0	\$459,326	\$18,555,584
2043	19	83	52.58%	\$1,148,316		\$80,382	\$25,837	\$54,545	(\$1,169,977)	(\$1,702,433)	(\$1,669,549)	\$0	\$0	\$19,275,735
2044	20	84	48.58%	(\$1,669,549)		(\$116,868)	(\$37,565)	(\$79,304)	(\$1,251,875)	(\$1,753,506)	(\$4,754,234)	\$0	\$0	\$19,531,750
2045	21	85	44.46%	(\$4,754,234)		(\$332,796)	(\$106,970)	(\$225,826)	(\$1,339,506)	(\$1,806,111)	(\$8,125,677)	\$0	\$0	\$19,778,114
2046	22	86	40.26%	(\$8,125,677)		(\$568,797)	(\$182,828)	(\$385,970)	(\$1,433,272)	(\$1,860,295)	(\$11,805,213)	\$0	\$0	\$20,013,927
2047	23	87	36.02%	(\$11,805,213)		(\$826,365)	(\$265,617)	(\$560,748)	(\$1,533,601)	(\$1,916,103)	(\$15,815,665)	\$0	\$0	\$20,242,227
2048	24	88	31.81%	(\$15,815,665)		(\$1,107,097)	(\$355,852)	(\$751,244)	(\$1,640,953)	(\$1,973,587)	(\$20,181,448)	\$0	\$0	\$20,461,988
2049	25	89	27.68%	(\$20,181,448)		(\$1,412,701)	(\$454,083)	(\$958,619)	(\$1,755,819)	(\$2,032,794)	(\$24,928,680)	\$95,000	\$0	\$20,668,115
2050	26	90	23.70%	(\$24,928,680)		(\$1,745,008)	(\$560,895)	(\$1,184,112)	(\$1,878,727)	(\$2,093,778)	(\$30,085,298)	\$305,000	\$0	\$20,859,439
2051	27	91	19.94%	(\$30,085,298)		(\$2,105,971)	(\$676,919)	(\$1,429,052)	(\$2,010,238)	(\$2,156,591)	(\$35,681,178)	\$515,000	\$0	\$21,038,716
2052	28	92	16.46%	(\$35,681,178)		(\$2,497,682)	(\$802,827)	(\$1,694,856)	(\$2,150,954)	(\$2,221,289)	(\$41,748,277)	\$735,000	\$0	\$21,200,619
2053	29	93	13.32%	(\$41,748,277)		(\$2,922,379)	(\$939,336)	(\$1,983,043)	(\$2,301,521)	(\$2,287,928)	(\$48,320,769)	\$965,000	\$0	\$21,343,737
2054	30	94	10.53%	(\$48,320,769)		(\$3,382,454)	(\$1,087,217)	(\$2,295,237)	(\$2,462,628)	(\$2,356,566)	(\$55,435,199)	\$1,195,000	\$0	\$21,470,569
2055	31	95	8.13%	(\$55,435,199)		(\$3,880,464)	(\$1,247,292)	(\$2,633,172)	(\$2,635,011)	(\$2,427,262)	(\$63,130,645)	\$1,435,000	\$0	\$21,575,516
2056	32	96	6.12%	(\$63,130,645)		(\$4,419,145)	(\$1,420,440)	(\$2,998,706)	(\$2,819,462)	(\$2,500,080)	(\$71,448,893)	\$1,685,000	\$0	\$21,656,881
2057	33	97	4.49%	(\$71,448,893)		(\$5,001,423)	(\$1,607,600)	(\$3,393,823)	(\$3,016,825)	(\$2,575,083)	(\$80,434,623)	\$1,945,000	\$0	\$21,712,859
2058	34	98	3.19%	(\$80,434,623)		(\$5,630,424)	(\$1,809,779)	(\$3,820,645)	(\$3,228,002)	(\$2,652,335)	(\$90,135,605)	\$2,205,000	\$0	\$21,745,536
2059	35	99	2.21%	(\$90,135,605)		(\$6,309,492)	(\$2,028,051)	(\$4,281,441)	(\$3,453,963)	(\$2,731,905)	(\$100,602,914)	\$2,475,000	\$0	\$21,748,877
2060	36	100	1.48%									\$2,755,000	\$0	\$21,720,724



Modeling the Burn to Determine Exemption Usage

- Situation #2 – Smaller Exemption Used

Year	Year #	Beginning Trust Value	Growth on Trust Assets	Income Tax Paid By Trust	End Trust Value
2024	0			\$0	
2024	0	\$0		\$0	\$15,384,616
2025	1	\$15,384,616	\$1,076,923	\$0	\$16,461,539
2026	2	\$16,461,539	\$1,152,308	\$0	\$17,613,847
2027	3	\$17,613,847	\$1,232,969	\$0	\$18,846,816
2028	4	\$18,846,816	\$1,319,277	\$0	\$20,166,093
2029	5	\$20,166,093	\$1,411,627	\$0	\$21,577,720
2030	6	\$21,577,720	\$1,510,440	\$0	\$23,088,160
2031	7	\$23,088,160	\$1,616,171	\$0	\$24,704,331
2032	8	\$24,704,331	\$1,729,303	\$0	\$26,433,635
2033	9	\$26,433,635	\$1,850,354	\$0	\$28,283,989
2034	10	\$28,283,989	\$1,979,879	\$0	\$30,263,868
2035	11	\$30,263,868	\$2,118,471	\$0	\$32,382,339
2036	12	\$32,382,339	\$2,266,764	\$0	\$34,649,103
2037	13	\$34,649,103	\$2,425,437	\$0	\$37,074,540
2038	14	\$37,074,540	\$2,595,218	\$0	\$39,669,758
2039	15	\$39,669,758	\$2,776,883	\$0	\$42,446,641
2040	16	\$42,446,641	\$2,971,265	\$0	\$45,417,906
2041	17	\$45,417,906	\$3,179,253	\$0	\$48,597,159
2042	18	\$48,597,159	\$3,401,801	\$0	\$51,998,960
2043	19	\$51,998,960	\$3,639,927	\$0	\$55,638,887
2044	20	\$55,638,887	\$3,894,722	\$0	\$59,533,609
2045	21	\$59,533,609	\$4,167,353	\$0	\$63,700,962
2046	22	\$63,700,962	\$4,459,067	\$0	\$68,160,030
2047	23	\$68,160,030	\$4,771,202	\$0	\$72,931,232
2048	24	\$72,931,232	\$5,105,186	\$0	\$78,036,418
2049	25	\$78,036,418	\$5,462,549	\$0	\$83,498,967
2050	26	\$83,498,967	\$5,844,928	\$0	\$89,343,895
2051	27	\$89,343,895	\$6,254,073	\$0	\$95,597,967
2052	28	\$95,597,967	\$6,691,858	\$0	\$102,289,825
2053	29	\$102,289,825	\$7,160,288	\$0	\$109,450,113
2054	30	\$109,450,113	\$7,661,508	\$0	\$117,111,621
2055	31	\$117,111,621	\$8,197,813	\$0	\$125,309,434
2056	32	\$125,309,434	\$8,771,660	\$0	\$134,081,095
2057	33	\$134,081,095	\$9,385,677	\$0	\$143,466,771
2058	34	\$143,466,771	\$10,042,674	\$0	\$153,509,445
2059	35	\$153,509,445	\$10,745,661	\$0	\$164,255,106
2060	36	\$164,255,106	\$11,497,857	\$0	\$175,752,964



Modeling the Burn to Determine Exemption Usage

- Situation #3 – Even Smaller Exemption Used

- Consider the following assumptions
 - Single individual, age 64
 - Investment assets = \$38,000,000, with rate of return of 7%
 - Spends \$1,000,000/year, with spend rate increasing 3% annually
 - Effective income tax rate of 32% (2.25% x value of assets)
 - Estate tax rate is 40%
 - Valuation discount is 35%
 - No prior gifts
-
- Client transfers \$10,769,231 to an entity for a non-voting interest
 - Transfers the interest to a grantor trust
 - Value of taxable gift after discount is \$7,000,000.
 - Retained assets = \$27,230,769

Let's see the effect of the "burn" of grantor trust status on this 64-year old....



Modeling the Burn to Determine Exemption Usage

- Situation #3 – Even Smaller Exemption Used

Year	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	Personal Consumption	End of Year Investments Value	Total Exemption	Estate Tax Liability	Estate Tax Savings
2024	0	64	100.00%	\$38,000,000	\$10,769,231	\$0	\$0	\$0	\$0	\$0	\$38,000,000	\$13,610,000	\$9,756,000	\$0
2024	0	64	100.00%	\$38,000,000	\$10,769,231	\$0	\$0	\$0	\$0	\$0	\$27,230,769	\$6,610,000	\$8,248,308	\$1,507,692
2025	1	65	97.55%	\$27,230,769	\$10,769,231	\$1,906,154	\$612,692	\$1,293,462	(\$242,308)	(\$1,000,000)	\$27,281,923	\$0	\$10,912,769	\$3,209,231
2026	2	66	96.19%	\$27,281,923	\$10,769,231	\$1,909,735	\$613,843	\$1,295,891	(\$259,269)	(\$1,030,000)	\$27,288,545	\$0	\$10,915,418	\$3,531,877
2027	3	67	94.72%	\$27,288,545	\$10,769,231	\$1,910,198	\$613,992	\$1,296,206	(\$277,418)	(\$1,060,900)	\$27,246,433	\$0	\$10,898,573	\$3,837,108
2028	4	68	93.15%	\$27,246,433	\$10,769,231	\$1,907,250	\$613,045	\$1,294,206	(\$296,837)	(\$1,092,727)	\$27,151,074	\$0	\$10,860,430	\$4,162,506
2029	5	69	91.47%	\$27,151,074	\$10,769,231	\$1,900,575	\$610,899	\$1,289,676	(\$317,616)	(\$1,125,509)	\$26,997,625	\$0	\$10,799,050	\$4,513,761
2030	6	70	89.68%	\$26,997,625	\$10,769,231	\$1,889,834	\$607,447	\$1,282,387	(\$339,849)	(\$1,159,274)	\$26,780,889	\$0	\$10,712,356	\$4,892,685
2031	7	71	87.76%	\$26,780,889	\$10,769,231	\$1,874,662	\$602,570	\$1,272,092	(\$363,639)	(\$1,194,052)	\$26,495,291	\$0	\$10,598,116	\$5,297,213
2032	8	72	85.71%	\$26,495,291	\$10,769,231	\$1,854,670	\$596,144	\$1,258,526	(\$389,093)	(\$1,229,874)	\$26,134,850	\$0	\$10,453,940	\$5,733,418
2033	9	73	83.52%	\$26,134,850	\$10,769,231	\$1,829,439	\$588,034	\$1,241,405	(\$416,330)	(\$1,266,770)	\$25,693,155	\$0	\$10,277,262	\$6,199,517
2034	10	74	81.17%	\$25,693,155	\$10,769,231	\$1,798,521	\$578,096	\$1,220,425	(\$445,473)	(\$1,304,773)	\$25,163,334	\$0	\$10,065,334	\$6,701,883
2035	11	75	78.67%	\$25,163,334	\$10,769,231	\$1,761,433	\$566,175	\$1,195,258	(\$476,656)	(\$1,343,916)	\$24,538,020	\$0	\$9,815,208	\$7,243,055
2036	12	76	76.00%	\$24,538,020	\$10,769,231	\$1,717,661	\$552,105	\$1,165,556	(\$510,022)	(\$1,384,234)	\$23,809,321	\$0	\$9,523,728	\$7,821,749
2037	13	77	73.18%	\$23,809,321	\$10,769,231	\$1,666,652	\$535,710	\$1,130,943	(\$545,723)	(\$1,425,761)	\$22,968,779	\$0	\$9,187,512	\$8,444,871
2038	14	78	70.16%	\$22,968,779	\$10,769,231	\$1,607,815	\$516,798	\$1,091,017	(\$583,924)	(\$1,468,534)	\$22,007,338	\$0	\$8,802,935	\$9,111,532
2039	15	79	66.98%	\$22,007,338	\$10,769,231	\$1,540,514	\$495,165	\$1,045,349	(\$624,799)	(\$1,512,590)	\$20,915,299	\$0	\$8,366,119	\$9,833,059
2040	16	80	63.61%	\$20,915,299	\$10,769,231	\$1,464,071	\$470,594	\$993,477	(\$668,535)	(\$1,557,967)	\$19,682,273	\$0	\$7,872,909	\$10,601,013
2041	17	81	60.08%	\$19,682,273	\$10,769,231	\$1,377,759	\$442,851	\$934,908	(\$715,332)	(\$1,604,706)	\$18,297,143	\$0	\$7,318,857	\$11,427,204
2042	18	82	56.39%	\$18,297,143	\$10,769,231	\$1,280,800	\$411,686	\$869,114	(\$765,405)	(\$1,652,848)	\$16,748,004	\$0	\$6,699,202	\$12,315,709
2043	19	83	52.58%	\$16,748,004	\$10,769,231	\$1,172,360	\$376,830	\$795,530	(\$818,984)	(\$1,702,433)	\$15,022,118	\$0	\$6,008,847	\$13,266,888
2044	20	84	48.58%	\$15,022,118	\$10,769,231	\$1,051,548	\$337,998	\$713,551	(\$876,312)	(\$1,753,506)	\$13,105,850	\$0	\$5,242,340	\$14,289,410
2045	21	85	44.46%	\$13,105,850	\$10,769,231	\$917,409	\$294,882	\$622,528	(\$937,654)	(\$1,806,111)	\$10,984,612	\$0	\$4,393,845	\$15,384,269
2046	22	86	40.26%	\$10,984,612	\$10,769,231	\$768,923	\$247,154	\$521,769	(\$1,003,290)	(\$1,860,295)	\$8,642,797	\$0	\$3,457,119	\$16,556,808
2047	23	87	36.02%	\$8,642,797	\$10,769,231	\$604,996	\$194,463	\$410,533	(\$1,073,520)	(\$1,916,103)	\$6,063,706	\$0	\$2,425,482	\$17,816,744
2048	24	88	31.81%	\$6,063,706	\$10,769,231	\$424,459	\$136,433	\$288,026	(\$1,148,667)	(\$1,973,587)	\$3,229,478	\$0	\$1,291,791	\$19,170,197
2049	25	89	27.68%	\$3,229,478	\$10,769,231	\$226,063	\$72,663	\$153,400	(\$1,229,074)	(\$2,032,794)	\$121,011	\$95,000	\$10,404	\$20,657,710
2050	26	90	23.70%	\$121,011	\$10,769,231	\$8,471	\$2,723	\$5,748	(\$1,315,109)	(\$2,093,778)	(\$3,282,128)	\$305,000	\$0	\$20,859,439
2051	27	91	19.94%	(\$3,282,128)	\$10,769,231	(\$229,749)	(\$73,848)	(\$155,901)	(\$1,407,166)	(\$2,156,591)	(\$7,001,787)	\$515,000	\$0	\$21,038,716
2052	28	92	16.46%	(\$7,001,787)	\$10,769,231	(\$490,125)	(\$157,540)	(\$332,585)	(\$1,505,668)	(\$2,221,289)	(\$11,061,328)	\$735,000	\$0	\$21,200,619
2053	29	93	13.32%	(\$11,061,328)	\$10,769,231	(\$774,293)	(\$248,880)	(\$525,413)	(\$1,611,065)	(\$2,287,928)	(\$15,485,734)	\$965,000	\$0	\$21,343,737
2054	30	94	10.53%	(\$15,485,734)	\$10,769,231	(\$1,084,001)	(\$348,429)	(\$735,572)	(\$1,723,839)	(\$2,356,566)	(\$20,301,711)	\$1,195,000	\$0	\$21,470,569
2055	31	95	8.13%	(\$20,301,711)	\$10,769,231	(\$1,421,120)	(\$456,788)	(\$964,331)	(\$1,844,508)	(\$2,427,262)	(\$25,537,813)	\$1,435,000	\$0	\$21,575,516
2056	32	96	6.12%	(\$25,537,813)	\$10,769,231	(\$1,787,647)	(\$574,601)	(\$1,213,046)	(\$1,973,624)	(\$2,500,080)	(\$31,224,563)	\$1,685,000	\$0	\$21,656,881
2057	33	97	4.49%	(\$31,224,563)	\$10,769,231	(\$2,185,719)	(\$702,553)	(\$1,483,167)	(\$2,117,777)	(\$2,575,083)	(\$37,394,589)	\$1,945,000	\$0	\$21,712,859
2058	34	98	3.19%	(\$37,394,589)	\$10,769,231	(\$2,617,621)	(\$841,378)	(\$1,776,243)	(\$2,259,602)	(\$2,652,335)	(\$44,082,769)	\$2,205,000	\$0	\$21,745,536
2059	35	99	2.21%	(\$44,082,769)	\$10,769,231	(\$3,085,794)	(\$991,862)	(\$2,093,932)	(\$2,417,774)	(\$2,731,905)	(\$51,326,380)	\$2,475,000	\$0	\$21,748,877
2060	36	100	1.48%		\$10,769,231							\$2,755,000	\$0	\$21,720,724



Modeling the Burn to Determine Exemption Usage

- Situation #3 – Even Smaller Exemption Used

Year	Year #	Beginning Trust Value	Growth on Trust Assets	Income Tax Paid By Trust	End Trust Value
2024	0	\$0	\$0	\$0	\$0
2024	0	\$0	\$0	\$0	\$10,769,231
2025	1	\$10,769,231	\$753,846	\$0	\$11,523,077
2026	2	\$11,523,077	\$806,615	\$0	\$12,329,693
2027	3	\$12,329,693	\$863,078	\$0	\$13,192,771
2028	4	\$13,192,771	\$923,494	\$0	\$14,116,265
2029	5	\$14,116,265	\$988,139	\$0	\$15,104,404
2030	6	\$15,104,404	\$1,057,308	\$0	\$16,161,712
2031	7	\$16,161,712	\$1,131,320	\$0	\$17,293,032
2032	8	\$17,293,032	\$1,210,512	\$0	\$18,503,544
2033	9	\$18,503,544	\$1,295,248	\$0	\$19,798,792
2034	10	\$19,798,792	\$1,385,915	\$0	\$21,184,707
2035	11	\$21,184,707	\$1,482,930	\$0	\$22,667,637
2036	12	\$22,667,637	\$1,586,735	\$0	\$24,254,371
2037	13	\$24,254,371	\$1,697,806	\$0	\$25,952,177
2038	14	\$25,952,177	\$1,816,652	\$0	\$27,768,830
2039	15	\$27,768,830	\$1,943,818	\$0	\$29,712,648
2040	16	\$29,712,648	\$2,079,885	\$0	\$31,792,533
2041	17	\$31,792,533	\$2,225,477	\$0	\$34,018,011
2042	18	\$34,018,011	\$2,381,261	\$0	\$36,399,271
2043	19	\$36,399,271	\$2,547,949	\$0	\$38,947,220
2044	20	\$38,947,220	\$2,726,305	\$0	\$41,673,526
2045	21	\$41,673,526	\$2,917,147	\$0	\$44,590,673
2046	22	\$44,590,673	\$3,121,347	\$0	\$47,712,020
2047	23	\$47,712,020	\$3,339,841	\$0	\$51,051,861
2048	24	\$51,051,861	\$3,573,630	\$0	\$54,625,491
2049	25	\$54,625,491	\$3,823,784	\$0	\$58,449,276
2050	26	\$58,449,276	\$4,091,449	\$0	\$62,540,725
2051	27	\$62,540,725	\$4,377,851	\$0	\$66,918,576
2052	28	\$66,918,576	\$4,684,300	\$0	\$71,602,876
2053	29	\$71,602,876	\$5,012,201	\$0	\$76,615,078
2054	30	\$76,615,078	\$5,363,055	\$0	\$81,978,133
2055	31	\$81,978,133	\$5,738,469	\$0	\$87,716,602
2056	32	\$87,716,602	\$6,140,162	\$0	\$93,856,764
2057	33	\$93,856,764	\$6,569,974	\$0	\$100,426,738
2058	34	\$100,426,738	\$7,029,872	\$0	\$107,456,610
2059	35	\$107,456,610	\$7,521,963	\$0	\$114,978,572
2060	36	\$114,978,572	\$8,048,500	\$0	\$123,027,072



Modeling the Burn to Determine Exemption Usage

• Situation #4 – Very Little Exemption Used

- Consider the following assumptions
 - Single individual, age 64
 - Investment assets = \$38,000,000, with rate of return of 7%
 - Spends \$1,000,000/year, with spend rate increasing 3% annually
 - Effective income tax rate of 32% (2.25% x value of assets)
 - Estate tax rate is 40%
 - Valuation discount is 35%
 - No prior gifts
-
- Client transfers \$6,153,846 to an entity for a non-voting interest
 - Transfers the interest to a grantor trust
 - **Value of taxable gift after discount is \$4,000,000.**
 - Retained assets = \$31,846,154

Let's see the effect of the "burn" of grantor trust status on this 64-year old....



Modeling the Burn to Determine Exemption Usage

- Situation #4 – Very Little Exemption Used

Year	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	Personal Consumption	End of Year Investments Value	Total Exemption	Estate Tax Liability	Estate Tax Savings
2024	0	64	100.00%	\$38,000,000	\$6,153,846						\$38,000,000	\$13,610,000	\$9,756,000	\$0
2024	0	64	100.00%	\$38,000,000							\$31,846,154	\$9,610,000	\$8,894,462	\$861,538
2025	1	65	97.55%	\$31,846,154		\$2,229,231	\$716,538	\$1,512,692	(\$138,462)	(\$1,000,000)	\$32,220,385	\$0	\$12,888,154	\$1,233,846
2026	2	66	96.19%	\$32,220,385		\$2,255,427	\$724,959	\$1,530,468	(\$148,154)	(\$1,030,000)	\$32,572,699	\$0	\$13,029,080	\$1,418,215
2027	3	67	94.72%	\$32,572,699		\$2,280,089	\$732,886	\$1,547,203	(\$158,525)	(\$1,060,900)	\$32,900,478	\$0	\$13,160,191	\$1,575,490
2028	4	68	93.15%	\$32,900,478		\$2,303,033	\$740,261	\$1,562,773	(\$169,621)	(\$1,092,727)	\$33,200,902	\$0	\$13,280,361	\$1,742,575
2029	5	69	91.47%	\$33,200,902		\$2,324,063	\$747,020	\$1,577,043	(\$181,495)	(\$1,125,509)	\$33,470,941	\$0	\$13,388,377	\$1,924,435
2030	6	70	89.68%	\$33,470,941		\$2,342,966	\$753,096	\$1,589,870	(\$194,199)	(\$1,159,274)	\$33,707,338	\$0	\$13,482,935	\$2,122,105
2031	7	71	87.76%	\$33,707,338		\$2,359,514	\$758,415	\$1,601,099	(\$207,793)	(\$1,194,052)	\$33,906,590	\$50,000	\$13,542,636	\$2,352,693
2032	8	72	85.71%	\$33,906,590		\$2,373,461	\$762,898	\$1,610,563	(\$222,339)	(\$1,229,874)	\$34,064,941	\$170,000	\$13,557,976	\$2,629,381
2033	9	73	83.52%	\$34,064,941		\$2,384,546	\$766,461	\$1,618,085	(\$237,903)	(\$1,266,770)	\$34,178,352	\$300,000	\$13,551,341	\$2,925,438
2034	10	74	81.17%	\$34,178,352		\$2,392,485	\$769,013	\$1,623,472	(\$254,556)	(\$1,304,773)	\$34,242,495	\$430,000	\$13,524,998	\$3,242,219
2035	11	75	78.67%	\$34,242,495		\$2,396,975	\$770,456	\$1,626,519	(\$272,375)	(\$1,343,916)	\$34,252,723	\$560,000	\$13,477,089	\$3,581,174
2036	12	76	76.00%	\$34,252,723		\$2,397,691	\$770,686	\$1,627,004	(\$291,441)	(\$1,384,234)	\$34,204,052	\$700,000	\$13,401,621	\$3,943,856
2037	13	77	73.18%	\$34,204,052		\$2,394,284	\$769,591	\$1,624,692	(\$311,842)	(\$1,425,761)	\$34,091,142	\$840,000	\$13,300,457	\$4,331,926
2038	14	78	70.16%	\$34,091,142		\$2,386,380	\$767,051	\$1,619,329	(\$333,671)	(\$1,468,534)	\$33,908,266	\$990,000	\$13,167,306	\$4,747,161
2039	15	79	66.98%	\$33,908,266		\$2,373,579	\$762,936	\$1,610,643	(\$357,028)	(\$1,512,590)	\$33,649,291	\$1,130,000	\$13,007,717	\$5,191,462
2040	16	80	63.61%	\$33,649,291		\$2,355,450	\$757,109	\$1,598,341	(\$382,020)	(\$1,557,967)	\$33,307,646	\$1,290,000	\$12,807,058	\$5,666,864
2041	17	81	60.08%	\$33,307,646		\$2,331,535	\$749,422	\$1,582,113	(\$408,761)	(\$1,604,706)	\$32,876,291	\$1,450,000	\$12,570,516	\$6,175,545
2042	18	82	56.39%	\$32,876,291		\$2,301,340	\$739,717	\$1,561,624	(\$437,374)	(\$1,652,848)	\$32,347,693	\$1,610,000	\$12,295,077	\$6,719,833
2043	19	83	52.58%	\$32,347,693		\$2,264,339	\$727,823	\$1,536,515	(\$467,991)	(\$1,702,433)	\$31,713,785	\$1,780,000	\$11,973,514	\$7,302,221
2044	20	84	48.58%	\$31,713,785		\$2,219,965	\$713,560	\$1,506,405	(\$500,750)	(\$1,753,506)	\$30,965,933	\$1,950,000	\$11,606,373	\$7,925,377
2045	21	85	44.46%	\$30,965,933		\$2,167,615	\$696,734	\$1,470,882	(\$535,802)	(\$1,806,111)	\$30,094,902	\$2,130,000	\$11,185,961	\$8,592,153
2046	22	86	40.26%	\$30,094,902		\$2,106,643	\$677,135	\$1,429,508	(\$573,309)	(\$1,860,295)	\$29,090,806	\$2,320,000	\$10,708,322	\$9,305,604
2047	23	87	36.02%	\$29,090,806		\$2,036,356	\$654,543	\$1,381,813	(\$613,440)	(\$1,916,103)	\$27,943,076	\$2,510,000	\$10,173,230	\$10,068,996
2048	24	88	31.81%	\$27,943,076		\$1,956,015	\$628,719	\$1,327,296	(\$656,381)	(\$1,973,587)	\$26,640,405	\$2,700,000	\$9,576,162	\$10,885,826
2049	25	89	27.68%	\$26,640,405		\$1,864,828	\$599,409	\$1,265,419	(\$702,328)	(\$2,032,794)	\$25,170,702	\$2,900,000	\$8,908,281	\$11,759,834
2050	26	90	23.70%	\$25,170,702		\$1,761,949	\$566,341	\$1,195,608	(\$751,491)	(\$2,093,778)	\$23,521,042	\$3,110,000	\$8,164,417	\$12,695,022
2051	27	91	19.94%	\$23,521,042		\$1,646,473	\$529,223	\$1,117,249	(\$804,095)	(\$2,156,591)	\$21,677,605	\$3,320,000	\$7,343,042	\$13,695,674
2052	28	92	16.46%	\$21,677,605		\$1,517,432	\$487,746	\$1,029,686	(\$860,382)	(\$2,221,289)	\$19,625,620	\$3,540,000	\$6,434,248	\$14,766,371
2053	29	93	13.32%	\$19,625,620		\$1,373,793	\$441,576	\$932,217	(\$920,608)	(\$2,287,928)	\$17,349,301	\$3,770,000	\$5,431,721	\$15,912,017
2054	30	94	10.53%	\$17,349,301		\$1,214,451	\$390,359	\$824,092	(\$985,051)	(\$2,356,566)	\$14,831,777	\$4,000,000	\$4,332,711	\$17,137,858
2055	31	95	8.13%	\$14,831,777		\$1,038,224	\$333,715	\$704,509	(\$1,054,005)	(\$2,427,262)	\$12,055,019	\$4,240,000	\$3,126,008	\$18,449,508
2056	32	96	6.12%	\$12,055,019		\$843,851	\$271,238	\$572,613	(\$1,127,785)	(\$2,500,080)	\$8,999,767	\$4,490,000	\$1,803,907	\$19,852,974
2057	33	97	4.49%	\$8,999,767		\$629,984	\$202,495	\$427,489	(\$1,206,730)	(\$2,575,083)	\$5,645,444	\$4,750,000	\$358,177	\$21,354,682
2058	34	98	3.19%	\$5,645,444		\$395,181	\$127,022	\$268,159	(\$1,291,201)	(\$2,652,335)	\$1,970,066	\$5,010,000	\$0	\$21,745,536
2059	35	99	2.21%	\$1,970,066		\$137,905	\$44,326	\$93,578	(\$1,381,585)	(\$2,731,905)	(\$2,049,846)	\$5,280,000	\$0	\$21,748,877
2060	36	100	1.48%									\$5,560,000	\$0	\$21,720,724



Modeling the Burn to Determine Exemption Usage

- Situation #4 – Very Little Exemption Used

Year	Year #	Beginning Trust Value	Growth on Trust Assets	Income Tax Paid By Trust	End Trust Value
2024	0				
2024	0	\$0			\$6,153,846
2025	1	\$6,153,846	\$430,769	\$0	\$6,584,615
2026	2	\$6,584,615	\$460,923	\$0	\$7,045,538
2027	3	\$7,045,538	\$493,188	\$0	\$7,538,726
2028	4	\$7,538,726	\$527,711	\$0	\$8,066,437
2029	5	\$8,066,437	\$564,651	\$0	\$8,631,087
2030	6	\$8,631,087	\$604,176	\$0	\$9,235,263
2031	7	\$9,235,263	\$646,468	\$0	\$9,881,732
2032	8	\$9,881,732	\$691,721	\$0	\$10,573,453
2033	9	\$10,573,453	\$740,142	\$0	\$11,313,595
2034	10	\$11,313,595	\$791,952	\$0	\$12,105,547
2035	11	\$12,105,547	\$847,388	\$0	\$12,952,935
2036	12	\$12,952,935	\$906,705	\$0	\$13,859,640
2037	13	\$13,859,640	\$970,175	\$0	\$14,829,815
2038	14	\$14,829,815	\$1,038,087	\$0	\$15,867,902
2039	15	\$15,867,902	\$1,110,753	\$0	\$16,978,655
2040	16	\$16,978,655	\$1,188,506	\$0	\$18,167,161
2041	17	\$18,167,161	\$1,271,701	\$0	\$19,438,862
2042	18	\$19,438,862	\$1,360,720	\$0	\$20,799,583
2043	19	\$20,799,583	\$1,455,971	\$0	\$22,255,554
2044	20	\$22,255,554	\$1,557,889	\$0	\$23,813,442
2045	21	\$23,813,442	\$1,666,941	\$0	\$25,480,383
2046	22	\$25,480,383	\$1,783,627	\$0	\$27,264,010
2047	23	\$27,264,010	\$1,908,481	\$0	\$29,172,491
2048	24	\$29,172,491	\$2,042,074	\$0	\$31,214,565
2049	25	\$31,214,565	\$2,185,020	\$0	\$33,399,585
2050	26	\$33,399,585	\$2,337,971	\$0	\$35,737,556
2051	27	\$35,737,556	\$2,501,629	\$0	\$38,239,184
2052	28	\$38,239,184	\$2,676,743	\$0	\$40,915,927
2053	29	\$40,915,927	\$2,864,115	\$0	\$43,780,042
2054	30	\$43,780,042	\$3,064,603	\$0	\$46,844,645
2055	31	\$46,844,645	\$3,279,125	\$0	\$50,123,770
2056	32	\$50,123,770	\$3,508,664	\$0	\$53,632,434
2057	33	\$53,632,434	\$3,754,270	\$0	\$57,386,705
2058	34	\$57,386,705	\$4,017,069	\$0	\$61,403,774
2059	35	\$61,403,774	\$4,298,264	\$0	\$65,702,038
2060	36	\$65,702,038	\$4,599,143	\$0	\$70,301,181



Modeling the Burn to Determine Exemption Usage

- Situation #5 – Reduce the Valuation Discount to 20%
 - Consider the following assumptions
 - Single individual, age 64
 - Investment assets = \$38,000,000, with rate of return of 7%
 - Spends \$1,000,000/year, with spend rate increasing 3% annually
 - Effective income tax rate of 32% (2.25% x value of assets)
 - Estate tax rate is 40%
 - Valuation discount is 20%
 - No prior gifts
-
- Client transfers \$ 17,012,500 to an entity for a non-voting interest
 - Transfers the interest to a grantor trust
 - Value of taxable gift after discount is \$13,610,000.
 - Retained assets are \$20,987,500 instead of \$17,061,538 when using a 35% discount.
Impact of retaining an additional \$4,000,000 of value?

How does this compare to Situation #1, where the facts were the same, except the discount was 35%? Or what happens if the client transfers the assets without any discount at all?



Modeling the Burn to Determine Exemption Usage

- Situation #5 – Reduce the Valuation Discount to 20%

Year	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	Personal Consumption	End of Year Investments Value	Total Exemption	Estate Tax Liability	Estate Tax Savings
2024	0	64	100.00%	\$38,000,000	\$17,012,500	\$0	\$0	\$0	\$0	\$0	\$38,000,000	\$13,610,000	\$9,756,000	\$0
2024	0	64	100.00%	\$38,000,000		\$0	\$0	\$0	\$0	\$0	\$20,987,500	\$0	\$8,395,000	\$1,361,000
2025	1	65	97.55%	\$20,987,500		\$1,469,125	\$472,219	\$996,906	(\$382,781)	(\$1,000,000)	\$20,601,625	\$0	\$8,240,650	\$5,881,350
2026	2	66	96.19%	\$20,601,625		\$1,442,114	\$463,537	\$978,577	(\$409,576)	(\$1,030,000)	\$20,140,626	\$0	\$8,056,251	\$6,391,045
2027	3	67	94.72%	\$20,140,626		\$1,409,844	\$453,164	\$956,680	(\$438,246)	(\$1,060,900)	\$19,598,160	\$0	\$7,839,264	\$6,896,418
2028	4	68	93.15%	\$19,598,160		\$1,371,871	\$440,959	\$930,913	(\$468,923)	(\$1,092,727)	\$18,967,422	\$0	\$7,586,969	\$7,435,967
2029	5	69	91.47%	\$18,967,422		\$1,327,720	\$426,767	\$900,953	(\$501,748)	(\$1,125,509)	\$18,241,117	\$0	\$7,296,447	\$8,016,365
2030	6	70	89.68%	\$18,241,117		\$1,276,878	\$410,425	\$866,453	(\$536,871)	(\$1,159,274)	\$17,411,426	\$0	\$6,964,570	\$8,640,470
2031	7	71	87.76%	\$17,411,426		\$1,218,800	\$391,757	\$827,043	(\$574,451)	(\$1,194,052)	\$16,469,965	\$0	\$6,587,986	\$9,307,343
2032	8	72	85.71%	\$16,469,965		\$1,152,898	\$370,574	\$782,323	(\$614,663)	(\$1,229,874)	\$15,407,751	\$0	\$6,163,101	\$10,024,257
2033	9	73	83.52%	\$15,407,751		\$1,078,543	\$346,674	\$731,868	(\$657,689)	(\$1,266,770)	\$14,215,160	\$0	\$5,686,064	\$10,790,715
2034	10	74	81.17%	\$14,215,160		\$995,061	\$319,841	\$675,220	(\$703,728)	(\$1,304,773)	\$12,881,879	\$0	\$5,152,752	\$11,614,465
2035	11	75	78.67%	\$12,881,879		\$901,732	\$289,842	\$611,889	(\$752,989)	(\$1,343,916)	\$11,396,863	\$0	\$4,558,745	\$12,499,518
2036	12	76	76.00%	\$11,396,863		\$797,780	\$256,429	\$541,351	(\$805,698)	(\$1,384,234)	\$9,748,283	\$0	\$3,899,313	\$13,446,164
2037	13	77	73.18%	\$9,748,283		\$682,380	\$219,336	\$463,043	(\$862,097)	(\$1,425,761)	\$7,923,469	\$0	\$3,169,387	\$14,462,995
2038	14	78	70.16%	\$7,923,469		\$554,643	\$178,278	\$376,365	(\$922,443)	(\$1,468,534)	\$5,908,856	\$0	\$2,363,542	\$15,550,925
2039	15	79	66.98%	\$5,908,856		\$413,620	\$132,949	\$280,671	(\$987,015)	(\$1,512,590)	\$3,689,923	\$0	\$1,475,969	\$16,723,210
2040	16	80	63.61%	\$3,689,923		\$258,295	\$83,023	\$175,271	(\$1,056,106)	(\$1,557,967)	\$1,251,121	\$0	\$500,448	\$17,973,474
2041	17	81	60.08%	\$1,251,121		\$87,578	\$28,150	\$59,428	(\$1,130,033)	(\$1,604,706)	(\$1,424,190)	\$0	\$0	\$18,746,061
2042	18	82	56.39%	(\$1,424,190)		(\$99,693)	(\$32,044)	(\$67,649)	(\$1,209,135)	(\$1,652,848)	(\$4,353,822)	\$0	\$0	\$19,014,910
2043	19	83	52.58%	(\$4,353,822)		(\$304,768)	(\$97,961)	(\$206,807)	(\$1,293,775)	(\$1,702,433)	(\$7,556,836)	\$0	\$0	\$19,275,735
2044	20	84	48.58%	(\$7,556,836)		(\$528,979)	(\$170,029)	(\$358,950)	(\$1,384,339)	(\$1,753,506)	(\$11,053,631)	\$0	\$0	\$19,531,750
2045	21	85	44.46%	(\$11,053,631)		(\$773,754)	(\$248,707)	(\$525,047)	(\$1,481,243)	(\$1,806,111)	(\$14,866,033)	\$0	\$0	\$19,778,114
2046	22	86	40.26%	(\$14,866,033)		(\$1,040,622)	(\$334,486)	(\$706,137)	(\$1,584,930)	(\$1,860,295)	(\$19,017,393)	\$0	\$0	\$20,013,927
2047	23	87	36.02%	(\$19,017,393)		(\$1,331,218)	(\$427,891)	(\$903,326)	(\$1,695,875)	(\$1,916,103)	(\$23,532,698)	\$0	\$0	\$20,242,227
2048	24	88	31.81%	(\$23,532,698)		(\$1,647,289)	(\$529,486)	(\$1,117,803)	(\$1,814,586)	(\$1,973,587)	(\$28,438,673)	\$0	\$0	\$20,461,988
2049	25	89	27.68%	(\$28,438,673)		(\$1,990,707)	(\$639,870)	(\$1,350,837)	(\$1,941,607)	(\$2,032,794)	(\$33,763,911)	\$95,000	\$0	\$20,668,115
2050	26	90	23.70%	(\$33,763,911)		(\$2,363,474)	(\$759,688)	(\$1,603,786)	(\$2,077,519)	(\$2,093,778)	(\$39,538,994)	\$305,000	\$0	\$20,859,439
2051	27	91	19.94%	(\$39,538,994)		(\$2,767,730)	(\$889,627)	(\$1,878,102)	(\$2,222,946)	(\$2,156,591)	(\$45,796,634)	\$515,000	\$0	\$21,038,716
2052	28	92	16.46%	(\$45,796,634)		(\$3,205,764)	(\$1,030,424)	(\$2,175,340)	(\$2,378,552)	(\$2,221,289)	(\$52,571,815)	\$735,000	\$0	\$21,200,619
2053	29	93	13.32%	(\$52,571,815)		(\$3,680,027)	(\$1,182,866)	(\$2,497,161)	(\$2,545,051)	(\$2,287,928)	(\$59,901,954)	\$965,000	\$0	\$21,343,737
2054	30	94	10.53%	(\$59,901,954)		(\$4,193,137)	(\$1,347,794)	(\$2,845,343)	(\$2,723,204)	(\$2,356,566)	(\$67,827,067)	\$1,195,000	\$0	\$21,470,569
2055	31	95	8.13%	(\$67,827,067)		(\$4,747,895)	(\$1,526,109)	(\$3,221,786)	(\$2,913,829)	(\$2,427,262)	(\$76,389,944)	\$1,435,000	\$0	\$21,575,516
2056	32	96	6.12%	(\$76,389,944)		(\$5,347,296)	(\$1,718,774)	(\$3,628,522)	(\$3,117,796)	(\$2,500,080)	(\$85,636,343)	\$1,685,000	\$0	\$21,656,881
2057	33	97	4.49%	(\$85,636,343)		(\$5,994,544)	(\$1,926,818)	(\$4,067,726)	(\$3,336,042)	(\$2,575,083)	(\$95,615,194)	\$1,945,000	\$0	\$21,712,859
2058	34	98	3.19%	(\$95,615,194)		(\$6,693,064)	(\$2,151,342)	(\$4,541,722)	(\$3,569,565)	(\$2,652,335)	(\$106,378,816)	\$2,205,000	\$0	\$21,745,536
2059	35	99	2.21%	(\$106,378,816)		(\$7,446,517)	(\$2,393,523)	(\$5,052,994)	(\$3,819,435)	(\$2,731,905)	(\$117,983,150)	\$2,475,000	\$0	\$21,748,877
2060	36	100	1.48%									\$2,755,000	\$0	\$21,720,724



Modeling the Burn to Determine Exemption Usage

- Situation #5 – Reduce the Valuation Discount to 20%

Year	Year #	Beginning Trust Value	Growth on Trust Assets	Income Tax Paid By Trust	End Trust Value
2024	0				
2024	0	\$0			\$17,012,500
2025	1	\$17,012,500	\$1,190,875	\$0	\$18,203,375
2026	2	\$18,203,375	\$1,274,236	\$0	\$19,477,611
2027	3	\$19,477,611	\$1,363,433	\$0	\$20,841,044
2028	4	\$20,841,044	\$1,458,873	\$0	\$22,299,917
2029	5	\$22,299,917	\$1,560,994	\$0	\$23,860,911
2030	6	\$23,860,911	\$1,670,264	\$0	\$25,531,175
2031	7	\$25,531,175	\$1,787,182	\$0	\$27,318,357
2032	8	\$27,318,357	\$1,912,285	\$0	\$29,230,642
2033	9	\$29,230,642	\$2,046,145	\$0	\$31,276,787
2034	10	\$31,276,787	\$2,189,375	\$0	\$33,466,162
2035	11	\$33,466,162	\$2,342,631	\$0	\$35,808,794
2036	12	\$35,808,794	\$2,506,616	\$0	\$38,315,409
2037	13	\$38,315,409	\$2,682,079	\$0	\$40,997,488
2038	14	\$40,997,488	\$2,869,824	\$0	\$43,867,312
2039	15	\$43,867,312	\$3,070,712	\$0	\$46,938,024
2040	16	\$46,938,024	\$3,285,662	\$0	\$50,223,686
2041	17	\$50,223,686	\$3,515,658	\$0	\$53,739,344
2042	18	\$53,739,344	\$3,761,754	\$0	\$57,501,098
2043	19	\$57,501,098	\$4,025,077	\$0	\$61,526,175
2044	20	\$61,526,175	\$4,306,832	\$0	\$65,833,007
2045	21	\$65,833,007	\$4,608,310	\$0	\$70,441,317
2046	22	\$70,441,317	\$4,930,892	\$0	\$75,372,210
2047	23	\$75,372,210	\$5,276,055	\$0	\$80,648,264
2048	24	\$80,648,264	\$5,645,379	\$0	\$86,293,643
2049	25	\$86,293,643	\$6,040,555	\$0	\$92,334,198
2050	26	\$92,334,198	\$6,463,394	\$0	\$98,797,592
2051	27	\$98,797,592	\$6,915,831	\$0	\$105,713,423
2052	28	\$105,713,423	\$7,399,940	\$0	\$113,113,363
2053	29	\$113,113,363	\$7,917,935	\$0	\$121,031,298
2054	30	\$121,031,298	\$8,472,191	\$0	\$129,503,489
2055	31	\$129,503,489	\$9,065,244	\$0	\$138,568,733
2056	32	\$138,568,733	\$9,699,811	\$0	\$148,268,544
2057	33	\$148,268,544	\$10,378,798	\$0	\$158,647,343
2058	34	\$158,647,343	\$11,105,314	\$0	\$169,752,657
2059	35	\$169,752,657	\$11,882,686	\$0	\$181,635,343
2060	36	\$181,635,343	\$12,714,474	\$0	\$194,349,816



Modeling the Burn to Determine Exemption Usage

• Takeaways

- Planners' common refrain is to maximize the use of a client's exemption prior to the potential reduction in 2026 can be a short-sighted mistake
- The estate planning advisor must prepare a spreadsheet illustrating the future cash the grantor will receive from the grantor's retained assets, and if there is a sale to a grantor trust, the cash received from the note (interest and principal), and then examine the impact of consumption and income taxes on the grantor trust's income.
- There is a possibility that the compounding of all the factors over a long period will fully deplete the grantor's retained assets while the grantor is still living.



Modeling the "Burn" from Installment Sales

- Even the ultrawealthy aren't immune from the burn
- Even for clients who have sufficient assets so that they can afford to make \$13,610,000 taxable gift, they will also sell assets to a grantor trust for a note. Modeling out the income tax effects of grantor trust planning can be critical.

Example

- Senior, age 60, has \$100,000,000 of income-producing assets in an LLC
- She needs \$1,500,000 for her personal consumption/expenses this year (increasing at 3%/year)
- Senior gifts an interest in the LLC with a \$20M capital account to a grantor trust as a seed gift; after the discount, the gift uses \$13,000,000 of his exemption (leaving a little left over)
- Additionally, Senior sells an interest with a \$50M capital account to the grantor trust in exchange for a \$32,500,000 (after discount), 20-year, interest-only promissory note bearing interest at the AFR of 4.1% (or \$1,332,500 annual interest)
- Senior retains an interest with a \$30,000,000 capital account.
- Assume 6% investment return across all assets
- 32% effective Federal and state income tax rate (ordinary income and capital gains)



Partnership Capital Accounts after the gift and the sale of LLC interests to a grantor trust

- Capital Accounts

Member	Capital Account	Gift tax value after discount
Senior (voting)	\$30,000,000	
Grantor Trust by gift (non-voting	\$20,000,000	\$13,000,000
Grantor Trust by purchase (non-voting)	<u>\$50,000,000</u>	\$32,500,000
Totals	<u>\$100,000,000</u>	

- Assume a 35% valuation discount for a non-voting membership interest



Modeling the "Burn" from Installment Sales

- Even the ultrawealthy aren't immune from the burn

General Info		Sale/Note Info		Other Info	
Grantor's Age	- 60 +	Year One Gift	- \$20,000,000 +	Year One Gift Discount Rate	- 35.00% +
Initial Assets	- \$100,000,000 +	Sale Value before Discount	- \$50,000,000 +	Discount Rate	- 35.00% +
Annual Saving/Spending	- (\$1,500,000) +	Sale Value after Discount	- \$32,500,000 +	Type of Note	<input checked="" type="radio"/> Conventional <input type="radio"/> Self-Canceling
Annual Growth Rate	- 6.00% +	Note Interest Rate	- 4.10% +	Note Amount	- \$32,500,000 +
Income Tax Rate (Times Growth Amount)	- 32.00% +	(AFR Unless Grossed Up for SCIN)		(Equal to Sale Value after Discount Unless Grossed Up SCIN)	
Lifetime Exemption Already Used	- \$0 +	Best to use lowest rate.			
		Aug 4.47%	Sep 4.32%	Oct 4.06%	
		Go to SCIN Calculator to determine rate for self-canceling note.			
Estate Tax Rate	- 40.00% +				
Consumer Price Index Growth Rate	- 3.00% +				
Note Term	- 20 +				
(Number of Years until Balloon Payment)					
Year to Toggle Off Grantor Trust Status	- -1 +				
Number of Years to Project	- 40 +				

[Look Up AFR](#)



Grantor's Estate

Year	Age	Assets (w/ Note)	Assets (w/o Note)	After Tax Income on Retained Assets	Personal Consumption	Annual Note Payments Received	Income Tax on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2024	60	\$100,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000,000	\$0
2024	60	\$80,000,000	\$0	\$0	\$0	\$0	\$0	\$80,000,000	\$2,800,000
2024	60	\$62,500,000	\$30,000,000	\$0	\$0	\$0	\$0	\$62,500,000	\$9,800,000
2025	61	\$62,500,000	\$30,000,000	\$1,224,000	(\$1,500,000)	\$1,332,500	(\$1,344,000)	\$62,212,500	\$10,947,000
2026	62	\$62,212,500	\$29,712,500	\$1,212,270	(\$1,545,000)	\$1,332,500	(\$1,399,056)	\$61,813,214	\$14,486,820
2027	63	\$61,813,214	\$29,313,214	\$1,195,979	(\$1,591,350)	\$1,332,500	(\$1,457,415)	\$61,292,928	\$15,687,589
2028	64	\$61,292,928	\$28,792,928	\$1,174,751	(\$1,639,091)	\$1,332,500	(\$1,519,276)	\$60,641,812	\$16,965,685
2029	65	\$60,641,812	\$28,141,812	\$1,148,186	(\$1,688,263)	\$1,332,500	(\$1,584,849)	\$59,849,386	\$18,321,746
2030	66	\$59,849,386	\$27,349,386	\$1,115,855	(\$1,738,911)	\$1,332,500	(\$1,654,356)	\$58,904,474	\$19,760,690
2031	67	\$58,904,474	\$26,404,474	\$1,077,303	(\$1,791,078)	\$1,332,500	(\$1,728,033)	\$57,795,165	\$21,291,732
2032	68	\$57,795,165	\$25,295,165	\$1,032,043	(\$1,844,811)	\$1,332,500	(\$1,806,131)	\$56,508,766	\$22,916,396
2033	69	\$56,508,766	\$24,008,766	\$979,558	(\$1,900,155)	\$1,332,500	(\$1,888,915)	\$55,031,754	\$24,640,539
2034	70	\$55,031,754	\$22,531,754	\$919,296	(\$1,957,160)	\$1,332,500	(\$1,976,666)	\$53,349,724	\$26,470,372
2035	71	\$53,349,724	\$20,849,724	\$850,669	(\$2,015,875)	\$1,332,500	(\$2,069,682)	\$51,447,336	\$28,416,474
2036	72	\$51,447,336	\$18,947,336	\$773,051	(\$2,076,351)	\$1,332,500	(\$2,168,279)	\$49,308,258	\$30,481,823
2037	73	\$49,308,258	\$16,808,258	\$685,777	(\$2,138,641)	\$1,332,500	(\$2,272,791)	\$46,915,102	\$32,673,812
2038	74	\$46,915,102	\$14,415,102	\$588,136	(\$2,202,801)	\$1,332,500	(\$2,383,575)	\$44,249,362	\$35,000,281
2039	75	\$44,249,362	\$11,749,362	\$479,374	(\$2,268,885)	\$1,332,500	(\$2,501,005)	\$41,291,346	\$37,469,537
2040	76	\$41,291,346	\$8,791,346	\$358,687	(\$2,336,951)	\$1,332,500	(\$2,625,482)	\$38,020,100	\$40,090,390
2041	77	\$38,020,100	\$5,520,100	\$225,220	(\$2,407,060)	\$1,332,500	(\$2,757,427)	\$34,413,334	\$42,876,173
2042	78	\$34,413,334	\$1,913,334	\$78,064	(\$2,479,271)	\$1,332,500	(\$2,897,288)	\$30,447,338	\$45,828,783
2043	79	\$30,447,338	(\$2,052,662)	\$0	(\$2,553,650)	\$1,332,500	(\$3,045,542)	\$26,180,647	\$48,929,211
2044	80	\$26,180,647	(\$6,319,353)	\$0	(\$2,630,259)	\$33,832,500	(\$3,202,690)	\$21,680,198	\$52,155,075
2045	81	\$21,680,198	\$21,680,198	\$884,552	(\$2,709,167)	\$0	(\$2,745,268)	\$17,110,316	\$55,433,029
2046	82	\$17,110,316	\$17,110,316	\$698,101	(\$2,790,442)	\$0	(\$2,909,984)	\$12,107,991	\$58,912,649
2047	83	\$12,107,991	\$12,107,991	\$494,006	(\$2,874,155)	\$0	(\$3,084,583)	\$6,643,259	\$62,762,278
2048	84	\$6,643,259	\$6,643,259	\$271,045	(\$2,960,380)	\$0	(\$3,269,658)	\$684,267	\$66,800,708
2049	85	\$684,267	\$684,267	\$27,918	(\$3,049,191)	\$0	(\$3,465,837)	(\$5,802,843)	\$68,367,554
2050	86	(\$5,802,843)	(\$5,802,843)	\$0	(\$3,140,667)	\$0	(\$3,673,787)	(\$12,617,297)	\$69,960,427
2051	87	(\$12,617,297)	(\$12,617,297)	\$0	(\$3,234,887)	\$0	(\$3,894,214)	(\$19,746,398)	\$71,583,619
2052	88	(\$19,746,398)	(\$19,746,398)	\$0	(\$3,331,934)	\$0	(\$4,127,867)	(\$27,206,199)	\$73,237,400
2053	89	(\$27,206,199)	(\$27,206,199)	\$0	(\$3,431,892)	\$0	(\$4,375,539)	(\$35,013,630)	\$74,918,016
2054	90	(\$35,013,630)	(\$35,013,630)	\$0	(\$3,534,848)	\$0	(\$4,638,072)	(\$43,186,550)	\$76,629,688
2055	91	(\$43,186,550)	(\$43,186,550)	\$0	(\$3,640,894)	\$0	(\$4,916,356)	(\$51,743,800)	\$78,372,612
2056	92	(\$51,743,800)	(\$51,743,800)	\$0	(\$3,750,121)	\$0	(\$5,211,337)	(\$60,705,258)	\$80,142,954
2057	93	(\$60,705,258)	(\$60,705,258)	\$0	(\$3,862,624)	\$0	(\$5,524,018)	(\$70,091,899)	\$81,944,847
2058	94	(\$70,091,899)	(\$70,091,899)	\$0	(\$3,978,503)	\$0	(\$5,855,459)	(\$79,925,861)	\$83,774,393
2059	95	(\$79,925,861)	(\$79,925,861)	\$0	(\$4,097,858)	\$0	(\$6,206,786)	(\$90,230,505)	\$85,631,654
2060	96	(\$90,230,505)	(\$90,230,505)	\$0	(\$4,220,794)	\$0	(\$6,579,193)	(\$101,030,492)	\$87,520,657
2061	97	(\$101,030,492)	(\$101,030,492)	\$0	(\$4,347,417)	\$0	(\$6,973,945)	(\$112,351,854)	\$89,437,384
2062	98	(\$112,351,854)	(\$112,351,854)	\$0	(\$4,477,840)	\$0	(\$7,392,382)	(\$124,222,076)	\$91,381,774
2063	99	(\$124,222,076)	(\$124,222,076)	\$0	(\$4,612,175)	\$0	(\$7,835,925)	(\$136,670,176)	\$93,353,715
2064	100	(\$136,670,176)	(\$136,670,176)	\$0	(\$4,750,540)	\$0	(\$8,306,080)	(\$149,726,796)	\$95,357,047



Grantor Trust							
Assets	Note Balance	Annual Income	Income Taxes Paid by Trust	Annual Note Payment	Net Assets	Year	Notes
\$0	\$0	\$0	\$0	\$0	\$0	2024	Initial Values
\$20,000,000	\$0	\$0	\$0	\$0	\$0	2024	Year One Gift to Trust
\$70,000,000	\$32,500,000	\$0	\$0	\$0	\$37,500,000	2024	Sale of Assets to Trust
\$70,000,000	\$32,500,000	\$4,200,000	\$0	(\$1,332,500)	\$40,367,500	2025	
\$72,867,500	\$32,500,000	\$4,372,050	\$0	(\$1,332,500)	\$43,407,050	2026	
\$75,907,050	\$32,500,000	\$4,554,423	\$0	(\$1,332,500)	\$46,628,973	2027	
\$79,128,973	\$32,500,000	\$4,747,738	\$0	(\$1,332,500)	\$50,044,211	2028	
\$82,544,211	\$32,500,000	\$4,952,653	\$0	(\$1,332,500)	\$53,664,364	2029	
\$86,164,364	\$32,500,000	\$5,169,862	\$0	(\$1,332,500)	\$57,501,726	2030	
\$90,001,726	\$32,500,000	\$5,400,104	\$0	(\$1,332,500)	\$61,569,329	2031	
\$94,069,329	\$32,500,000	\$5,644,160	\$0	(\$1,332,500)	\$65,880,989	2032	
\$98,380,989	\$32,500,000	\$5,902,859	\$0	(\$1,332,500)	\$70,451,349	2033	
\$102,951,349	\$32,500,000	\$6,177,081	\$0	(\$1,332,500)	\$75,295,929	2034	
\$107,795,929	\$32,500,000	\$6,467,756	\$0	(\$1,332,500)	\$80,431,185	2035	
\$112,931,185	\$32,500,000	\$6,775,871	\$0	(\$1,332,500)	\$85,874,556	2036	
\$118,374,556	\$32,500,000	\$7,102,473	\$0	(\$1,332,500)	\$91,644,530	2037	
\$124,144,530	\$32,500,000	\$7,448,672	\$0	(\$1,332,500)	\$97,760,702	2038	
\$130,260,702	\$32,500,000	\$7,815,642	\$0	(\$1,332,500)	\$104,243,844	2039	
\$136,743,844	\$32,500,000	\$8,204,631	\$0	(\$1,332,500)	\$111,115,974	2040	
\$143,615,974	\$32,500,000	\$8,616,958	\$0	(\$1,332,500)	\$118,400,433	2041	
\$150,900,433	\$32,500,000	\$9,054,026	\$0	(\$1,332,500)	\$126,121,959	2042	
\$158,621,959	\$32,500,000	\$9,517,318	\$0	(\$1,332,500)	\$134,306,776	2043	
\$166,806,776	\$0	\$10,008,407	\$0	(\$33,832,500)	\$142,982,683	2044	
\$142,982,683	\$0	\$8,578,961	\$0	\$0	\$151,561,644	2045	
\$151,561,644	\$0	\$9,093,699	\$0	\$0	\$160,655,342	2046	
\$160,655,342	\$0	\$9,639,321	\$0	\$0	\$170,294,663	2047	
\$170,294,663	\$0	\$10,217,680	\$0	\$0	\$180,512,343	2048	
\$180,512,343	\$0	\$10,830,741	\$0	\$0	\$191,343,083	2049	
\$191,343,083	\$0	\$11,480,585	\$0	\$0	\$202,823,668	2050	
\$202,823,668	\$0	\$12,169,420	\$0	\$0	\$214,993,088	2051	
\$214,993,088	\$0	\$12,899,585	\$0	\$0	\$227,892,674	2052	
\$227,892,674	\$0	\$13,673,560	\$0	\$0	\$241,566,234	2053	
\$241,566,234	\$0	\$14,493,974	\$0	\$0	\$256,060,208	2054	
\$256,060,208	\$0	\$15,363,612	\$0	\$0	\$271,423,821	2055	
\$271,423,821	\$0	\$16,285,429	\$0	\$0	\$287,709,250	2056	
\$287,709,250	\$0	\$17,262,555	\$0	\$0	\$304,971,805	2057	
\$304,971,805	\$0	\$18,298,308	\$0	\$0	\$323,270,113	2058	
\$323,270,113	\$0	\$19,396,207	\$0	\$0	\$342,666,320	2059	
\$342,666,320	\$0	\$20,559,979	\$0	\$0	\$363,226,299	2060	
\$363,226,299	\$0	\$21,793,578	\$0	\$0	\$385,019,877	2061	
\$385,019,877	\$0	\$23,101,193	\$0	\$0	\$408,121,070	2062	
\$408,121,070	\$0	\$24,487,264	\$0	\$0	\$432,608,334	2063	
\$432,608,334	\$0	\$25,956,500	\$0	\$0	\$458,564,834	2064	



What to do to Mitigate the “Burn”

- Modeling out different approaches can help find the best solution for your client
- Retain more assets and sell fewer assets to the grantor trust.
- Reduce the size of the initial valuation discount for the non-voting interest.
- What if no valuation discounts are used?
- Tax reimbursement clauses (but watch out for CCA 2023-52-019)
- Terminating grantor trust status after note is paid (do not terminate if note outstanding). Can have the power creating a grantor trust terminate in the trust agreement upon the occurrence of a future event, such as after the note is paid or when the grantor's retained assets fall below a certain level.
- Increase the interest rate on the promissory note (use of a SCIN if increase interest rate). See Section 163(i) permitting a 5.0% increase over the AFR.
- Investment solutions (municipal bonds or assets that increase in value instead of distributing income)



What to do to Mitigate the “Burn”

- Life insurance (access cash by distributions or loans)
- Distribute assets to trust beneficiaries
- Use a private annuity for a healthy grantor
- SLATs
- Allow grantor to become beneficiary (self-settled trust in a state with needed legislation)
- Prepay the note before its maturity date
- Shorter note term.
- Decant trust into two separate trusts (grantor and non-grantor)
- Invest in financed real estate that produces income tax losses
- Consider solar energy tax credits.
- Use SWAP power to transfer assets that produce less or no income
- Grantor trust contributes assets to a charitable remainder trust, especially if trust anticipates selling an appreciated asset.
- Other creative solutions?



What to do to Mitigate the “Burn”

- Approach #1: Retain additional assets
- Same facts as before, where Senior, age 60, gifts LLC interests to a grantor trust
- Except now assume that instead of retaining only \$30M of LLC interest. Senior retains \$40M

General Info	Sale/Note Info	Other Info
Grantor's Age - 60 +	Year One Gift - \$20,000,000 +	Estate Tax Rate - 40.00% +
Initial Assets - \$100,000,000 +	Year One Gift Discount Rate - 35.00% +	Consumer Price Index Growth Rate - 3.00% +
Annual Saving/Spending - (\$1,500,000) +	Sale Value before Discount - \$40,000,000 +	Note Term (Number of Years until Balloon Payment) - 20 +
Annual Growth Rate - 6.00% +	Discount Rate - 35.00% +	Year to Toggle Off Grantor Trust Status - -1 +
Income Tax Rate (Times Growth Amount) - 32.00% +	Sale Value after Discount - \$26,000,000 +	Number of Years to Project - 40 +
Lifetime Exemption Already Used - \$0 +	Type of Note <input checked="" type="radio"/> Conventional <input type="radio"/> Self-Canceling	
	Note Interest Rate (AFR Unless Grossed Up for SCIN) - 4.10% +	
	Note Amount (Equal to Sale Value after Discount Unless Grossed Up SCIN) - \$26,000,000 +	
	Best to use lowest rate: Aug 4.47% Sep 4.32% Oct 4.06%	
	Go to SCIN Calculator to determine rate for self-canceling note.	
	Look Up AFR	



Grantor's Estate

Year	Age	Assets (w/ Note)	Assets (w/o Note)	After Tax Income on Retained Assets	Personal Consumption	Annual Note Payments Received	Income Tax on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2024	60	\$100,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000,000	\$0
2024	60	\$80,000,000	\$0	\$0	\$0	\$0	\$0	\$80,000,000	\$2,800,000
2024	60	\$66,000,000	\$40,000,000	\$0	\$0	\$0	\$0	\$66,000,000	\$8,400,000
2025	61	\$66,000,000	\$40,000,000	\$1,632,000	(\$1,500,000)	\$1,066,000	(\$1,152,000)	\$66,046,000	\$9,413,600
2026	62	\$66,046,000	\$40,046,000	\$1,633,877	(\$1,545,000)	\$1,066,000	(\$1,200,653)	\$66,000,224	\$12,812,016
2027	63	\$66,000,224	\$40,000,224	\$1,632,009	(\$1,591,350)	\$1,066,000	(\$1,252,225)	\$65,854,658	\$13,862,897
2028	64	\$65,854,658	\$39,854,658	\$1,626,070	(\$1,639,091)	\$1,066,000	(\$1,306,891)	\$65,600,747	\$14,982,111
2029	65	\$65,600,747	\$39,600,747	\$1,615,710	(\$1,688,263)	\$1,066,000	(\$1,364,837)	\$65,229,357	\$16,169,757
2030	66	\$65,229,357	\$39,229,357	\$1,600,558	(\$1,738,911)	\$1,066,000	(\$1,426,260)	\$64,730,743	\$17,430,183
2031	67	\$64,730,743	\$38,730,743	\$1,580,214	(\$1,791,078)	\$1,066,000	(\$1,491,369)	\$64,094,510	\$18,771,994
2032	68	\$64,094,510	\$38,094,510	\$1,554,256	(\$1,844,811)	\$1,066,000	(\$1,560,384)	\$63,309,572	\$20,196,073
2033	69	\$63,309,572	\$37,309,572	\$1,522,231	(\$1,900,155)	\$1,066,000	(\$1,633,540)	\$62,364,108	\$21,707,598
2034	70	\$62,364,108	\$36,364,108	\$1,483,656	(\$1,957,160)	\$1,066,000	(\$1,711,085)	\$61,245,519	\$23,312,054
2035	71	\$61,245,519	\$35,245,519	\$1,438,017	(\$2,015,875)	\$1,066,000	(\$1,793,283)	\$59,940,379	\$25,019,257
2036	72	\$59,940,379	\$33,940,379	\$1,384,767	(\$2,076,351)	\$1,066,000	(\$1,880,412)	\$58,434,383	\$26,831,372
2037	73	\$58,434,383	\$32,434,383	\$1,323,323	(\$2,138,641)	\$1,066,000	(\$1,972,770)	\$56,712,295	\$28,754,935
2038	74	\$56,712,295	\$30,712,295	\$1,253,062	(\$2,202,801)	\$1,066,000	(\$2,070,669)	\$54,757,887	\$30,796,871
2039	75	\$54,757,887	\$28,757,887	\$1,173,322	(\$2,268,885)	\$1,066,000	(\$2,174,442)	\$52,553,882	\$32,964,523
2040	76	\$52,553,882	\$26,553,882	\$1,083,398	(\$2,336,951)	\$1,066,000	(\$2,284,441)	\$50,081,888	\$35,265,674
2041	77	\$50,081,888	\$24,081,888	\$982,541	(\$2,407,060)	\$1,066,000	(\$2,401,040)	\$47,322,329	\$37,712,575
2042	78	\$47,322,329	\$21,322,329	\$869,951	(\$2,479,271)	\$1,066,000	(\$2,524,636)	\$44,254,373	\$40,305,969
2043	79	\$44,254,373	\$18,254,373	\$744,778	(\$2,553,650)	\$1,066,000	(\$2,655,647)	\$40,855,856	\$43,059,128
2044	80	\$40,855,856	\$14,855,856	\$606,119	(\$2,630,259)	\$27,066,000	(\$2,794,518)	\$37,103,197	\$45,985,875
2045	81	\$37,103,197	\$37,103,197	\$1,513,810	(\$2,709,167)	\$0	(\$2,442,522)	\$33,465,319	\$48,891,028
2046	82	\$33,465,319	\$33,465,319	\$1,365,385	(\$2,790,442)	\$0	(\$2,589,073)	\$29,451,189	\$51,975,369
2047	83	\$29,451,189	\$29,451,189	\$1,201,609	(\$2,874,155)	\$0	(\$2,744,418)	\$25,034,225	\$55,405,892
2048	84	\$25,034,225	\$25,034,225	\$1,021,396	(\$2,960,380)	\$0	(\$2,909,083)	\$20,186,158	\$59,042,245
2049	85	\$20,186,158	\$20,186,158	\$823,595	(\$3,049,191)	\$0	(\$3,083,628)	\$14,876,935	\$62,896,780
2050	86	\$14,876,935	\$14,876,935	\$606,979	(\$3,140,667)	\$0	(\$3,268,645)	\$9,074,601	\$66,982,587
2051	87	\$9,074,601	\$9,074,601	\$370,244	(\$3,234,887)	\$0	(\$3,464,764)	\$2,745,194	\$71,313,542
2052	88	\$2,745,194	\$2,745,194	\$112,004	(\$3,331,934)	\$0	(\$3,672,650)	(\$4,147,386)	\$73,237,400
2053	89	(\$4,147,386)	(\$4,147,386)	\$0	(\$3,431,892)	\$0	(\$3,893,009)	(\$11,472,286)	\$74,918,016
2054	90	(\$11,472,286)	(\$11,472,286)	\$0	(\$3,534,848)	\$0	(\$4,126,590)	(\$19,133,724)	\$76,629,688
2055	91	(\$19,133,724)	(\$19,133,724)	\$0	(\$3,640,894)	\$0	(\$4,374,185)	(\$27,148,803)	\$78,372,612
2056	92	(\$27,148,803)	(\$27,148,803)	\$0	(\$3,750,121)	\$0	(\$4,636,636)	(\$35,535,559)	\$80,142,954
2057	93	(\$35,535,559)	(\$35,535,559)	\$0	(\$3,862,624)	\$0	(\$4,914,834)	(\$44,313,017)	\$81,944,847
2058	94	(\$44,313,017)	(\$44,313,017)	\$0	(\$3,978,503)	\$0	(\$5,209,724)	(\$53,501,245)	\$83,774,393
2059	95	(\$53,501,245)	(\$53,501,245)	\$0	(\$4,097,858)	\$0	(\$5,522,308)	(\$63,121,410)	\$85,631,654
2060	96	(\$63,121,410)	(\$63,121,410)	\$0	(\$4,220,794)	\$0	(\$5,853,646)	(\$73,195,850)	\$87,520,657
2061	97	(\$73,195,850)	(\$73,195,850)	\$0	(\$4,347,417)	\$0	(\$6,204,865)	(\$83,748,132)	\$89,437,384
2062	98	(\$83,748,132)	(\$83,748,132)	\$0	(\$4,477,840)	\$0	(\$6,577,157)	(\$94,803,129)	\$91,381,774
2063	99	(\$94,803,129)	(\$94,803,129)	\$0	(\$4,612,175)	\$0	(\$6,971,786)	(\$106,387,091)	\$93,353,715
2064	100	(\$106,387,091)	(\$106,387,091)	\$0	(\$4,750,540)	\$0	(\$7,390,093)	(\$118,527,724)	\$95,357,047



Grantor Trust							
Assets	Note Balance	Annual Income	Income Taxes Paid By Trust	Annual Note Payment	Net Assets	Year	Notes
\$0	\$0	\$0	\$0	\$0	\$0	2024	Initial Values
\$20,000,000	\$0	\$0	\$0	\$0	\$0	2024	Year One Gift to Trust
\$60,000,000	\$26,000,000	\$0	\$0	\$0	\$34,000,000	2024	Sale of Assets to Trust
\$60,000,000	\$26,000,000	\$3,600,000	\$0	(\$1,066,000)	\$36,534,000	2025	
\$62,534,000	\$26,000,000	\$3,752,040	\$0	(\$1,066,000)	\$39,220,040	2026	
\$65,220,040	\$26,000,000	\$3,913,202	\$0	(\$1,066,000)	\$42,067,242	2027	
\$68,067,242	\$26,000,000	\$4,084,035	\$0	(\$1,066,000)	\$45,085,277	2028	
\$71,085,277	\$26,000,000	\$4,265,117	\$0	(\$1,066,000)	\$48,284,394	2029	
\$74,284,394	\$26,000,000	\$4,457,064	\$0	(\$1,066,000)	\$51,675,457	2030	
\$77,675,457	\$26,000,000	\$4,660,527	\$0	(\$1,066,000)	\$55,269,985	2031	
\$81,269,985	\$26,000,000	\$4,876,199	\$0	(\$1,066,000)	\$59,080,184	2032	
\$85,080,184	\$26,000,000	\$5,104,811	\$0	(\$1,066,000)	\$63,118,995	2033	
\$89,118,995	\$26,000,000	\$5,347,140	\$0	(\$1,066,000)	\$67,400,134	2034	
\$93,400,134	\$26,000,000	\$5,604,008	\$0	(\$1,066,000)	\$71,938,142	2035	
\$97,938,142	\$26,000,000	\$5,876,289	\$0	(\$1,066,000)	\$76,748,431	2036	
\$102,748,431	\$26,000,000	\$6,164,906	\$0	(\$1,066,000)	\$81,847,337	2037	
\$107,847,337	\$26,000,000	\$6,470,840	\$0	(\$1,066,000)	\$87,252,177	2038	
\$113,252,177	\$26,000,000	\$6,795,131	\$0	(\$1,066,000)	\$92,981,308	2039	
\$118,981,308	\$26,000,000	\$7,138,878	\$0	(\$1,066,000)	\$99,054,186	2040	
\$125,054,186	\$26,000,000	\$7,503,251	\$0	(\$1,066,000)	\$105,491,437	2041	
\$131,491,437	\$26,000,000	\$7,889,486	\$0	(\$1,066,000)	\$112,314,924	2042	
\$138,314,924	\$26,000,000	\$8,298,895	\$0	(\$1,066,000)	\$119,547,819	2043	
\$145,547,819	\$0	\$8,732,869	\$0	(\$27,066,000)	\$127,214,688	2044	
\$127,214,688	\$0	\$7,632,881	\$0	\$0	\$134,847,569	2045	
\$134,847,569	\$0	\$8,090,854	\$0	\$0	\$142,938,424	2046	
\$142,938,424	\$0	\$8,576,305	\$0	\$0	\$151,514,729	2047	
\$151,514,729	\$0	\$9,090,884	\$0	\$0	\$160,605,613	2048	
\$160,605,613	\$0	\$9,636,337	\$0	\$0	\$170,241,949	2049	
\$170,241,949	\$0	\$10,214,517	\$0	\$0	\$180,456,466	2050	
\$180,456,466	\$0	\$10,827,388	\$0	\$0	\$191,283,854	2051	
\$191,283,854	\$0	\$11,477,031	\$0	\$0	\$202,760,886	2052	
\$202,760,886	\$0	\$12,165,653	\$0	\$0	\$214,926,539	2053	
\$214,926,539	\$0	\$12,895,592	\$0	\$0	\$227,822,131	2054	
\$227,822,131	\$0	\$13,669,328	\$0	\$0	\$241,491,459	2055	
\$241,491,459	\$0	\$14,489,488	\$0	\$0	\$255,980,947	2056	
\$255,980,947	\$0	\$15,358,857	\$0	\$0	\$271,339,803	2057	
\$271,339,803	\$0	\$16,280,388	\$0	\$0	\$287,620,192	2058	
\$287,620,192	\$0	\$17,257,211	\$0	\$0	\$304,877,403	2059	
\$304,877,403	\$0	\$18,292,644	\$0	\$0	\$323,170,047	2060	
\$323,170,047	\$0	\$19,390,203	\$0	\$0	\$342,560,250	2061	
\$342,560,250	\$0	\$20,553,615	\$0	\$0	\$363,113,865	2062	
\$363,113,865	\$0	\$21,786,832	\$0	\$0	\$384,900,697	2063	
\$384,900,697	\$0	\$23,094,042	\$0	\$0	\$407,994,739	2064	



Mitigating the “Burn” of Grantor Trust Status

- Strategy #2: Reduce the Valuation Discount

- In a typical estate freeze transaction, there are three factors that are most commonly used to maximize tax efficiency
 1. Valuation Discounts
 2. Outperformance of the invested assets over the AFR, sections 7520 or 7572 rates
 3. The grantor’s payment of the income taxes of the grantor trust’s income
- Over the long run, valuation discounts are less meaningful to a successful outcome
 - Applying a more conservative discount may shield the grantor from the pain of the burn for more years while also potentially reducing audit risk



What to do to Mitigate the “Burn”

- Strategy #2: Reduce the size of the initial discount taken

- Same facts as before, where Senior, age 60, gifts LLC interests to a grantor trust
- Except now assume that the valuation discount is reduced from 35% to 20%
- These small changes can become meaningful over long periods of time....

General Info		Sale/Note Info		Other Info	
Grantor's Age	60	Year One Gift	\$20,000,000	Year One Gift Discount Rate	35.00%
Initial Assets	\$100,000,000	Sale Value before Discount	\$40,000,000	Discount Rate	20.00%
Annual Saving/Spending	(\$1,500,000)	Sale Value after Discount	\$32,000,000	Type of Note	<input checked="" type="radio"/> Conventional <input type="radio"/> Self-Canceling
Annual Growth Rate	6.00%	Note Interest Rate	4.10%	Note Amount	\$32,000,000
Income Tax Rate (Times Growth Amount)	32.00%	<small>(AFR Unless Grossed Up for SCIN)</small> <small>(Equal to Sale Value after Discount Unless Grossed Up SCIN)</small>			
Lifetime Exemption Already Used	\$0	<small>Best to use lowest rate.</small> Aug 4.47% Sep 4.32% Oct 4.06%			
		Go to SCIN Calculator to determine rate for self-canceling note.			
		Look Up AFR			
				Estate Tax Rate: 40.00% Consumer Price Index Growth Rate: 3.00% Note Term (Number of Years until Balloon Payment): 20 Year to Toggle Off Grantor Trust Status: -1 Number of Years to Project: 40	



Grantor's Estate

Year	Age	Assets (w/ Note)	Assets (w/o Note)	Income On Assets (w/o Note)	After Tax Income on Retained Assets	Personal Consumption	Annual Note Payments Received	Income Tax on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2024	60	\$100,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$100,000,000	\$0
2024	60	\$80,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$80,000,000	\$2,800,000
2024	60	\$72,000,000	\$40,000,000	\$0	\$0	\$0	\$0	\$0	\$72,000,000	\$6,000,000
2025	61	\$72,000,000	\$40,000,000	\$2,400,000	\$1,632,000	(\$1,500,000)	\$1,312,000	(\$1,152,000)	\$72,292,000	\$6,915,200
2026	62	\$72,292,000	\$40,292,000	\$2,417,520	\$1,643,914	(\$1,545,000)	\$1,312,000	(\$1,195,930)	\$72,506,984	\$10,209,312
2027	63	\$72,506,984	\$40,506,984	\$2,430,419	\$1,652,685	(\$1,591,350)	\$1,312,000	(\$1,242,495)	\$72,637,824	\$11,149,631
2028	64	\$72,637,824	\$40,637,824	\$2,438,269	\$1,658,023	(\$1,639,091)	\$1,312,000	(\$1,291,854)	\$72,676,902	\$12,151,649
2029	65	\$72,676,902	\$40,676,902	\$2,440,614	\$1,659,618	(\$1,688,263)	\$1,312,000	(\$1,344,175)	\$72,616,082	\$13,215,067
2030	66	\$72,616,082	\$40,616,082	\$2,436,965	\$1,657,136	(\$1,738,911)	\$1,312,000	(\$1,399,635)	\$72,446,671	\$14,343,812
2031	67	\$72,446,671	\$40,446,671	\$2,426,800	\$1,650,224	(\$1,791,078)	\$1,312,000	(\$1,458,423)	\$72,159,394	\$15,546,040
2032	68	\$72,159,394	\$40,159,394	\$2,409,564	\$1,638,503	(\$1,844,811)	\$1,312,000	(\$1,520,738)	\$71,744,349	\$16,822,163
2033	69	\$71,744,349	\$39,744,349	\$2,384,661	\$1,621,569	(\$1,900,155)	\$1,312,000	(\$1,586,792)	\$71,190,971	\$18,176,852
2034	70	\$71,190,971	\$39,190,971	\$2,351,458	\$1,598,992	(\$1,957,160)	\$1,312,000	(\$1,656,809)	\$70,487,994	\$19,615,064
2035	71	\$70,487,994	\$38,487,994	\$2,309,280	\$1,570,310	(\$2,015,875)	\$1,312,000	(\$1,731,027)	\$69,623,403	\$21,146,047
2036	72	\$69,623,403	\$37,623,403	\$2,257,404	\$1,535,035	(\$2,076,351)	\$1,312,000	(\$1,809,698)	\$68,584,389	\$22,771,370
2037	73	\$68,584,389	\$36,584,389	\$2,195,063	\$1,492,643	(\$2,138,641)	\$1,312,000	(\$1,893,090)	\$67,357,301	\$24,496,932
2038	74	\$67,357,301	\$35,357,301	\$2,121,438	\$1,442,578	(\$2,202,801)	\$1,312,000	(\$1,981,485)	\$65,927,593	\$26,328,988
2039	75	\$65,927,593	\$33,927,593	\$2,035,656	\$1,384,246	(\$2,268,885)	\$1,312,000	(\$2,075,183)	\$64,279,771	\$28,274,168
2040	76	\$64,279,771	\$32,279,771	\$1,936,786	\$1,317,015	(\$2,336,951)	\$1,312,000	(\$2,174,504)	\$62,397,330	\$30,339,498
2041	77	\$62,397,330	\$30,397,330	\$1,823,840	\$1,240,211	(\$2,407,060)	\$1,312,000	(\$2,279,784)	\$60,262,698	\$32,536,428
2042	78	\$60,262,698	\$28,262,698	\$1,695,762	\$1,153,118	(\$2,479,271)	\$1,312,000	(\$2,391,381)	\$57,857,164	\$34,864,853
2043	79	\$57,857,164	\$25,857,164	\$1,551,430	\$1,054,972	(\$2,553,650)	\$1,312,000	(\$2,509,673)	\$55,160,814	\$37,337,144
2044	80	\$55,160,814	\$23,160,814	\$1,389,649	\$944,961	(\$2,630,259)	\$33,312,000	(\$2,635,063)	\$52,152,453	\$39,966,173
2045	81	\$52,152,453	\$21,152,453	\$3,129,147	\$2,127,820	(\$2,709,167)	\$0	(\$2,153,576)	\$49,417,530	\$42,510,143
2046	82	\$49,417,530	\$19,417,530	\$2,965,052	\$2,016,235	(\$2,790,442)	\$0	(\$2,282,791)	\$46,360,532	\$45,211,632
2047	83	\$46,360,532	\$16,360,532	\$2,781,632	\$1,891,510	(\$2,874,155)	\$0	(\$2,419,758)	\$42,958,129	\$48,236,330
2048	84	\$42,958,129	\$12,958,129	\$2,577,488	\$1,752,692	(\$2,960,380)	\$0	(\$2,564,944)	\$39,185,497	\$51,442,510
2049	85	\$39,185,497	\$9,185,497	\$2,351,130	\$1,598,768	(\$3,049,191)	\$0	(\$2,718,840)	\$35,016,233	\$54,841,060
2050	86	\$35,016,233	\$5,016,233	\$2,100,974	\$1,428,662	(\$3,140,667)	\$0	(\$2,881,971)	\$30,422,258	\$58,443,524
2051	87	\$30,422,258	\$0,422,258	\$1,825,335	\$1,241,228	(\$3,234,887)	\$0	(\$3,054,889)	\$25,373,710	\$62,262,135
2052	88	\$25,373,710	\$0,373,710	\$1,522,423	\$1,052,247	(\$3,331,934)	\$0	(\$3,238,183)	\$19,838,841	\$66,309,864
2053	89	\$19,838,841	\$0,838,841	\$1,190,330	\$809,425	(\$3,431,892)	\$0	(\$3,432,473)	\$13,783,901	\$70,600,455
2054	90	\$13,783,901	\$0,783,901	\$827,034	\$562,383	(\$3,534,848)	\$0	(\$3,638,822)	\$7,173,014	\$75,148,483
2055	91	\$7,173,014	\$0,173,014	\$430,381	\$292,659	(\$3,640,894)	\$0	(\$3,856,727)	(\$31,948)	\$78,372,612
2056	92	(\$31,948)	(\$31,948)	\$0	\$0	(\$3,750,121)	\$0	(\$4,088,131)	(\$7,870,199)	\$80,142,954
2057	93	(\$7,870,199)	(\$7,870,199)	\$0	\$0	(\$3,862,624)	\$0	(\$4,333,419)	(\$16,066,242)	\$81,944,847
2058	94	(\$16,066,242)	(\$16,066,242)	\$0	\$0	(\$3,978,503)	\$0	(\$4,593,424)	(\$24,638,169)	\$83,774,393
2059	95	(\$24,638,169)	(\$24,638,169)	\$0	\$0	(\$4,097,858)	\$0	(\$4,869,029)	(\$33,605,056)	\$85,631,654
2060	96	(\$33,605,056)	(\$33,605,056)	\$0	\$0	(\$4,220,794)	\$0	(\$5,161,171)	(\$42,987,020)	\$87,520,657
2061	97	(\$42,987,020)	(\$42,987,020)	\$0	\$0	(\$4,347,417)	\$0	(\$5,470,841)	(\$52,805,279)	\$89,437,384
2062	98	(\$52,805,279)	(\$52,805,279)	\$0	\$0	(\$4,477,840)	\$0	(\$5,799,092)	(\$63,082,211)	\$91,381,774
2063	99	(\$63,082,211)	(\$63,082,211)	\$0	\$0	(\$4,612,175)	\$0	(\$6,147,037)	(\$73,841,423)	\$93,353,715
2064	100	(\$73,841,423)	(\$73,841,423)	\$0	\$0	(\$4,750,540)	\$0	(\$6,515,859)	(\$85,107,823)	\$95,357,047



Grantor Trust							
Assets	Note Balance	Annual Income	Income Taxes Paid By Trust	Annual Note Payment	Net Assets	Year	Notes
\$0	\$0	\$0	\$0	\$0	\$0	2024	Initial Values
\$20,000,000	\$0	\$0	\$0	\$0	\$0	2024	Year One Gift to Trust
\$60,000,000	\$32,000,000	\$0	\$0	\$0	\$28,000,000	2024	Sale of Assets to Trust
\$60,000,000	\$32,000,000	\$3,600,000	\$0	(\$1,312,000)	\$30,288,000	2025	
\$62,288,000	\$32,000,000	\$3,737,280	\$0	(\$1,312,000)	\$32,713,280	2026	
\$64,713,280	\$32,000,000	\$3,882,797	\$0	(\$1,312,000)	\$35,284,077	2027	
\$67,284,077	\$32,000,000	\$4,037,045	\$0	(\$1,312,000)	\$38,009,121	2028	
\$70,009,121	\$32,000,000	\$4,200,547	\$0	(\$1,312,000)	\$40,897,669	2029	
\$72,897,669	\$32,000,000	\$4,373,860	\$0	(\$1,312,000)	\$43,959,529	2030	
\$75,959,529	\$32,000,000	\$4,557,572	\$0	(\$1,312,000)	\$47,205,101	2031	
\$79,205,101	\$32,000,000	\$4,752,306	\$0	(\$1,312,000)	\$50,645,407	2032	
\$82,645,407	\$32,000,000	\$4,958,724	\$0	(\$1,312,000)	\$54,292,131	2033	
\$86,292,131	\$32,000,000	\$5,177,528	\$0	(\$1,312,000)	\$58,157,659	2034	
\$90,157,659	\$32,000,000	\$5,409,460	\$0	(\$1,312,000)	\$62,255,118	2035	
\$94,255,118	\$32,000,000	\$5,655,307	\$0	(\$1,312,000)	\$66,598,425	2036	
\$98,598,425	\$32,000,000	\$5,915,906	\$0	(\$1,312,000)	\$71,202,331	2037	
\$103,202,331	\$32,000,000	\$6,192,140	\$0	(\$1,312,000)	\$76,082,471	2038	
\$108,082,471	\$32,000,000	\$6,484,948	\$0	(\$1,312,000)	\$81,255,419	2039	
\$113,255,419	\$32,000,000	\$6,795,325	\$0	(\$1,312,000)	\$86,738,744	2040	
\$118,738,744	\$32,000,000	\$7,124,325	\$0	(\$1,312,000)	\$92,551,069	2041	
\$124,551,069	\$32,000,000	\$7,473,064	\$0	(\$1,312,000)	\$98,712,133	2042	
\$130,712,133	\$32,000,000	\$7,842,728	\$0	(\$1,312,000)	\$105,242,861	2043	
\$137,242,861	\$0	\$8,234,572	\$0	(\$33,312,000)	\$112,165,433	2044	
\$112,165,433	\$0	\$6,729,926	\$0	\$0	\$118,895,359	2045	
\$118,895,359	\$0	\$7,133,722	\$0	\$0	\$126,029,080	2046	
\$126,029,080	\$0	\$7,561,745	\$0	\$0	\$133,590,825	2047	
\$133,590,825	\$0	\$8,015,449	\$0	\$0	\$141,606,274	2048	
\$141,606,274	\$0	\$8,496,376	\$0	\$0	\$150,102,651	2049	
\$150,102,651	\$0	\$9,006,159	\$0	\$0	\$159,108,810	2050	
\$159,108,810	\$0	\$9,546,529	\$0	\$0	\$168,655,339	2051	
\$168,655,339	\$0	\$10,119,320	\$0	\$0	\$178,774,659	2052	
\$178,774,659	\$0	\$10,726,480	\$0	\$0	\$189,501,138	2053	
\$189,501,138	\$0	\$11,370,068	\$0	\$0	\$200,871,207	2054	
\$200,871,207	\$0	\$12,052,272	\$0	\$0	\$212,923,479	2055	
\$212,923,479	\$0	\$12,775,409	\$0	\$0	\$225,698,888	2056	
\$225,698,888	\$0	\$13,541,933	\$0	\$0	\$239,240,821	2057	
\$239,240,821	\$0	\$14,354,449	\$0	\$0	\$253,595,270	2058	
\$253,595,270	\$0	\$15,215,716	\$0	\$0	\$268,810,987	2059	
\$268,810,987	\$0	\$16,128,659	\$0	\$0	\$284,939,646	2060	
\$284,939,646	\$0	\$17,096,379	\$0	\$0	\$302,036,025	2061	
\$302,036,025	\$0	\$18,122,161	\$0	\$0	\$320,158,186	2062	
\$320,158,186	\$0	\$19,209,491	\$0	\$0	\$339,367,677	2063	
\$339,367,677	\$0	\$20,362,061	\$0	\$0	\$359,729,738	2064	

Mitigating the “Burn” of Grantor Trust Status

- Strategy #3: Income Tax Reimbursement Provisions
 - Less than half of states (approximately 20 at the time of this conference) have either reimbursement statues on the books or statutes that prevent creditors from reaching trust assets if a grantor is reimbursed
 - Rev. Rul. 2004-64
 - Reimbursement provisions must be discretionary, never mandatory
 - Cannot have a pre-arranged plan to reimburse the grantor
 - Reimbursement powers may often prove impractical
 - Use the power too often, and you may invite creditor claims and 2036 inclusion
 - Tension between trustee’s duties to beneficiaries and obligations towards grantor



Mitigating the “Burn” of Grantor Trust Status

- Strategy #4: Toggle off grantor trust status
 - Watch out for all the triggers of section 671-679
 - Grantor’s spouse cannot be trustee
 - Grantor’s spouse cannot be a beneficiary without adverse party consent to distributions
 - No one can have the power to add beneficiaries
 - Trustee cannot have power to lend trust property w/o adequate security and interest
 - Trustee cannot have power to use income to pay premiums
 - Non-fiduciaries cannot have the power to vote stock or control investments when corporate holdings are “significant”
 - Does toggling off grantor trust status complicate the trustee’s fiduciary duties?



Mitigating the “Burn” of Grantor Trust Status

• Strategy #4: Toggle off grantor trust status

- If possible, decant a portion of the assets to a new trust that either is or becomes a non-grantor trust
 - It's not all or nothing
 - Make sure there are enough assets left in the original trust to pay down the note (if applicable)

Example:

- Go back to our 60-year old client with \$100M; what happens if he turns grantor trust status off after the note is paid off in 20 years?

General Info		Sale/Note Info		Other Info	
Grantor's Age	60	Year One Gift	\$20,000,000	Year One Gift Discount Rate	35.00%
Initial Assets	\$100,000,000	Sale Value before Discount	\$50,000,000	Discount Rate	35.00%
Annual Saving/Spending	(\$1,500,000)	Sale Value after Discount	\$32,500,000	Type of Note	<input checked="" type="radio"/> Conventional <input type="radio"/> Self-Canceling
Annual Growth Rate	6.00%	Note Interest Rate	4.10%	Note Amount	\$32,500,000
Income Tax Rate (Times Growth Amount)	32.00%	(AFR Unless Grossed Up for SCIN)		(Equal to Sale Value after Discount Unless Grossed Up SCIN)	
Lifetime Exemption Already Used	\$0	Best to use lowest rate:	Aug 4.47% Sep 4.32% Oct 4.06%		
		Go to SCIN Calculator to determine rate for self-canceling note.			
				Note Term	20
				(Number of Years until Balloon Payment)	
				Year to Toggle Off Grantor Trust Status	20
				Number of Years to Project	40

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Grantor's Estate

Year	Age	Assets (w/ Note)	Assets (w/o Note)	After Tax Income on Retained Assets	Personal Consumption	Annual Note Payments Received	Income Tax on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2024	60	\$100,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000,000	\$0
2024	60	\$80,000,000	\$0	\$0	\$0	\$0	\$0	\$80,000,000	\$2,800,000
2024	60	\$62,500,000	\$30,000,000	\$0	\$0	\$0	\$0	\$62,500,000	\$9,800,000
2025	61	\$62,500,000	\$30,000,000	\$1,224,000	(\$1,500,000)	\$1,332,500	(\$1,344,000)	\$62,212,500	\$10,947,000
2026	62	\$62,212,500	\$29,712,500	\$1,212,270	(\$1,545,000)	\$1,332,500	(\$1,399,056)	\$61,813,214	\$14,486,820
2027	63	\$61,813,214	\$29,313,214	\$1,195,979	(\$1,591,350)	\$1,332,500	(\$1,457,415)	\$61,292,928	\$15,687,589
2028	64	\$61,292,928	\$28,792,928	\$1,174,751	(\$1,639,091)	\$1,332,500	(\$1,519,276)	\$60,641,812	\$16,965,685
2029	65	\$60,641,812	\$28,141,812	\$1,148,186	(\$1,688,263)	\$1,332,500	(\$1,584,849)	\$59,849,386	\$18,321,746
2030	66	\$59,849,386	\$27,349,386	\$1,115,855	(\$1,738,911)	\$1,332,500	(\$1,654,356)	\$58,904,474	\$19,760,690
2031	67	\$58,904,474	\$26,404,474	\$1,077,303	(\$1,791,078)	\$1,332,500	(\$1,728,033)	\$57,795,165	\$21,291,732
2032	68	\$57,795,165	\$25,295,165	\$1,032,043	(\$1,844,811)	\$1,332,500	(\$1,806,131)	\$56,508,766	\$22,916,396
2033	69	\$56,508,766	\$24,008,766	\$979,558	(\$1,900,155)	\$1,332,500	(\$1,888,915)	\$55,031,754	\$24,640,539
2034	70	\$55,031,754	\$22,531,754	\$919,296	(\$1,957,160)	\$1,332,500	(\$1,976,666)	\$53,349,724	\$26,470,372
2035	71	\$53,349,724	\$20,849,724	\$850,669	(\$2,015,875)	\$1,332,500	(\$2,069,682)	\$51,447,336	\$28,416,474
2036	72	\$51,447,336	\$18,947,336	\$773,051	(\$2,076,351)	\$1,332,500	(\$2,168,279)	\$49,308,258	\$30,481,823
2037	73	\$49,308,258	\$16,808,258	\$685,777	(\$2,138,641)	\$1,332,500	(\$2,272,791)	\$46,915,102	\$32,673,812
2038	74	\$46,915,102	\$14,415,102	\$588,136	(\$2,202,801)	\$1,332,500	(\$2,383,575)	\$44,249,362	\$35,000,281
2039	75	\$44,249,362	\$11,749,362	\$479,374	(\$2,268,885)	\$1,332,500	(\$2,501,005)	\$41,291,346	\$37,469,537
2040	76	\$41,291,346	\$8,791,346	\$358,687	(\$2,336,951)	\$1,332,500	(\$2,625,482)	\$38,020,100	\$40,090,390
2041	77	\$38,020,100	\$5,520,100	\$225,220	(\$2,407,060)	\$1,332,500	(\$2,757,427)	\$34,413,334	\$42,876,173
2042	78	\$34,413,334	\$1,913,334	\$78,064	(\$2,479,271)	\$1,332,500	(\$2,897,288)	\$30,447,338	\$45,828,783
2043	79	\$30,447,338	(\$2,052,662)	\$0	(\$2,553,650)	\$1,332,500	(\$3,045,542)	\$26,180,647	\$48,929,211
2044	80	\$26,180,647	(\$6,319,353)	\$0	(\$2,630,259)	\$33,832,500	(\$3,202,690)	\$21,680,198	\$52,155,075
2045	81	\$21,680,198	\$21,680,198	\$884,552	(\$2,709,167)	\$0	\$0	\$19,855,583	\$54,334,922
2046	82	\$19,855,583	\$19,855,583	\$810,108	(\$2,790,442)	\$0	\$0	\$17,875,249	\$56,605,745
2047	83	\$17,875,249	\$17,875,249	\$729,310	(\$2,874,155)	\$0	\$0	\$15,730,404	\$59,127,420
2048	84	\$15,730,404	\$15,730,404	\$641,800	(\$2,960,380)	\$0	\$0	\$13,411,825	\$61,751,978
2049	85	\$13,411,825	\$13,411,825	\$547,202	(\$3,049,191)	\$0	\$0	\$10,909,836	\$64,483,619
2050	86	\$10,909,836	\$10,909,836	\$445,121	(\$3,140,667)	\$0	\$0	\$8,214,291	\$67,326,711
2051	87	\$8,214,291	\$8,214,291	\$335,143	(\$3,234,887)	\$0	\$0	\$5,314,547	\$70,285,801
2052	88	\$5,314,547	\$5,314,547	\$216,834	(\$3,331,934)	\$0	\$0	\$2,199,447	\$73,237,400
2053	89	\$2,199,447	\$2,199,447	\$89,737	(\$3,431,892)	\$0	\$0	(\$1,142,707)	\$74,918,016
2054	90	(\$1,142,707)	(\$1,142,707)	\$0	(\$3,534,848)	\$0	\$0	(\$4,677,556)	\$76,629,688
2055	91	(\$4,677,556)	(\$4,677,556)	\$0	(\$3,640,894)	\$0	\$0	(\$8,318,449)	\$78,372,612
2056	92	(\$8,318,449)	(\$8,318,449)	\$0	(\$3,750,121)	\$0	\$0	(\$12,068,570)	\$80,142,954
2057	93	(\$12,068,570)	(\$12,068,570)	\$0	(\$3,862,624)	\$0	\$0	(\$15,931,194)	\$81,944,847
2058	94	(\$15,931,194)	(\$15,931,194)	\$0	(\$3,978,503)	\$0	\$0	(\$19,909,697)	\$83,774,393
2059	95	(\$19,909,697)	(\$19,909,697)	\$0	(\$4,097,858)	\$0	\$0	(\$24,007,555)	\$85,631,654
2060	96	(\$24,007,555)	(\$24,007,555)	\$0	(\$4,220,794)	\$0	\$0	(\$28,228,348)	\$87,520,657
2061	97	(\$28,228,348)	(\$28,228,348)	\$0	(\$4,347,417)	\$0	\$0	(\$32,575,766)	\$89,437,384
2062	98	(\$32,575,766)	(\$32,575,766)	\$0	(\$4,477,840)	\$0	\$0	(\$37,053,606)	\$91,381,774
2063	99	(\$37,053,606)	(\$37,053,606)	\$0	(\$4,612,175)	\$0	\$0	(\$41,665,781)	\$93,353,715
2064	100	(\$41,665,781)	(\$41,665,781)	\$0	(\$4,750,540)	\$0	\$0	(\$46,416,322)	\$95,357,047



Grantor Trust							
Assets	Note Balance	Annual Income	Income Taxes Paid By Trust	Annual Note Payment	Net Assets	Year	Notes
\$0	\$0	\$0	\$0	\$0	\$0	2024	Initial Values
\$20,000,000	\$0	\$0	\$0	\$0	\$0	2024	Year One Gift to Trust
\$70,000,000	\$32,500,000	\$0	\$0	\$0	\$37,500,000	2024	Sale of Assets to Trust
\$70,000,000	\$32,500,000	\$4,200,000	\$0	(\$1,332,500)	\$40,367,500	2025	
\$72,867,500	\$32,500,000	\$4,372,050	\$0	(\$1,332,500)	\$43,407,050	2026	
\$75,907,050	\$32,500,000	\$4,554,423	\$0	(\$1,332,500)	\$46,628,973	2027	
\$79,128,973	\$32,500,000	\$4,747,738	\$0	(\$1,332,500)	\$50,044,211	2028	
\$82,544,211	\$32,500,000	\$4,952,653	\$0	(\$1,332,500)	\$53,664,364	2029	
\$86,164,364	\$32,500,000	\$5,169,862	\$0	(\$1,332,500)	\$57,501,726	2030	
\$90,001,726	\$32,500,000	\$5,400,104	\$0	(\$1,332,500)	\$61,569,329	2031	
\$94,069,329	\$32,500,000	\$5,644,160	\$0	(\$1,332,500)	\$65,880,989	2032	
\$98,380,989	\$32,500,000	\$5,902,859	\$0	(\$1,332,500)	\$70,451,349	2033	
\$102,951,349	\$32,500,000	\$6,177,081	\$0	(\$1,332,500)	\$75,295,929	2034	
\$107,795,929	\$32,500,000	\$6,467,756	\$0	(\$1,332,500)	\$80,431,185	2035	
\$112,931,185	\$32,500,000	\$6,775,871	\$0	(\$1,332,500)	\$85,874,556	2036	
\$118,374,556	\$32,500,000	\$7,102,473	\$0	(\$1,332,500)	\$91,644,530	2037	
\$124,144,530	\$32,500,000	\$7,448,672	\$0	(\$1,332,500)	\$97,760,702	2038	
\$130,260,702	\$32,500,000	\$7,815,642	\$0	(\$1,332,500)	\$104,243,844	2039	
\$136,743,844	\$32,500,000	\$8,204,631	\$0	(\$1,332,500)	\$111,115,974	2040	
\$143,615,974	\$32,500,000	\$8,616,958	\$0	(\$1,332,500)	\$118,400,433	2041	
\$150,900,433	\$32,500,000	\$9,054,026	\$0	(\$1,332,500)	\$126,121,959	2042	
\$158,621,959	\$32,500,000	\$9,517,318	\$0	(\$1,332,500)	\$134,306,776	2043	
\$166,806,776	\$0	\$10,008,407	\$0	(\$33,832,500)	\$142,982,683	2044	
\$142,982,683	\$0	\$8,578,961	(\$2,745,268)	\$0	\$148,816,376	2045	
\$148,816,376	\$0	\$8,928,983	(\$2,857,274)	\$0	\$154,888,084	2046	
\$154,888,084	\$0	\$9,293,285	(\$2,973,851)	\$0	\$161,207,518	2047	
\$161,207,518	\$0	\$9,672,451	(\$3,095,184)	\$0	\$167,784,785	2048	
\$167,784,785	\$0	\$10,067,087	(\$3,221,468)	\$0	\$174,630,404	2049	
\$174,630,404	\$0	\$10,477,824	(\$3,352,904)	\$0	\$181,755,325	2050	
\$181,755,325	\$0	\$10,905,319	(\$3,489,702)	\$0	\$189,170,942	2051	
\$189,170,942	\$0	\$11,350,257	(\$3,632,082)	\$0	\$196,889,116	2052	
\$196,889,116	\$0	\$11,813,347	(\$3,780,271)	\$0	\$204,922,192	2053	
\$204,922,192	\$0	\$12,295,332	(\$3,934,506)	\$0	\$213,283,018	2054	
\$213,283,018	\$0	\$12,796,981	(\$4,095,034)	\$0	\$221,984,965	2055	
\$221,984,965	\$0	\$13,319,098	(\$4,262,111)	\$0	\$231,041,951	2056	
\$231,041,951	\$0	\$13,862,517	(\$4,436,005)	\$0	\$240,468,463	2057	
\$240,468,463	\$0	\$14,428,108	(\$4,616,994)	\$0	\$250,279,576	2058	
\$250,279,576	\$0	\$15,016,775	(\$4,805,368)	\$0	\$260,490,983	2059	
\$260,490,983	\$0	\$15,629,459	(\$5,001,427)	\$0	\$271,119,015	2060	
\$271,119,015	\$0	\$16,267,141	(\$5,205,485)	\$0	\$282,180,671	2061	
\$282,180,671	\$0	\$16,930,840	(\$5,417,869)	\$0	\$293,693,642	2062	
\$293,693,642	\$0	\$17,621,619	(\$5,638,918)	\$0	\$305,676,343	2063	
\$305,676,343	\$0	\$18,340,581	(\$5,868,986)	\$0	\$318,147,938	2064	



- Strategy #5: Increase the interest rate on the note and use a SCIN

- Example: Look at same 60-year old client, but instead of the 4.1% AFR, use 9.1% (can account for the risk premium on a SCIN)

 Look Up AFR

Grantor's Estate

Year	Age	Assets (w/ Note)	Assets (w/o Note)	After Tax Income on Retained Assets	Personal Consumption	Annual Note Payments Received	Income Tax on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2024	60	\$ 100,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$100,000,000	\$ 0
2024	60	\$ 80,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$80,000,000	\$ 2,800,000
2024	60	\$ 62,500,000	\$ 30,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$30,000,000	\$ 22,800,000
2025	61	\$ 62,500,000	\$ 30,000,000	\$1,224,000	(\$1,500,000)	\$2,957,500	(\$1,344,000)	\$31,337,500	\$ 23,297,000
2026	62	\$ 63,837,500	\$ 31,337,500	\$1,278,570	(\$1,545,000)	\$2,957,500	(\$1,367,856)	\$32,660,714	\$ 26,147,820
2027	63	\$ 65,160,714	\$ 32,660,714	\$1,332,557	(\$1,591,350)	\$2,957,500	(\$1,393,143)	\$33,966,278	\$ 26,618,249
2028	64	\$ 66,466,278	\$ 33,966,278	\$1,385,824	(\$1,639,091)	\$2,957,500	(\$1,419,948)	\$35,250,563	\$ 27,122,184
2029	65	\$ 67,750,563	\$ 35,250,563	\$1,438,223	(\$1,688,263)	\$2,957,500	(\$1,448,361)	\$36,509,662	\$ 27,657,635
2030	66	\$ 69,009,662	\$ 36,509,662	\$1,489,594	(\$1,738,911)	\$2,957,500	(\$1,478,478)	\$37,739,367	\$ 28,226,733
2031	67	\$ 70,239,367	\$ 37,739,367	\$1,539,766	(\$1,791,078)	\$2,957,500	(\$1,510,403)	\$38,935,152	\$ 28,835,737
2032	68	\$ 71,435,152	\$ 38,935,152	\$1,588,554	(\$1,844,811)	\$2,957,500	(\$1,544,243)	\$40,092,152	\$ 29,483,042
2033	69	\$ 72,592,152	\$ 40,092,152	\$1,635,760	(\$1,900,155)	\$2,957,500	(\$1,580,114)	\$41,205,142	\$ 30,171,184
2034	70	\$ 73,705,142	\$ 41,205,142	\$1,681,170	(\$1,957,160)	\$2,957,500	(\$1,618,137)	\$42,268,515	\$ 30,902,855
2035	71	\$ 74,768,515	\$ 42,268,515	\$1,724,555	(\$2,015,875)	\$2,957,500	(\$1,658,441)	\$43,276,255	\$ 31,684,906
2036	72	\$ 75,776,255	\$ 43,276,255	\$1,765,671	(\$2,076,351)	\$2,957,500	(\$1,701,164)	\$44,221,912	\$ 32,516,361
2037	73	\$ 76,721,912	\$ 44,221,912	\$1,804,254	(\$2,138,641)	\$2,957,500	(\$1,746,449)	\$45,098,575	\$ 33,400,422
2038	74	\$ 77,598,575	\$ 45,098,575	\$1,840,022	(\$2,202,801)	\$2,957,500	(\$1,794,452)	\$45,898,844	\$ 34,340,488
2039	75	\$ 78,398,844	\$ 45,898,844	\$1,872,673	(\$2,268,885)	\$2,957,500	(\$1,845,335)	\$46,614,797	\$ 35,340,157
2040	76	\$ 79,114,797	\$ 46,614,797	\$1,901,884	(\$2,336,951)	\$2,957,500	(\$1,899,272)	\$47,237,958	\$ 36,403,246
2041	77	\$ 79,737,958	\$ 47,237,958	\$1,927,309	(\$2,407,060)	\$2,957,500	(\$1,956,444)	\$47,759,264	\$ 37,537,801
2042	78	\$ 80,259,264	\$ 47,759,264	\$1,948,578	(\$2,479,271)	\$2,957,500	(\$2,017,046)	\$48,169,024	\$ 38,740,109
2043	79	\$ 80,669,024	\$ 48,169,024	\$1,965,296	(\$2,553,650)	\$2,957,500	(\$2,081,285)	\$48,456,885	\$ 40,018,716
2044	80	\$ 80,956,885	\$ 48,456,885	\$1,977,041	(\$2,630,259)	\$35,457,500	(\$2,149,378)	\$81,111,788	\$ 28,382,439
2045	81	\$ 81,111,788	\$ 81,111,788	\$3,309,361	(\$2,709,167)	\$ 0	(\$1,597,557)	\$80,114,426	\$ 30,231,385
2046	82	\$ 80,114,426	\$ 80,114,426	\$3,268,669	(\$2,790,442)	\$ 0	(\$1,693,410)	\$78,899,242	\$ 32,196,148
2047	83	\$ 78,899,242	\$ 78,899,242	\$3,219,089	(\$2,874,155)	\$ 0	(\$1,795,015)	\$77,449,161	\$ 34,439,917
2048	84	\$ 77,449,161	\$ 77,449,161	\$3,159,926	(\$2,960,380)	\$ 0	(\$1,902,716)	\$75,745,991	\$ 36,818,312
2049	85	\$ 75,745,991	\$ 75,745,991	\$3,090,436	(\$3,049,191)	\$ 0	(\$2,016,879)	\$73,770,357	\$ 39,339,411
2050	86	\$ 73,770,357	\$ 73,770,357	\$3,009,831	(\$3,140,667)	\$ 0	(\$2,137,892)	\$71,501,629	\$ 42,011,776
2051	87	\$ 71,501,629	\$ 71,501,629	\$2,917,266	(\$3,234,887)	\$ 0	(\$2,266,165)	\$68,917,843	\$ 44,844,482
2052	88	\$ 68,917,843	\$ 68,917,843	\$2,811,848	(\$3,331,934)	\$ 0	(\$2,402,135)	\$65,995,622	\$ 47,847,151
2053	89	\$ 65,995,622	\$ 65,995,622	\$2,692,621	(\$3,431,892)	\$ 0	(\$2,546,263)	\$62,710,089	\$ 51,029,980
2054	90	\$ 62,710,089	\$ 62,710,089	\$2,558,572	(\$3,534,848)	\$ 0	(\$2,699,039)	\$59,034,773	\$ 54,403,779
2055	91	\$ 59,034,773	\$ 59,034,773	\$2,408,619	(\$3,640,894)	\$ 0	(\$2,860,981)	\$54,941,517	\$ 57,980,006
2056	92	\$ 54,941,517	\$ 54,941,517	\$2,241,614	(\$3,750,121)	\$ 0	(\$3,032,640)	\$50,400,370	\$ 61,770,806
2057	93	\$ 50,400,370	\$ 50,400,370	\$2,056,335	(\$3,862,624)	\$ 0	(\$3,214,599)	\$45,379,482	\$ 65,789,054
2058	94	\$ 45,379,482	\$ 45,379,482	\$1,851,483	(\$3,978,503)	\$ 0	(\$3,407,475)	\$39,844,988	\$ 70,048,398
2059	95	\$ 39,844,988	\$ 39,844,988	\$1,625,676	(\$4,097,858)	\$ 0	(\$3,611,923)	\$33,760,882	\$ 74,563,301
2060	96	\$ 33,760,882	\$ 33,760,882	\$1,377,444	(\$4,220,794)	\$ 0	(\$3,828,638)	\$27,088,894	\$ 79,349,100
2061	97	\$ 27,088,894	\$ 27,088,894	\$1,105,227	(\$4,347,417)	\$ 0	(\$4,058,357)	\$19,788,347	\$ 84,422,046
2062	98	\$ 19,788,347	\$ 19,788,347	\$807,365	(\$4,477,840)	\$ 0	(\$4,301,858)	\$11,816,013	\$ 89,799,368
2063	99	\$ 11,816,013	\$ 11,816,013	\$482,093	(\$4,612,175)	\$ 0	(\$4,559,970)	\$3,125,962	\$ 93,353,715
2064	100	\$ 3,125,962	\$ 3,125,962	\$127,539	(\$4,750,540)	\$ 0	(\$4,833,568)	(\$6,330,608)	\$ 95,357,047



Grantor Trust							
Assets	Note Balance	Annual Income	Income Taxes Paid By Trust	Annual Note Payment	Net Assets	Year	Notes
\$0	\$0	\$0	\$0	\$0	\$0	2024	Initial Values
\$20,000,000	\$0	\$0	\$0	\$0	\$0	2024	Year One Gift to Trust
\$70,000,000	\$32,500,000	\$0	\$0	\$0	\$37,500,000	2024	Sale of Assets to Trust
\$70,000,000	\$32,500,000	\$4,200,000	\$0	(\$2,957,500)	\$38,742,500	2025	
\$71,242,500	\$32,500,000	\$4,274,550	\$0	(\$2,957,500)	\$40,059,550	2026	
\$72,559,550	\$32,500,000	\$4,353,573	\$0	(\$2,957,500)	\$41,455,623	2027	
\$73,955,623	\$32,500,000	\$4,437,337	\$0	(\$2,957,500)	\$42,935,460	2028	
\$75,435,460	\$32,500,000	\$4,526,128	\$0	(\$2,957,500)	\$44,504,088	2029	
\$77,004,088	\$32,500,000	\$4,620,245	\$0	(\$2,957,500)	\$46,166,833	2030	
\$78,666,833	\$32,500,000	\$4,720,010	\$0	(\$2,957,500)	\$47,929,343	2031	
\$80,429,343	\$32,500,000	\$4,825,761	\$0	(\$2,957,500)	\$49,797,604	2032	
\$82,297,604	\$32,500,000	\$4,937,856	\$0	(\$2,957,500)	\$51,777,960	2033	
\$84,277,960	\$32,500,000	\$5,056,678	\$0	(\$2,957,500)	\$53,877,138	2034	
\$86,377,138	\$32,500,000	\$5,182,628	\$0	(\$2,957,500)	\$56,102,266	2035	
\$88,602,266	\$32,500,000	\$5,316,136	\$0	(\$2,957,500)	\$58,460,902	2036	
\$90,960,902	\$32,500,000	\$5,457,654	\$0	(\$2,957,500)	\$60,961,056	2037	
\$93,461,056	\$32,500,000	\$5,607,663	\$0	(\$2,957,500)	\$63,611,219	2038	
\$96,111,219	\$32,500,000	\$5,766,673	\$0	(\$2,957,500)	\$66,420,393	2039	
\$98,920,393	\$32,500,000	\$5,935,224	\$0	(\$2,957,500)	\$69,398,116	2040	
\$101,898,116	\$32,500,000	\$6,113,887	\$0	(\$2,957,500)	\$72,554,503	2041	
\$105,054,503	\$32,500,000	\$6,303,270	\$0	(\$2,957,500)	\$75,900,273	2042	
\$108,400,273	\$32,500,000	\$6,504,016	\$0	(\$2,957,500)	\$79,446,790	2043	
\$111,946,790	\$0	\$6,716,807	\$0	(\$35,457,500)	\$83,206,097	2044	
\$83,206,097	\$0	\$4,992,366	\$0	\$0	\$88,198,463	2045	
\$88,198,463	\$0	\$5,291,908	\$0	\$0	\$93,490,371	2046	
\$93,490,371	\$0	\$5,609,422	\$0	\$0	\$99,099,793	2047	
\$99,099,793	\$0	\$5,945,988	\$0	\$0	\$105,045,780	2048	
\$105,045,780	\$0	\$6,302,747	\$0	\$0	\$111,348,527	2049	
\$111,348,527	\$0	\$6,680,912	\$0	\$0	\$118,029,439	2050	
\$118,029,439	\$0	\$7,081,766	\$0	\$0	\$125,111,205	2051	
\$125,111,205	\$0	\$7,506,672	\$0	\$0	\$132,617,878	2052	
\$132,617,878	\$0	\$7,957,073	\$0	\$0	\$140,574,950	2053	
\$140,574,950	\$0	\$8,434,497	\$0	\$0	\$149,009,447	2054	
\$149,009,447	\$0	\$8,940,567	\$0	\$0	\$157,950,014	2055	
\$157,950,014	\$0	\$9,477,001	\$0	\$0	\$167,427,015	2056	
\$167,427,015	\$0	\$10,045,621	\$0	\$0	\$177,472,636	2057	
\$177,472,636	\$0	\$10,648,358	\$0	\$0	\$188,120,994	2058	
\$188,120,994	\$0	\$11,287,260	\$0	\$0	\$199,408,254	2059	
\$199,408,254	\$0	\$11,964,495	\$0	\$0	\$211,372,749	2060	
\$211,372,749	\$0	\$12,682,365	\$0	\$0	\$224,055,114	2061	
\$224,055,114	\$0	\$13,443,307	\$0	\$0	\$237,498,421	2062	
\$237,498,421	\$0	\$14,249,905	\$0	\$0	\$251,748,326	2063	
\$251,748,326	\$0	\$15,104,900	\$0	\$0	\$266,853,225	2064	



Mitigating the “Burn” of Grantor Trust Status

- Strategy #6: Use a spousal lifetime access trust (SLAT)
- While SLATs would allow the spousal beneficiary to receive distributions to cover the income taxes, there are three potential pitfalls with this straightforward approach:
 1. Spousal beneficiary predeceases the grantor or a divorce occurs
 - IRC 672 looks to whether the grantor and the grantor’s spouse were married at the time of the creation of the trust, which effectively eliminates the ability for divorced spouses to toggle grantor trust status off
 2. Cannot be any implied agreements between the grantor and trustee, else Rev. Rul. 2004-64 may trigger estate inclusion (or creditor issues)
 3. Fiduciary obligations are complicated
 - Distributions of estate and GST tax-free assets to the spousal beneficiary may raise eyebrows



Mitigating the “Burn” of Grantor Trust Status

• Strategy #7: Investment Solutions

- There are many potential ways to mitigate the burn by investing trust assets appropriately
 - Create less churn in the portfolio
 - Offload income-producing assets by making distributions or utilizing swap power
 - Invest trust assets in municipal bonds or U.S. Treasury bonds to minimize the income tax burden
 - Invest trust assets in those assets that will provide a loss, deduction, or credit for the grantor
 - Use income to purchase life insurance
 - No Crummey letters necessary
 - Private placement life insurance may provide additional flexibility



Mitigating the “Burn” of Grantor Trust Status

- Strategy #8: SPATs, DAPTs, and Hybrid DAPTs
- The best solution, if possible, would be to simply allow the grantor to benefit from trust assets
 - The power of a trustee to make distributions from a trust to its grantor should not, by itself, cause the transfer to be an incomplete gift
 - Nor should it automatically cause estate inclusion under section 2036, even if the grantor actually receives distributions
 - Instead, it's all about whether the grantor's creditors can compel the trustee to satisfy the creditor's claims
 - Several states have statutes that permit grantors to create self-settled trusts in various circumstances without exposing the assets to the grantor's creditors (AZ, CT, DE, HI, IN, MI, MO, NV, NH, OH, OK, RI, SD, TN, UT, VA, WV, and WY)
 - Consider Hybrid DAPTs and SPATs cautiously



Mitigating the “Burn” of Grantor Trust Status

• Strategy #9: Charitable Options

- Is charity a permissible beneficiary of the trust? → Make a distribution
- Consider having the trust form a CRUT, or even better, a NIMCRUT that could defer tax until after the grantor’s death
 - Want to use a fixed 20-year term if term is beyond grantor’s life expectancy
 - The trust must have authorized such a formation in the agreement
 - If trust agreement doesn’t specifically allow for it, an LLC may be used to create the CRT/NIMCRUT to accomplish similar task



Private Annuity for Healthy Individuals

- **W will make a gift in trust and then sell assets to the trust for a private annuity**
 - H age 65 and W age 60
 - W's investment assets \$32,000,000
 - Investment rate of return 7.0%
 - Effective income tax rate 32% (2.25%)
 - Section 7520 rate 4.4% for October 2024
 - W's Personal consumption this year \$550,000
 - Inflation rate 3%



Private Annuity for Healthy Individuals

- **W's Gift to a grantor trust for her descendants only:**

- **W's Gift to a grantor trust for her descendants only:**

Private Annuity for Healthy Individuals

• Private annuity sale:

- Value before discount: \$11,088,147
- Less: <25% discount>
- Private annuity sale amount: \$8,316,110
- Annual annuity: \$550,000 level for life
- Reserves needed under exhaustion test: \$2,732,180
- Retained assets before gift and sale: \$32,000,000
- Less gift and sale before discounts
(\$3,642,907 + \$11,088,147) = <\$14,731,054>
- Retained assets:
\$17,268,946



Private Annuity for Healthy Individuals

Grantor's Estate											
Year	Year #	Grantor Age	2nd Life Age	Probability Survival To Year	Grantor's Retained Assets (BOY)	After Tax Income on Retained Assets	Personal Consumption	Annuity Payment Received	Income Tax (Burn) on Trust Income	Taxable Estate	Estate Tax Savings Over No Planning
2025	1	66	61	100.00%	\$17,268,946	\$820,275	(\$550,000)	\$550,000	(\$331,449)	\$17,757,772	\$4,992,019
2026	2	67	62	99.99%	\$17,757,772	\$843,494	(\$566,500)	\$550,000	(\$342,275)	\$18,242,491	\$5,197,961
2027	3	68	63	99.95%	\$18,242,491	\$866,518	(\$583,495)	\$550,000	(\$353,859)	\$18,721,655	\$5,418,320
2028	4	69	64	99.88%	\$18,721,655	\$889,279	(\$601,000)	\$550,000	(\$366,255)	\$19,193,680	\$5,654,103
2029	5	70	65	99.78%	\$19,193,680	\$911,700	(\$619,030)	\$550,000	(\$379,517)	\$19,656,832	\$5,906,391
2030	6	71	66	99.63%	\$19,656,832	\$933,700	(\$637,601)	\$550,000	(\$393,709)	\$20,109,222	\$6,176,340
2031	7	72	67	99.42%	\$20,109,222	\$955,188	(\$656,729)	\$550,000	(\$408,893)	\$20,548,789	\$6,465,185
2032	8	73	68	99.16%	\$20,548,789	\$976,067	(\$676,431)	\$550,000	(\$425,141)	\$20,973,285	\$6,774,249
2033	9	74	69	98.81%	\$20,973,285	\$996,231	(\$696,724)	\$550,000	(\$442,526)	\$21,380,267	\$7,104,947
2034	10	75	70	98.38%	\$21,380,267	\$1,015,563	(\$717,625)	\$550,000	(\$461,127)	\$21,767,077	\$7,458,794
2035	11	76	71	97.84%	\$21,767,077	\$1,033,936	(\$739,154)	\$550,000	(\$481,031)	\$22,130,828	\$7,837,411
2036	12	77	72	97.19%	\$22,130,828	\$1,051,214	(\$761,329)	\$550,000	(\$502,328)	\$22,468,385	\$8,242,531
2037	13	78	73	96.39%	\$22,468,385	\$1,067,248	(\$784,168)	\$550,000	(\$525,116)	\$22,776,348	\$8,676,009
2038	14	79	74	95.43%	\$22,776,348	\$1,081,877	(\$807,694)	\$550,000	(\$549,500)	\$23,051,032	\$9,139,831
2039	15	80	75	94.28%	\$23,051,032	\$1,094,924	(\$831,924)	\$550,000	(\$575,590)	\$23,288,442	\$9,636,120
2040	16	81	76	92.92%	\$23,288,442	\$1,106,201	(\$856,882)	\$550,000	(\$603,506)	\$23,484,255	\$10,167,149
2041	17	82	77	91.31%	\$23,484,255	\$1,115,502	(\$882,589)	\$550,000	(\$633,376)	\$23,633,792	\$10,735,351
2042	18	83	78	89.44%	\$23,633,792	\$1,122,605	(\$909,066)	\$550,000	(\$665,338)	\$23,731,994	\$11,343,326
2043	19	84	79	87.26%	\$23,731,994	\$1,127,270	(\$936,338)	\$550,000	(\$699,536)	\$23,773,389	\$11,993,860
2044	20	85	80	84.76%	\$23,773,389	\$1,129,236	(\$964,428)	\$550,000	(\$736,129)	\$23,752,068	\$12,689,932
2045	21	86	81	81.89%	\$23,752,068	\$1,128,223	(\$993,361)	\$550,000	(\$775,283)	\$23,661,648	\$13,434,728
2046	22	87	82	78.63%	\$23,661,648	\$1,123,928	(\$1,023,162)	\$550,000	(\$817,177)	\$23,495,236	\$14,231,660
2047	23	88	83	74.96%	\$23,495,236	\$1,116,024	(\$1,053,857)	\$550,000	(\$862,005)	\$23,245,398	\$15,084,377
2048	24	89	84	70.90%	\$23,245,398	\$1,104,156	(\$1,085,473)	\$550,000	(\$909,070)	\$22,904,112	\$15,996,784
2049	25	90	85	66.46%	\$22,904,112	\$1,087,945	(\$1,118,037)	\$550,000	(\$961,293)	\$22,462,727	\$16,973,060
2050	26	91	86	61.62%	\$22,462,727	\$1,066,980	(\$1,151,578)	\$550,000	(\$1,016,209)	\$21,911,920	\$18,017,676
2051	27	92	87	56.47%	\$21,911,920	\$1,040,816	(\$1,186,125)	\$550,000	(\$1,074,968)	\$21,241,643	\$19,135,414
2052	28	93	88	51.07%	\$21,241,643	\$1,008,978	(\$1,221,709)	\$550,000	(\$1,137,841)	\$20,441,071	\$20,331,394
2053	29	94	89	45.52%	\$20,441,071	\$970,951	(\$1,258,360)	\$550,000	(\$1,205,115)	\$19,498,547	\$21,611,093
2054	30	95	90	39.93%	\$19,498,547	\$926,181	(\$1,296,111)	\$550,000	(\$1,277,098)	\$18,401,519	\$22,980,370
2055	31	96	91	34.42%	\$18,401,519	\$874,072	(\$1,334,994)	\$550,000	(\$1,354,120)	\$17,136,477	\$24,445,497
2056	32	97	92	29.14%	\$17,136,477	\$813,983	(\$1,375,044)	\$550,000	(\$1,436,533)	\$15,688,882	\$26,013,183
2057	33	98	93	24.18%	\$15,688,882	\$745,222	(\$1,416,296)	\$550,000	(\$1,524,716)	\$14,043,093	\$27,204,716
2058	34	99	94	19.65%	\$14,043,093	\$667,047	(\$1,458,784)	\$550,000	(\$1,619,071)	\$12,182,285	\$28,039,236
2059	35	100	95	15.62%	\$12,182,285	\$578,659		\$550,000		\$10,088,365	\$28,898,151
2060	36	101	96	12.13%	\$10,088,365	\$479,197	(\$1,547,624)	\$550,000	(\$1,828,058)	\$7,741,880	\$29,786,473
2061	37	102	97	9.20%	\$7,741,880	\$367,739	(\$1,594,053)	\$550,000	(\$1,943,647)	\$5,121,919	\$30,701,250
2062	38	103	98	6.80%	\$5,121,919	\$243,291	(\$1,641,875)	\$550,000	(\$2,067,327)	\$2,206,009	\$31,643,559
2063	39	104	99	4.90%	\$2,206,009	\$104,785	(\$1,691,131)	\$550,000	(\$2,199,665)	(\$1,030,002)	\$32,614,516
2064	40	105	100	3.43%	(\$1,030,002)	(\$48,925)	(\$1,741,865)	\$550,000	(\$2,341,267)	(\$4,612,058)	\$33,619,269



Private Annuity for Healthy Individuals

Grantor Trust						
Year	Year #	Assets	Annual Income	Income Taxes Paid by Trust	Annual Annuity Payment	Net Assets
2025	1	\$14,731,054	\$1,031,174	\$0	(\$550,000)	\$15,212,228
2026	2	\$15,212,228	\$1,064,856	\$0	(\$550,000)	\$15,727,084
2027	3	\$15,727,084	\$1,100,896	\$0	(\$550,000)	\$16,277,980
2028	4	\$16,277,980	\$1,139,459	\$0	(\$550,000)	\$16,867,438
2029	5	\$16,867,438	\$1,180,721	\$0	(\$550,000)	\$17,498,159
2030	6	\$17,498,159	\$1,224,871	\$0	(\$550,000)	\$18,173,030
2031	7	\$18,173,030	\$1,272,112	\$0	(\$550,000)	\$18,895,142
2032	8	\$18,895,142	\$1,322,660	\$0	(\$550,000)	\$19,667,802
2033	9	\$19,667,802	\$1,376,746	\$0	(\$550,000)	\$20,494,548
2034	10	\$20,494,548	\$1,434,618	\$0	(\$550,000)	\$21,379,166
2035	11	\$21,379,166	\$1,496,542	\$0	(\$550,000)	\$22,325,708
2036	12	\$22,325,708	\$1,562,800	\$0	(\$550,000)	\$23,338,507
2037	13	\$23,338,507	\$1,633,696	\$0	(\$550,000)	\$24,422,203
2038	14	\$24,422,203	\$1,709,554	\$0	(\$550,000)	\$25,581,757
2039	15	\$25,581,757	\$1,790,723	\$0	(\$550,000)	\$26,822,480
2040	16	\$26,822,480	\$1,877,574	\$0	(\$550,000)	\$28,150,054
2041	17	\$28,150,054	\$1,970,504	\$0	(\$550,000)	\$29,570,557
2042	18	\$29,570,557	\$2,069,939	\$0	(\$550,000)	\$31,090,496
2043	19	\$31,090,496	\$2,176,335	\$0	(\$550,000)	\$32,716,831
2044	20	\$32,716,831	\$2,290,178	\$0	(\$550,000)	\$34,457,009
2045	21	\$34,457,009	\$2,411,991	\$0	(\$550,000)	\$36,319,000
2046	22	\$36,319,000	\$2,542,330	\$0	(\$550,000)	\$38,311,330
2047	23	\$38,311,330	\$2,681,793	\$0	(\$550,000)	\$40,443,123
2048	24	\$40,443,123	\$2,831,019	\$0	(\$550,000)	\$42,724,141
2049	25	\$42,724,141	\$2,990,690	\$0	(\$550,000)	\$45,164,831
2050	26	\$45,164,831	\$3,161,538	\$0	(\$550,000)	\$47,776,369
2051	27	\$47,776,369	\$3,344,346	\$0	(\$550,000)	\$50,570,715
2052	28	\$50,570,715	\$3,539,950	\$0	(\$550,000)	\$53,560,665
2053	29	\$53,560,665	\$3,749,247	\$0	(\$550,000)	\$56,759,912
2054	30	\$56,759,912	\$3,973,194	\$0	(\$550,000)	\$60,183,106
2055	31	\$60,183,106	\$4,212,817	\$0	(\$550,000)	\$63,845,923
2056	32	\$63,845,923	\$4,469,215	\$0	(\$550,000)	\$67,765,138
2057	33	\$67,765,138	\$4,743,560	\$0	(\$550,000)	\$71,958,697
2058	34	\$71,958,697	\$5,037,109	\$0	(\$550,000)	\$76,445,806
2059	35	\$76,445,806	\$5,351,206	\$0	(\$550,000)	\$81,247,013
2060	36	\$81,247,013	\$5,687,291	\$0	(\$550,000)	\$86,384,303
2061	37	\$86,384,303	\$6,046,901	\$0	(\$550,000)	\$91,881,205
2062	38	\$91,881,205	\$6,431,684	\$0	(\$550,000)	\$97,762,889
2063	39	\$97,762,889	\$6,843,402	\$0	(\$550,000)	\$104,056,291
2064	40	\$104,056,291	\$7,283,940	\$0	(\$550,000)	\$110,790,231



That's all folks



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5. Fill in your information.
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- Customized and Flexible Planning**
 EstateView enables the planner to run multiple scenarios with different variables to show the result of specific changes and options.
- Estate Tax Planning Optimization**
 EstateView incorporates intelligent tax planning tools, maximizing opportunities for estate tax minimization while maintaining compliance with the latest tax laws and applicable federal rates.
- Collaboration and Sharing:**
 Seamlessly share plans in progress and completed plans with your client and mutual advisors. Multiple parties can work together on the estate plan and tweak the numbers to see real time updates to the visual outputs using graphs, flowcharts, tables, and Microsoft Office documents.
- Secure Data Protection:**
 With no client information saved on the server, you can feel at ease that EstateView will never View or capture your clients sensitive financial or personal information. All entered data is saved in your browser to let you pick up where you left off without worrying about data breaches or server security. We deal with those threats so you dont have to!

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EstateView	<u>Standard</u>	<u>Pro</u>	<u>MOST POPULAR</u> <u>Pro Plus</u>	<u>Pro Elite</u>
Subscription Cost (Volume Discounts Available)	\$199/year	\$399/year	\$499/year	\$2,599/year
Comprehensive Plans: Married and Single Client Modules	Excludes letter, sharing and installment sales	Excludes letter and sharing features	Full Access (*included with Pro Plus & Pro Elite only)	Full Access (**Plus bonus features)
Amortization Calculator	YES	YES	YES	YES
Life Expectancy Calculator	YES	YES	YES	YES
Holding Company Valuation Calculator	YES	YES	YES	YES
Valuation Discount Calculator	YES	YES	YES	YES
Create side-by-side Plan Comparisons for Each Calculator	YES	YES	YES	YES
Access to stand-alone SCIN/Conventional Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Large Gift / SLAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
SCIN / Conventional Note Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Installment Sale with Income Tax Analysis Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
QPRT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Private Annuity Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
GRAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES



EstateView	<u>Standard</u>	<u>Pro</u>	<u>MOST POPULAR</u> <u>Pro Plus</u>	<u>Pro Elite</u>
CLAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
CRAT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
CRUT Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Life Estate/Remainder Interest Calculator	Limited Features (excludes spreadsheet)	YES	YES	YES
Rolling GRAT Calculator	NO	NO	YES*	YES
Access to our Exploding Asset Planning Feature	NO	NO	YES*	YES
Comprehensive Plans: Access to Installment Sale to Grantor Trust / SCIN	NO	YES	YES	YES
Comprehensive Plans: Married and Single Client Letters	NO	NO	YES*	YES
Send e-copies of plans to clients & colleagues (with a free 14-day trial)	NO	YES	YES	YES
Generate Personalized Client PowerPoints	NO	YES	YES	YES
Income Tax Impacts of QPRTs	NO	NO	YES*	YES
Rolling GRAT Calculator	NO	NO	YES*	YES
Flip NIMCRUT Calculator	NO	NO	YES*	YES
4 Hours of Tax Lawyer Time	NO	NO	NO	YES**
30 Hours of Customized Video Editing Time	NO	NO	NO	YES**
Special Access to Video Editors for \$35 an Hour	NO	NO	NO	YES**

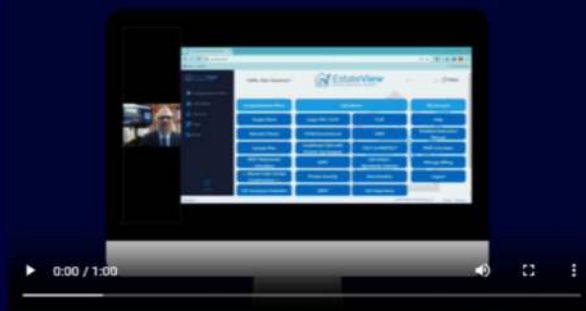


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5. Generate client specific PowerPoint.
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7. Let the computer write comprehensive illustrated estate tax, planning letters that you can then edit and customize.
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NEST Retirement Calculator	QPRT	Life Estate / Remainder Interest	
RMD Calculator	Private Annuity	Amortization	
Monte Carlo	GRAT	Life Expectancy	
Life Insurance Estimator	Rolling GRATs	Holding Company Valuation	
§7520 & AFR Table	Letter Writer (Under Construction)	Valuation Discount (Active Business)	



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- Standard options
- Standard results
- Side-by-side comparisons

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Pro pricing plan offers everything possible except comprehensive letters, sharing software with others, Rolling GRATs and FLIP-NIMCRUTS (includes all PowerPoints).

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- Access to enhanced options
- Detailed projections
- Exportable Spreadsheets & PowerPoints

Pro-Plus

\$499 / Year

Pro-Plus pricing plan provides comprehensive letters, sharing software, Rolling GRATs and FLIP-NIMCRUTS, as well as income tax analysis for QPRTs.

Get Started

- Everything in **Pro Plan** plus..
- Priority support
- Access to advanced options
- Access to more advanced features

Pro-Elite

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Pro-Elite pricing plan features 4 hours of tax lawyer time and 30 hours of customized video editing by our EstateView production team.

Get Started

- Everything in **Pro-Plus Plan** plus..
- 4 hours of tax lawyer time
- 30 hours of customized video editing time
- Access to video editors at \$35 an hour thereafter

Volume User Discount

Units	Discount	Standard	Pro	Pro Plus	Pro Elite
2-5	15%	\$170.10	\$339.95	\$424.95	\$2,209.15
6-10	20%	\$159.96	\$319.96	\$399.96	\$2,079.20
11-15	25%	\$149.96	\$299.96	\$374.96	\$1,949.25
16-20	30%	\$139.96	\$279.96	\$349.96	\$1,819.30
21-30	35%	\$129.96	\$259.96	\$324.96	\$1,689.30
31-35	40%	\$119.97	\$239.97	\$299.97	\$1,559.40
36-40	45%	\$109.97	\$219.97	\$274.97	\$1,429.45
41-42	50%	\$99.50	\$199.97	\$249.97	\$1,299.50
46-50	55%	\$89.97	\$179.97	\$224.97	\$1,169.55
51-55	60%	\$79.98	\$159.98	\$199.98	\$1,039.60
56-100	65%	\$69.98	\$139.98	\$174.98	\$909.65
101-200	70%	\$59.98	\$199.98	\$149.98	\$779.70
201-300	75%	\$49.98	\$99.98	\$124.98	\$649.75



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Something New for Everyone

Saturday, October 19, 2024
11:00 AM to 12:00 PM EST
(60 minutes)

Alan Gassman J.D., LL.M.
agassman@gassmanpa.com

