INTRODUCTION

CURRENT PLAN

PROPOSED PLAN

SUPPORTING DOCUMENTS

IMPLEMENTATION

PLANNING STRATEGIES

PREPARED FOR:

CLARK AND BARBARA JONES

April 23, 2009

PRESENTED BY:

Legal - Tax	Accounting - Tax	Insurance Advisor	Wealth Preservation Strategist
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The Estate Overview

PERSONAL DATA

Clients	Birth Dates	Age in 2009	Life Expectancy (Avg. per tables)
Clark	6/7/1941	68	13
Barbara	8/15/1942	67	18

Anniversary - 3/28

Children / Occupation			Spouse / Occupation	Number of Grandchildren	Grandchildren
Drew / Real Estate Management	7/9/1960	49	Amy / Homemaker	3	Adam - 19, Kyle - 17, Kristen - 14
Kelli / Homemaker	9/29/1962	47	John / Physician	2	Jamie - 16, Tyson - 13
Ashley / Teacher	1/3/1966	43	Jordan / Construction	2	Megan - 17, Brandon - 15
Cole / Engineer	6/20/1968	41	Brenda / Homemaker	1	Clay - 13

Work Address

Office Location
1968 Redbirch Cove
Walnut Creek, CA 84093
(925) 856-1234
Fax (925) 555-1210

Home Address

Home in Orinda
1234 Fallen Tree Lane
Orinda, CA 94526
(925) 555-1212

Other Residence

Tahoe Vacation Home
25 Lake Street
Tahoe, CA 98005
(925) 456-7890

Advisors

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Clark and Barbara Jones

Estimate of Net Worth

LIQUID ASSETS	
Cash and Equivalents	1,296,000
Municipal Bonds	2,650,000
Securities	9,624,000
Life Insurance	76,000
	13,646,000
ILLIQUID ASSETS	
Retirement Plans	3,400,000
Crescent	3,200,000
Adams Ave	2,850,000
Ramada	3,450,000
Board Walk	4,900,000
Park Place	7,300,000
Path of Progress	7,500,000
Strip Mall	10,500,000
	43,100,000
PERSONAL USE ASSETS	
Personal Residence	2,000,000
Vacation Home Tahoe	1,500,000
Furnishings	350,000
Cars	125,000
Boats	200,000
	4,175,000
TOTAL ASSETS	**60,921,000**
LESS LIABILITIES	**0**
ESTIMATED NET WORTH	**60,921,000**

ASSET AND LIABILITY DETAILS

1. Cash & Equivalents

	Ownership	Title	Cost Basis	Current Balance	Annual Income	Interest Rate *
a. Clark Checking	CP	TC		350,000	14,000	4%
b. Barbara Checking	CP	TC		396,000	15,840	4%
c. Clark Savings	CP	TC		278,000	11,120	4%
d. Barbara Savings	CP	TC		272,000	10,880	4%
				1,296,000	**51,840**	

2. Marketable Securities

	Ownership	Title	Cost Basis	Market Value	Annual Income	Div/Int % *	Growth % *
a. Muni Bond	CP	TC	2,750,000	2,650,000	106,000	4%	0%
b. Security #1	CP	JT	2,750,000	3,648,000	72,960	2%	5%
c. Security #2	CP	JT	3,250,000	4,543,000	90,860	2%	5%
d. Securites #3	CP	JT	1,000,000	1,433,000	28,660	2%	5%
			9,750,000	**12,274,000**	**298,480**		

3. Retirement Plans

	Type of Plan	Annual Contrib.	MarketValue	Projected Ret. Inc.	Name & Beneficiary	Growth % *	Life Exp. Calc
a. Company Plan	Community Property		2,940,000		Barbara	7%	Recalc. Both
b. Personal Plan IRA	Community Property		320,000		Barbara	7%	Recalc. Both
c. Barbara IRA	Community Property		140,000		Clark	7%	Recalc. Both
			3,400,000				

4. Real Estate

	Ownership	Title	Cost Basis	Market Value	Loan Balance	Equity	Growth % *
a. Crescent	CP	JT	375,000	3,200,000		3,200,000	3%
b. Adams Ave	CP	TC	360,000	2,850,000		2,850,000	4%
c. Ramada	CP	TC	420,000	3,450,000		3,450,000	4%
d. Board Walk	CP	TC	2,400,000	4,900,000		4,900,000	6%
e. Park Place	CP	TC	2,700,000	7,300,000		7,300,000	6%
f. Path of Progress	CP	TC	1,700,000	7,500,000		7,500,000	10%
g. Strip Mall	CP	TC	4,300,000	10,500,000		10,500,000	6%

Asset and Liability Details (cont.)

4. Real Estate (cont.)

	Ownership	Title	Cost Basis	Market Value	Loan Balance	Equity	Growth % *
			12,255,000	**39,700,000**		**39,700,000**	

5. Personal Use Property

	Ownership	Title	Cost Basis	Market Value	Loan Balance	Equity	Growth % *
a. Personal Residence	CP	JT	760,000	2,000,000		2,000,000	4%
b. Vacation Home Tahoe	CP	JT	450,000	1,500,000		1,500,000	6%
c. Furnishings	CP			350,000		350,000	0%
d. Cars	CP	JT		125,000		125,000	0%
e. Boats	CP	JT		200,000		200,000	0%
			1,210,000	**4,175,000**			

6. Life Insurance

Company Name	Insured	Date Acq'd	Policy #	Face Amount	Cash Value	Type of Policy	Owner	Named Benefic	Loans
a. Mass Mutual	Clark	1/1/2000	1234	150,000	26,000		Clark	Barbara	0
b. NYLIC	Clark	3/1/2001	4979	150,000	34,000		Clark	Barbara	0
c. Equitable	Barbara	5/1/2002	89141	100,000	16,000		Barbara	Clark	0
				400,000	**76,000**				

* Growth and income rates are assumptions only as estimated by the client, and are neither guarantees nor assurances of future performance.

Family Financial Philosophy

PURPOSE

This document expresses the values and intentions of both of us, regarding the accumulation, use, preservation, and distribution of our estate. We wish it to serve as a basis of planning for our professional advisors and for the subsequent guidance to our trustees. Furthermore, it will clearly articulate to our children and others why we have distributed our estate in the manner we have chosen. We will update this document as warranted by changing circumstances.

PRIMARY SOURCES OF WEALTH

Our estate has been developed primarily by building and growing a real estate business through strong personal initiative, careful analysis and hard work, real estate development and management. We have tried to be financially responsible, worked hard and have enjoyed the fruits of our labor. We also believe that good common sense investing for the long-term has helped us to increase our estate.

GENERAL PHILOSOPHY

Thus far, our wealth has been concentrated in real estate. This has simplified the need to venture into other investment areas. However, we have sold some, and it is our plan to sell more properties in the near future, so investment planning will then be even more of a concern. We intend to preserve our wealth through sound investment diversification, with an emphasis on long-term growth, tax minimization, and a reliance on professional guidance.

A primary motivation for estate planning is to reduce the amount of various taxes that will have to be paid. In achieving this objective, we would like to assure a safety net for our children, grandchildren, and future generations, without dumping money in their laps which could adversely affect their personal initiative and work ethic. We feel that we have paid (more than) our share of taxes over the years. Through current planning, we are limiting the adverse impact of various types of taxes. We are also interested in providing for charities, if this can be done by redirecting taxes to this area, without hurting our children's inheritance or ourselves.

Among those things we value most are honesty, integrity, responsibility for our actions, and respect for others. Among those associations we value most are family, friendships, and business relationships. Among those activities and character traits we value most are personal initiative and achievement, hard work, education, individual responsibility, volunteerism, community involvement, recreation, and leisure. At this point in our lives, we are starting to become comfortable with relinquishing ownership of a portion of our assets, as long as we retain access to sufficient income to maintain our financial independence.

Family Financial Philosophy (cont.)

We believe our children will take what we leave them (in trust) and be motivated to grow and preserve it. They are doing very well and we are very proud of their development. We want to help them achieve a higher level of success than they already have thus far. At the same time, we are concerned that if we give our children, grandchildren and future generations too large of an inheritance, or provide it too early, it may become a disincentive for their personal achievement and perhaps even reduce their sense of self-worth. We have seen and read too many examples of this unfortunate consequence. We believe they will develop far more positive values if they are required to provide for their own financial needs and security. We feel more comfortable gifting assets to our children gradually.

Although we certainly prefer leaving assets to our family rather than to the IRS, it is our goal that our children not rely on inherited wealth for their financial success, but rather rely on their own innate abilities and skills. We feel that they will become stronger as a result of this self reliance. At the same time, however, we want to have a substantial portion of our estate pass to our family, as a safety net (in trust), upon our deaths. We truly hope and believe that our posterity will be motivated to benefit from what we leave them and even increase its value and influence.

AREAS OF FINANCIAL INTEREST

We feel our first responsibility is to ourselves; to secure our own financial independence for our respective lifetimes and preserve our ability to maintain our desired lifestyle.

To the extent that there is excess, our second level of financial interest is to our children, grandchildren, and beyond. We have provided and will continue to provide them with the best education possible and will continue to nurture their development as they grow to become financially responsible and mature adults. While we are alive, we will seek opportunities to assist them in their growing knowledge and ability regarding fiscal stewardship.

We feel a third category of financial interest is to charities, as a way of giving back to others. We are also thankful for the rich environment that our church and community have provided us for rearing our children.

FAMILY LEGACY

During our remaining years, we want to maintain the flexibility to change the terms of distributions to our children as we follow their personal growth. Because our assets are substantial and, hopefully, far more than would be needed by our children, we are also interested in making assets available for our grandchildren, and future generations, consistent with the philosophy articulated in this document.

CHARITABLE THINKING

We understand that it is possible to reduce taxes by making charitable gifts. We would like to do this (where advantageous) and leave a portion of our estate to charitable causes.

Objectives

1. Update our legal documents to appropriately reflect our wishes.
2. Provide an annual cash flow of $400,000 per year, growing at 3.0% per year, plus taxes and gifts for life.
3. Reduce or eliminate capital gains tax where possible upon the sale of Real Estate Properties 1, 2, 3. When sold, will use passive investments with the proceeds.
4. Retain Real Estate Properties 4, 5, 6, 7, in the family as long as possible. Properties 4 and 5, are great, 6 is exploding in value, and 7 is a cash cow. Also would like to retain the vacation home for the future generations.
5. Begin making additional gifts to our children (in trust). These gifts should not be harmful to our children's financial development or maturation process. We will oversee this, while alive, and wish a continuation of this philosophy re: distributions to future generations. (See Family Financial Philosophy)
6. Begin to make gifts, during our lifetimes, to several charitable programs of our choice, as an alternative to paying these amounts in taxes.
7. Reduce estate taxes legally and effectively. If possible, we would rather the portion that normally goes to the IRS be reallocated to our family and charities of our choice.
8. Upon death(s), consider distributions to both heirs and charity: roughly 70%-80% to children and future generations and the balance to charity. Investigate the viability of setting up a Charitable Foundation.
9. Provide for grandchildren in the most tax effective manner. Consider education, medical and first home expenses, plus some amounts available for each grandchild, consistent with our family financial philosophy, with the balance held in an ongoing trust.
10. After both of our deaths, the remainder of our estate to flow to our heirs as effectively as possible, with each child having a major influence over distributions to their family. Where possible, also avoid taxes on these assets upon the deaths of our children.

ESTIMATE OF NET WORTH & ESTATE DISTRIBUTION - SCENARIO #1 AS IS (IN 000'S)

											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	80/79	85/84	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
I.CASH FLOW													
CASH RECEIPTS:													
Consulting Income	156	162	168	174	181	188	195	0	0	0	0	0	0
Social Security	24	25	25	26	27	28	29	30	30	31	34	40	49
Interest On Cash and Equivalents	52	52	52	52	52	52	52	52	52	52	52	52	52
Interest on Municipal Bonds	106	106	106	106	106	106	106	106	106	106	106	106	106
Int/Div on Securities Portfolio	192	227	265	305	350	399	452	510	572	639	877	1,435	2,707
Retirement Portfolio	0	0	142	152	162	173	185	198	211	225	271	362	492
Real Estate Net Income	2,198	2,316	2,441	2,572	2,711	2,858	3,013	3,177	3,349	3,532	4,143	5,415	7,902
Total Cash Receipts	**2,728**	**2,888**	**3,199**	**3,388**	**3,589**	**3,804**	**4,032**	**4,072**	**4,321**	**4,584**	**5,484**	**7,410**	**11,307**
DISBURSEMENTS:													
Living Expenses (1)	400	408	416	424	433	442	450	459	469	478	507	560	643
Charitable Contribut	25	25	25	25	25	25	25	25	25	25	25	25	25
Vacation (Other Exp)	15	15	15	15	15	15	15	15	15	15	15	15	15
Income Tax	1,049	1,116	1,373	1,460	1,554	1,653	1,759	1,777	1,893	2,015	2,432	3,325	5,132
Total Disbursements	**1,489**	**1,564**	**1,829**	**1,924**	**2,027**	**2,135**	**2,249**	**2,276**	**2,402**	**2,533**	**2,979**	**3,925**	**5,815**
EXCESS CASH FLOW	**1,239**	**1,324**	**1,370**	**1,464**	**1,562**	**1,669**	**1,783**	**1,796**	**1,919**	**2,051**	**2,505**	**3,485**	**5,492**
II.SECURITIES PORTFOLIO													
Beginning. Balance Securities Portfolio	9,624	11,344	13,235	15,267	17,493	19,931	22,597	25,509	28,580	31,928	43,869	71,755	135,328
Growth:	481	567	662	763	875	997	1,130	1,275	1,429	1,596	2,193	3,588	6,766
Excess Cash Flow	1,239	1,324	1,370	1,464	1,562	1,669	1,783	1,796	1,919	2,051	2,505	3,485	5,492
Ending Balance Securities Portfolio	11,344	13,235	15,267	17,493	19,931	22,597	25,509	28,580	31,928	35,576	48,567	78,828	147,586

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

ESTIMATE OF NET WORTH & ESTATE DISTRIBUTION - SCENARIO #1 AS IS (IN 000'S)

											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	80/79	85/84	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
III. Net Worth													
Clark Checking	350	350	350	350	350	350	350	350	350	350	350	350	350
Barbara Checking	396	396	396	396	396	396	396	396	396	396	396	396	396
Clark Savings	278	278	278	278	278	278	278	278	278	278	278	278	278
Barbara Savings	272	272	272	272	272	272	272	272	272	272	272	272	272
Municipal Bonds	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Securities Portfolio	11,344	13,235	15,267	17,493	19,931	22,597	25,509	28,580	31,928	35,576	48,567	78,828	147,586
Retirement Plans	3,638	3,893	4,023	4,153	4,281	4,408	4,531	4,650	4,765	4,873	5,151	5,372	4,876
Crescent	3,296	3,395	3,497	3,602	3,710	3,821	3,936	4,054	4,175	4,301	4,699	5,448	6,700
Adams Ave	2,964	3,083	3,206	3,334	3,467	3,606	3,750	3,900	4,056	4,219	4,745	5,774	7,598
Ramada	3,588	3,732	3,881	4,036	4,197	4,365	4,540	4,722	4,910	5,107	5,745	6,989	9,197
Board Walk	5,194	5,506	5,836	6,186	6,557	6,951	7,368	7,810	8,278	8,775	10,451	13,986	21,030
Park Place	7,738	8,202	8,694	9,216	9,769	10,355	10,977	11,635	12,333	13,073	15,570	20,837	31,331
Path of Progress	8,250	9,075	9,982	10,981	12,079	13,287	14,615	16,077	17,685	19,453	25,892	41,699	81,260
Strip Mall	11,130	11,798	12,506	13,256	14,051	14,894	15,788	16,735	17,740	18,804	22,396	29,971	45,065
Personal Residence	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,330	4,052	5,332
Vacation Home Tahoe	1,590	1,685	1,787	1,894	2,007	2,128	2,255	2,391	2,534	2,686	3,199	4,282	6,438
Furnishings	350	350	350	350	350	350	350	350	350	350	350	350	350
Cars	125	125	125	125	125	125	125	125	125	125	125	125	125
Boats	200	200	200	200	200	200	200	200	200	200	200	200	200
Life Insurance Clark	26	31	36	41	46	51	56	60	65	70	85	110	144
Life Insurance Clark	34	39	44	49	54	60	65	70	75	80	95	121	156
Life Insurance Barbara	16	19	23	26	30	33	36	40	43	47	57	74	98
END OF YEAR NET WORTH	65,509	70,477	75,653	81,228	87,233	93,708	100,679	108,082	116,055	124,645	154,603	222,164	371,432

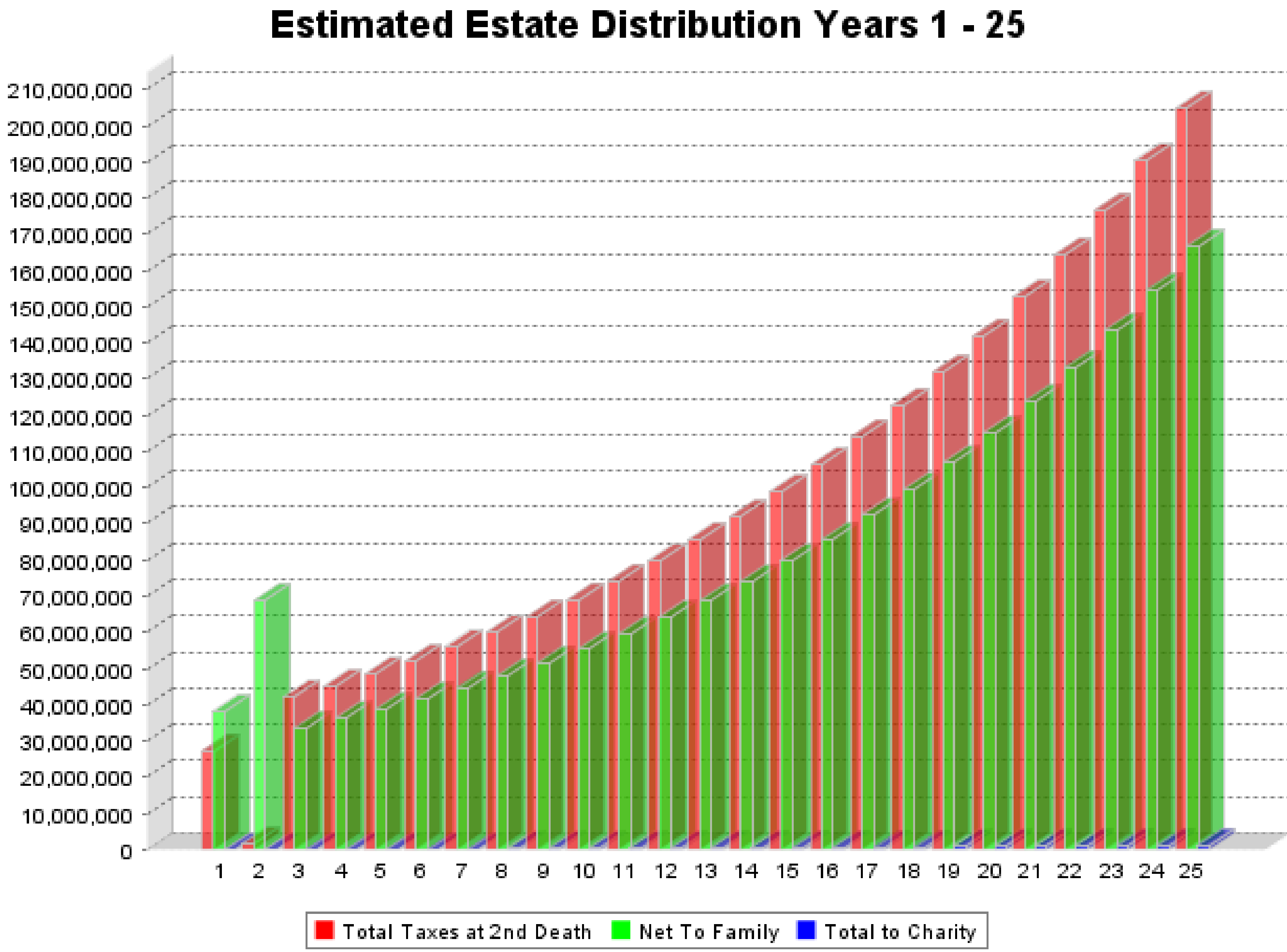
C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

ESTIMATE OF NET WORTH & ESTATE DISTRIBUTION - SCENARIO #1 AS IS (IN 000'S)

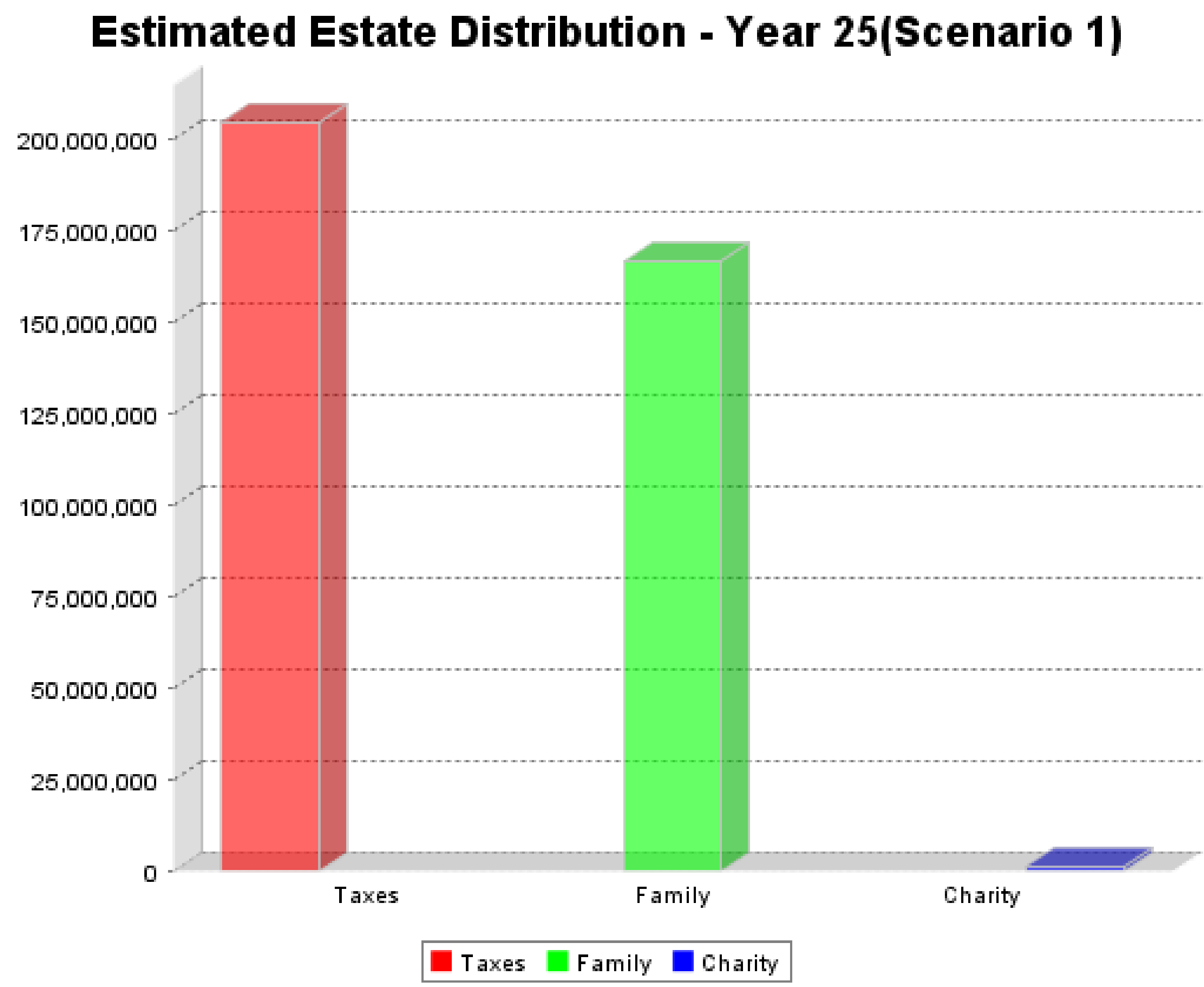
											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	80/79	85/84	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
IV.ESTATE DISTRIBUTION													
Estate Net Worth	**65,509**	**70,477**	**75,653**	**81,228**	**87,233**	**93,708**	**100,679**	**108,082**	**116,055**	**124,645**	**154,603**	**222,164**	**371,432**
Taxable Life Insurance	324	311	297	284	270	257	243	230	217	203	163	96	2
Exemptions(1)	-3,500	-0	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000
Taxable Estate	62,333	70,788	74,950	80,512	86,503	92,965	99,922	107,312	115,272	123,848	153,766	221,260	370,434
Federal Estate Tax	26,475	0	40,877	43,936	47,231	50,785	54,612	58,676	63,054	67,771	84,225	121,347	203,393
Federal Income Tax	613	1,235	723	747	770	793	816	838	858	878	929	969	880
State Income Tax	338	362	374	386	398	410	421	432	443	453	479	500	453
TOTAL TAXES AT 2ND DEATH	27,426	1,597	41,974	45,069	48,400	51,988	55,849	59,946	64,355	69,102	85,633	122,816	204,727
NET TO FAMILY	38,407	69,191	33,976	36,443	39,103	41,977	45,073	48,366	51,917	55,746	69,133	99,444	166,707
What's this really worth? - Inflation adjusted (3%) Net to Family	38,407	67,176	32,026	33,351	34,743	36,210	37,748	39,326	40,984	42,725	48,488	60,165	82,009
TOTAL TO CHARITY	25	52	80	109	141	174	210	247	287	330	472	773	1,372

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

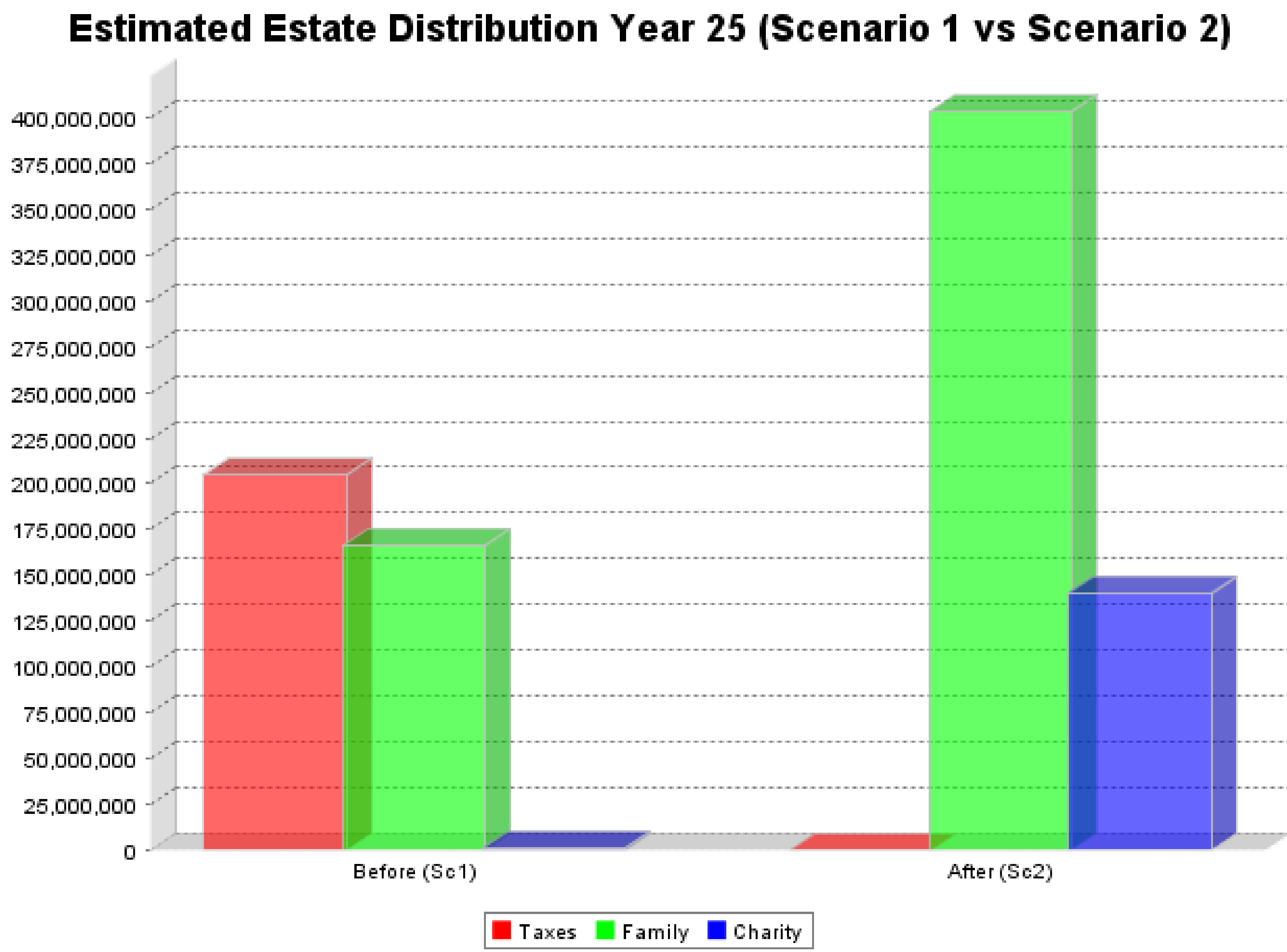
Estate Distribution Summary - SCENARIO 1



Estate Distribution Comparison



Estate Distribution Comparison



Observations

1. With your current Simple Wills and the titling of your assets, you are losing the advantages of the Estate Tax Exemption of the first spouse to die. There could also be major confusion should one of you be placed on life support.

2. Your current estate documents provide for an outright distribution of assets to your family immediately upon the second death. This is in sharp contrast with your objectives and philosophy.

3. Your annual cash flow need of $400,000 is exceeded significantly each year. The amount of excess continues to increase your future estate-tax liability. Based on these projections, you will have more assets than you can spend during your lifetimes.

4. If your Real Estate Properties 1, 2, 3 are sold outright as planned, you will be required to pay approximately $1,850,086 in up front capital gains taxes upon the sale.

5. If both of your deaths occurred within 10 years (except for the year 2010), all of your liquid assets would be used and non-liquid assets would have to be sold to pay the estate-tax liability, which is due within 9 months of death.

6. Your life insurance is currently owned personally, thus causing these proceeds to be unnecessarily taxed in your estate.

7. Once your assets pass to your children, any significant amounts remaining in their estates will also be reduced by estate taxes.

8. The charitable gifts of cash you are currently making do not provide the tax savings and leverage that can be obtained through gifting appreciated assets and using special types of charitable trusts.

9. Using only the annual exclusion and the lifetime exemption gift amounts do not significantly reduce the tax liability owed at your deaths due to the size and projected growth of your estate.

10. There is no plan currently in place that helps to create either personal initiative and financial responsiblity or charitable hearts within your children and grandchildren.

Combined Planning Team Recommendations

The Advanced Estate Planning described in our metaphor of the chess match with the IRS will be greatly accomplished with the following recommended moves. Here are several effective tax saving moves your planning team suggests we can make currenty. These moves still enable you to retain great control over both management and distribution of your estate during your lifetime(s).

Fortunately, these recommended changes enable us to significantly reduce the projected estate tax liability. Some of your assets (chess pieces) will change in the future, as will your objectives and circumstances. These first strategic moves are important, and show significant improvement, laying the foundation for preserving even more of your family's wealth in the future as your assets continue to grow.

As we update our strategies and techniques on an annual basis, additional observations and solutions will be recommended as appropriate.

Recommendations

1. ABC TRUST

An ABC Trust, with appropriate titling of assets, would help avoid probate, preserve both of your lifetime exemptions and also pass assets to your family consistent with your objectives and philosophy. Living Wills will aid your family in carrying out your health care objectives.

2. FAMILY LIMITED PARTNERSHIP (FLP)

Several Family Limited Partnerships (FLPs) will be needed, in order to transfer real estate properties and securities to each respective partnership in exchange for partnership interests. Assets can be better protected, management can be centralized, and children can be trained in the management process. Then discounted partnership interests can be transferred to various trusts to be discussed. The transferred partnership interests can receive valuation discounts for tax purposes due to a lack of marketability and lack of control, while you control the entire amounts.

3. QUALIFIED PERSONAL RESIDENCE TRUST (QPRT)

The Vacation home ownership can be divided and placed into two Qualified Personal Residence Trusts. Each trust value represents half the value of the Tahoe home. With separate trusts, a split-interest discount of 15% can also be used for valuation purposes. At the end of the trust terms (12 years for Clark's trust and 15 years for Barbara's trust), the Tahoe home passes to the children outside of the taxable estate.

4. GRANTOR RETAINED ANNUITY TRUST (GRAT)

A family partnership is illustrated (FLP 1) with Real Estate Property 7. The partnership pays out income from the rental properties to the interest holders in the first year with equal distributions in each subsequent year. Any excess income in subsequent years is reinvested in the partnership's securities portfolio. Two Grantor Retained Annuity Trusts are then established and 50% of the partnership interest is transferred into each GRAT. Each trust has a term of 10 years. At the end of the trust term, the partnership interest transfers to the children or remains in trust for them.

RECOMMENDATIONS (CONT.)

5. CHARITABLE REMAINDER TRUST (CRT)

A Charitable Remainder Trust is established and Real Estate Properties 1, 2, and 3, worth $9,800,000, are transferred into it. The trust (Charitable Remainder Uni Trust) is projected to earn 7% and pays an income equal to 6% of the trust value, recalculated annually, for life. A charitable deduction is taken, with up to five additional years carryover of the unused deduction. Upon the deaths of both, the trust assets pass to the Family Charitable Foundation (discussed later) and then to the charities of choice. Life insurance is obtained on the lives of Clark and Barbara, payable to a trust for children and grandchildren, which replaces assets going to charity. The net result is more to you, more to your family, plus a substantial amount to charity - all paid for by the IRS.

6. RETIREMENT PLAN MAXIMIZER (RPM)

Accelerated distributions are taken by Clark and Barbara, taxes are paid, and the net amount is gifted to a trust for the heirs. Insurance is obtained by the trust with these gifts, which will pass to the heirs' trust free of all taxes. These proceeds will significantly exceed the net amount otherwise available, after tax, from the retirement plan assets.

7. IRREVOCABLE (CRUMMEY) TRUST

An Irrevocable (Crummey) Trust is established into which cash gifts are made by utilizing annual exclusions under a 'Crummey' provision. The trust then loans the money to a Multigenerational Trust to obtain survivorship life insurance on both of your lives.

8. INTENTIONALLY DEFECTIVE IRREVOCABLE TRUST (IDIT)

This type of trust can be used very effectively to freeze the growth of your Path of Progress property (RE #6). This is done by placing the property in FPL #2, then selling your LP interest to the newly formed IDIT set up on a Multigenerational basis (discussed later) for your children, grandchildren and beyond. These LP interests are sold, at a discount, to the trust in exchange for a note. This note will be interest only, at 6%, for 15 years, with a balloon payment due at that time. The note is subsequently placed in FLP #3, along with $4,237,428 in securities and then the LP interests are transferred to two GRATS, one for Clark and one for Barbara.

The effect of this recommendation is to discount, then freeze, and then transfer this highly profitable property to your heirs virtually tax free.

9. CHARITABLE LEAD ANNUITY TRUST (CLAT)

Real Estate properties 4 & 5 are placed in FLP #4. LP interests are then gifted to a CLAT. The trust makes annual payments to your Family Foundation with subsequent distribution to charities of choice. At the end of the term, the Partnership Interests pass to the children.

Recommendations (cont.)

10. Multigenerational Trust (MGT)

A Grantor style Multigenerational trust is formed (see IDIT) and funded with a gift of $1,600,000 in marketable securities, placed in FLP #5 with a 25% discount (thus a taxable gift of $1,200,000), utilizing the Generation Skipping Tax exemption.

Since the trust is set up under grantor rules, you (as grantor) personally pay the tax on any realized capital gain and income earned by the trust. This can provide an additional tax-free benefit to the trust. You can revoke this provision at any time after the first year.

The trust also obtains and owns the life insurance policies discussed in the recommendations. Part of the annual premium will be borrowed from the Irrevocable (Crummey) Trust with an interest rate of 5%, and the balance will be paid with assets in this trust.

Upon the death of the surviving spouse, the MGT then repays the loan with proceeds of life insurance.

11. Testamentary Charitable Lead Annuity Trust (TEST-CLAT)

A 20-year Testamentary Charitable Lead Annuity Trust is established upon the death of the surviving spouse. It is formed with practically all of the estate's remaining assets, leaving some assets to be distributed to your heirs and to pay estate administration costs. The estate receives a charitable deduction which can be equal to the assets transferred to the trust. The trust pays an annuity equal to approx. 7% of the trust value at death to the Family Charitable Foundation, and from there to the charities of choice. At the termination of the trust, the assets of the trust pass to the children.

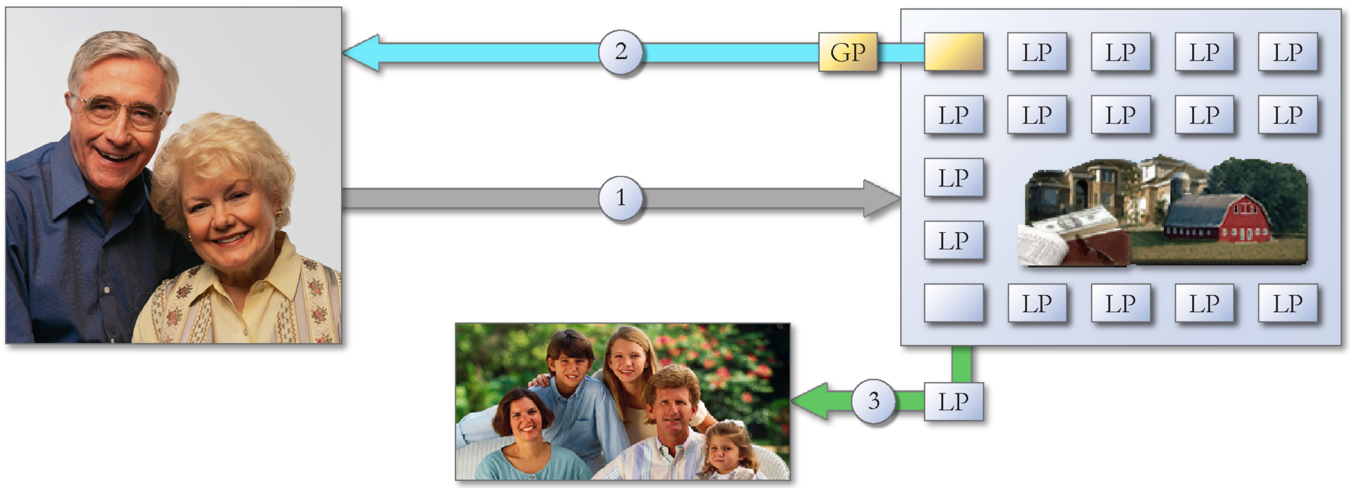
12. Family Charitable Foundation (Donor Advised Fund)

Three charitable techniques have been suggested, resulting in the reallocation of many millions of dollars of taxes to both the family, as well as to the charities of choice. Rather than have these charitable amounts pass in one lump sum, much more benefit can be derived by current and future generations with a family charitable foundation, growing tax free, from which discretionary distributions can be made to selected charities over an extended period of time. This process has helped many financially successful families to become socially involved, to make a significant positive difference in their respective communities, and also to positively affect the lives of family members.

Assets flowing from techniques 5, 9, and 11, listed above, can be directed to this foundation, while members of the family serve as Advisors, in concert with a Public Foundation, to disburse future charitable grants from this fund.

Clark and Barbara Jones

Family Limited Partnership (FLP)



The Process

1. A Family Limited Partnership is created (with a valid business purpose) for techniques to be described subsequently, and assets are transfered to the partnership. Assets can be better protected, management can be centralized, and children can be trained in the management process.
2. You can retain or assign the General Partner function, however the GP distribution and liquidation responsibilities must be assigned to a trusted indivdual or entity. Reasonable compensation can be paid for the managing duties.
3. The Limited Partner interests have no management responsibility, and usually cannot be liquidated, sold, or freely transferred without the consent of the GP. This allows the LP interest(s) to receive a discount for both a lack of marketability and lack of control. The discount values provide leverage for future gifts made to the family.

Benefits of Utilizing this Technique

Business Reasons

- Control
  - --GP shares govern all
- Control Asset Management
- Control Distributions
  - --Amounts
  - --Timing
- Asset Protection

Family Reasons

- Mentoring
  - --Asset Management
  - --Diversification
- Partnership Meetings
  - --Family Gatherings
  - --Tax deductible

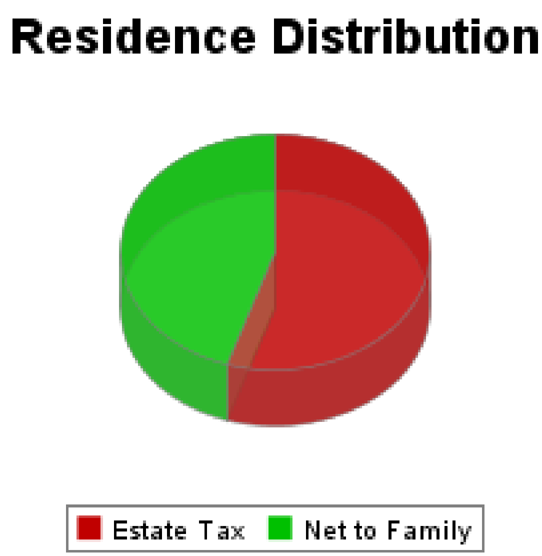
Tax Reasons

- Valuation discounts
  - --Lack of Control
  - --Lack of Marketability
- Leverage 1.5(+/-):1
- Can Pass More to Family Tax Free

THE PROBLEM

Your Vacation Home Tahoe has developed financial and sentimental value for your family. However, its fair market value and growth (approximately 6% per year) continue to add to your estate tax liability.

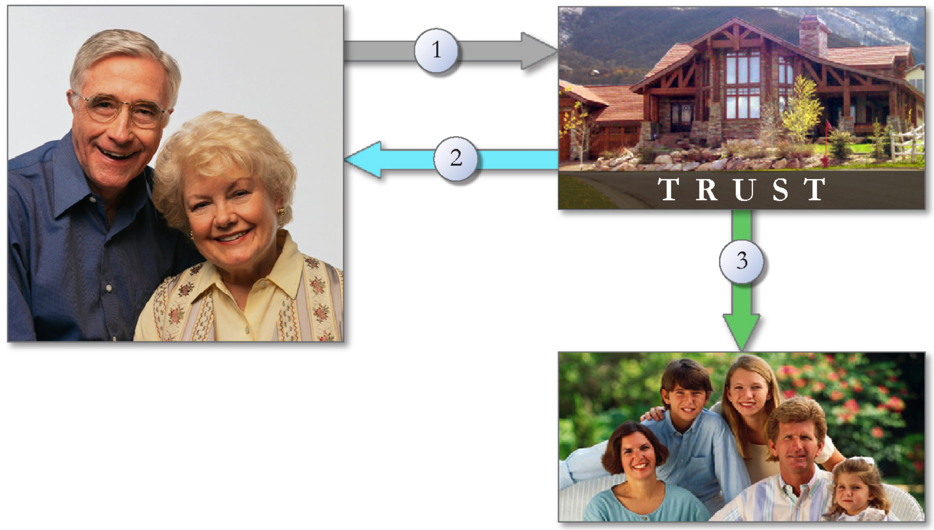
Today's Fair Market Value	$1,500,000
Projected years of life expectancy	25
Growth Rate	6%
Value (projected) in Taxable Estate	$6,437,806
Estate Tax on Vacation Home Tahoe (55%)	$3,540,793
Net Value of Vacation Home Tahoe passing to family.	$2,897,013



When one's estate (and the estate tax liability) is growing faster than can be reduced by spending and normal (tax free) gifting to family, leveraged gifts can be very effective. This process discounts the value of the assets being transferred, resulting in the reduction of estate taxes.

Let's examine a leveraging technique that is often utilized with a personal (including vacation) residence.

QUALIFIED PERSONAL RESIDENCE TRUST (QPRT)



THE PROCESS

1. Two Qualified Personal Residence Trusts are established, one for each of you, and your respective half interests in the Vacation Home Tahoe are transferred to the trusts. When we separate your interests into two shares, the value of each 1/2 interest may be eligible for a fractional interest discount (illustrated at 15%) before gift value calculations.
2. You each retain all of the rights and obligations of ownership for your respective trust periods.
3. At the end of the trust terms your respective interests in the residence pass to your children without further estate/gift taxation.

BENEFITS OF USING THIS TECHNIQUE

- Allows the transfer of a residence at a lower taxable gift value.
- The longer the trust period, the lower the gift value.
- Gift future growth out of the estate.
- At the end of the trust period, the full ownership has been transferred to your family.

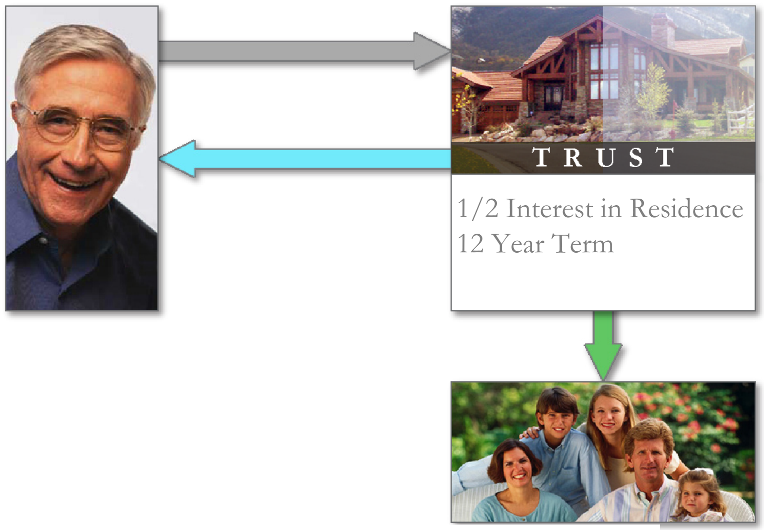
SIDE EFFECTS/DRAW BACKS OF USING THIS TECHNIQUE

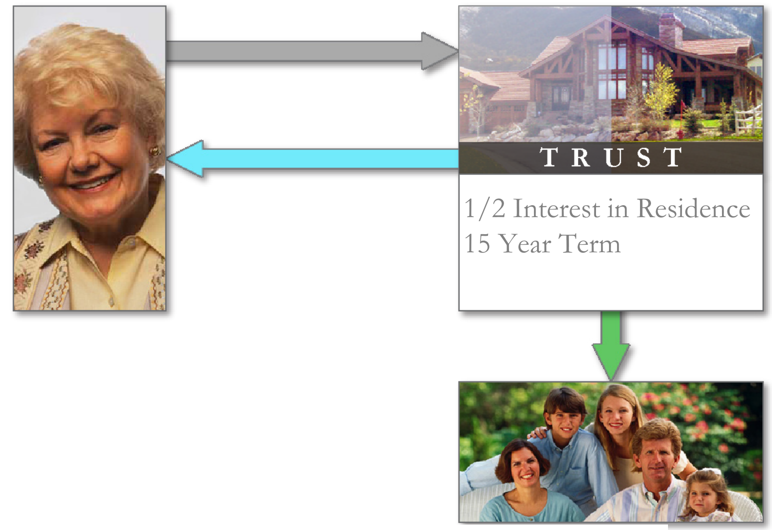
- Should you not survive the trust period, the decedent's share of the residence reverts to your taxable estate at the fair market value upon date of death.
- Heirs do not receive a step up in basis upon the death of parent, therefore will recognize a capital gain upon subsequent sale.

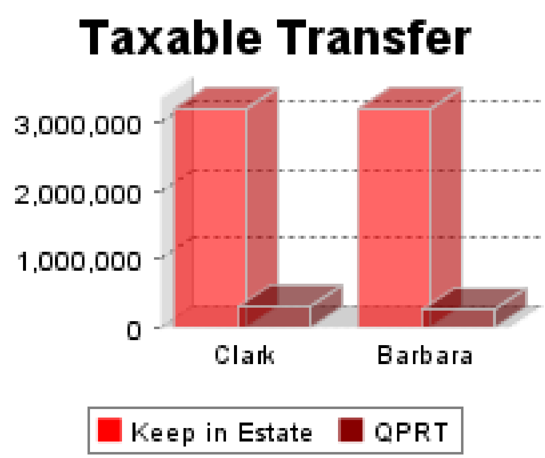
25 Year Comparison

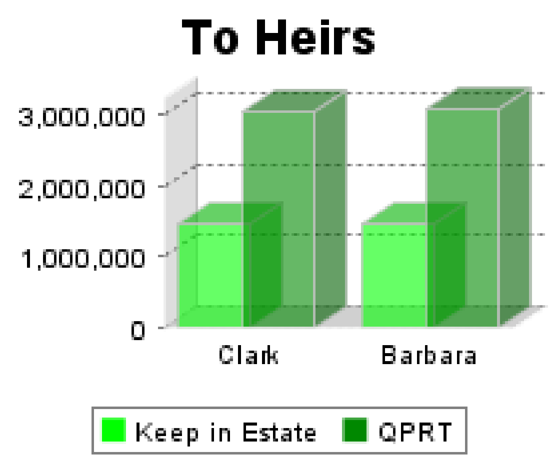
Clark's one half	Keep in the Estate	12 Year QPRT
Value for Estate/Gift Taxes	$3,218,903	$315,958
Estate/Gift Taxes(55%)	$1,770,397	0 *
Benefit to Heirs	$1,448,506	$3,218,903

Barbara's one half	Keep in the Estate	15 Year QPRT
Value for Estate/Gift Taxes	$3,218,903	$254,324
Estate/Gift Taxes(55%)	$1,770,397	0 *
Benefit to Heirs	$1,448,506	$3,218,903









* Taxable gifts may be covered by the lifetime exemption.

THE PROBLEM

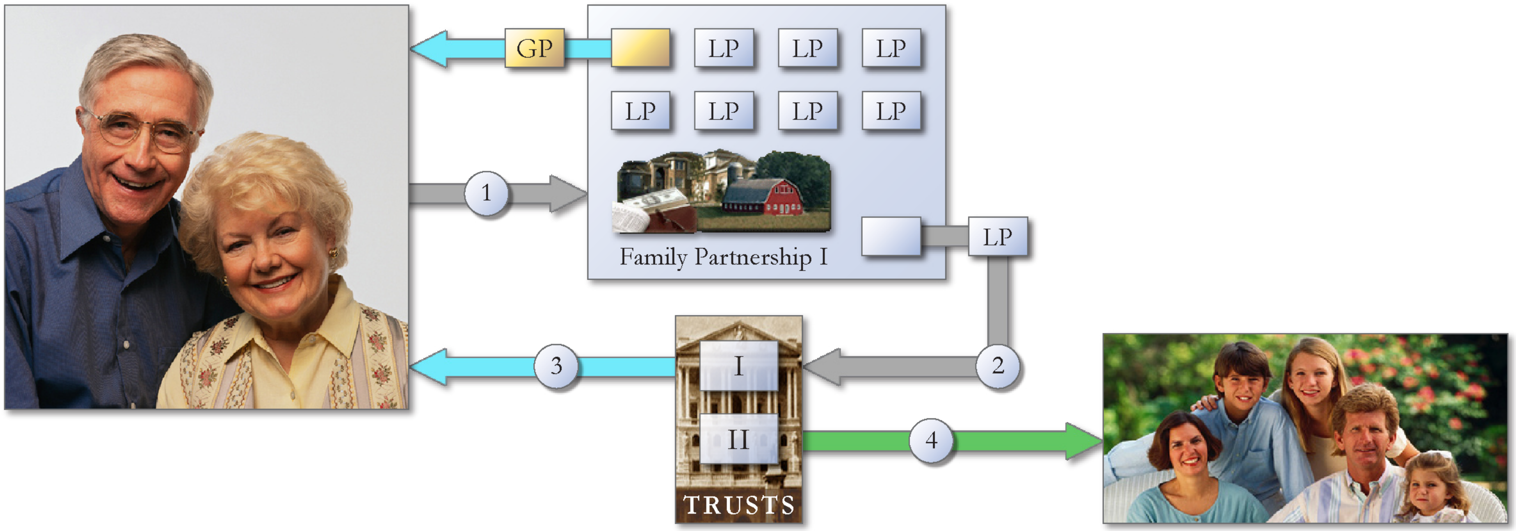
Due to your sound financial acumen, your Strip Mall property(ies) provides steady growth and income. However, the fair market value plus growth and income not spent continue to add to your estate tax liability.

Todays Fair Market Value	$10,290,000
Projected Years of Growth	25
Average Growth Rate	6%
Average Income Rate	8%
Total Value (projected) in Taxable Estate	**$92,420,234**
Estate Tax (55%)	**$50,831,129**
Net Value Passing to Family	**$41,589,105**

When one's estate (and the estate tax liability) is growing faster than can be reduced by personal spending and normal (tax free) gifting to one's family, leveraged gifts can be very effective. This process can reduce the value of the assets being transferred, often resulting in the reduction of taxes.

Let's examine a double discount leveraging technique that is often utilized with this circumstance.

Grantor Retained Annuity Trust (GRAT)



The Process

1. A Family Limited Partnership (FLP) is formed with a 2% General Partnership (GP) interest and 98% Limited Partnership (LP) interest. Assets are then transferred to the FLP.
2. Two Grantor Retained Annuity Trusts (GRATs) are also established, one each for Clark and Barbara and LP interests are gifted to the trusts. These gifts then receive a substantial discount from their original value.
3. Clark and Barbara each receive a fixed annual payment from the income generated by the assets transferred to the FLP/GRATs.
4. At the end of the GRAT terms, the property plus any appreciation and accumulated earnings not distrubuted, pass estate-tax free to the family.

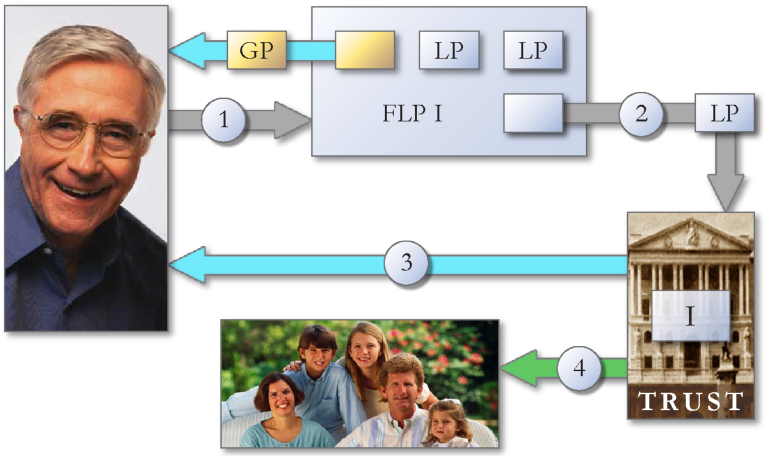
Benefits of using this technique

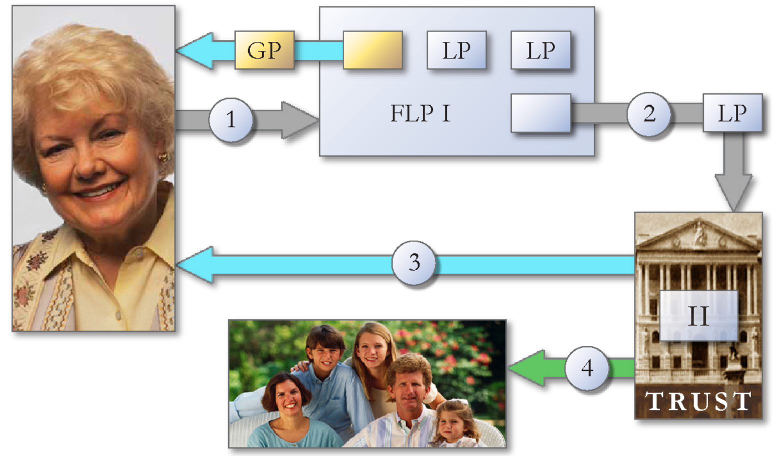
- Valuation discounts are made possible by the FLP.
- Leveraged gifts are made to the heirs through the GRATs, thus further reducing the taxable gift on the assets transferred.
- Estate taxes are greatly reduced.
- Grantors receive a fixed income stream for the term of the trust.
- Excess earnings and growth in the value of the assets add to the benefit to the family

Side effects/Draw backs of using this technique

- If a death occurs before the end of the GRAT term, assets in the GRAT revert (by formula) to the taxable estate of the deceased.
- At the end of the GRAT terms, the Partnership Interests retain your tax basis.

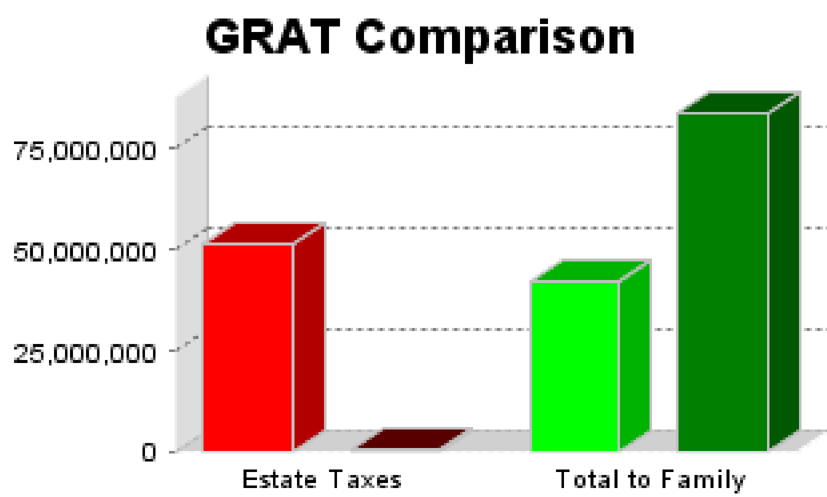
Grantor Retained Annuity Trust (GRAT)





Comparison in 25 Years

	Keep in the Estate	GRATS	Difference
Estate/Gift Taxable:	$92,420,234	$50,000	$92,370,234
Total Estate/Gift Taxes:	$50,831,129	$0 *	$50,831,129
Total to Family	$41,589,105	$83,443,372	$41,854,267



* Taxable gifts may be covered by the lifetime exemption.

ELIMINATING THE GRAT SIDE EFFECTS

By strategically combining the tax advantages of the 10 Year GRAT with life insurance, your plan may eliminate the side effects (see below) of the GRAT technique. The insurance is designed to provide you with 98.17% of the tax savings, regardless of when deaths occur.

HOW DOES THIS WORK

Growth and Income of the GRAT (Year 9)		**$20,796,591**
Estate Taxes (if death occurs too soon)		**11,438,125**
Insurance Death Benefit	(a)	**11,000,000**
Annual Insurance Premium		**148,500**
Accumulated Cost of Insurance ($148,500 x 9 years)	(b)	**$1,336,500**
Cash Value of Life Insurance	(c)	**$1,134,692**
Cost to Preserve Tax Savings (Insurance)	(d)=(b-c)	**$201,808**
Cost of Protection as a Percent of Tax Savings	(d)/(a)	**1.83%**
Percent of Tax Savings Realized		**98.17%**

SIDE EFFECT

If death occurs before the end of the GRAT term, GRAT payments and the assets are included in the taxable estate not as cash, but as continued annuity payments, thus not available to pay the tax.

SOLUTION

Insurance proceeds replace the tax savings if early death occurs. These tax-free proceeds (when insurance is owned outside the estate) are in addition to any assets passing through the estate.

SUMMARY

Professionals often refer to the Grantor Retained Annuity Trust (GRAT) as a "heads you win, tails you tie" scenario. However, combining the power of the GRAT with life insurance yields a "heads you win, tails you win" outcome for you and for your family.

THE PROBLEM

You have built several very successful assets, over many years, with much physical and emotional effort. This effort brings both good news and bad news. The good news is that you can sell them at a tremendous profit. The bad news is that the IRS wants to keep much of this profit in the form of taxes. Let's look at the result of these taxes in three areas:

A. Income Taxes

Capital Gains Taxes Destroy 22.17%[1] of your profit:

Value of The asset	$9,500,000
Less: Cost(Basis)	$1,155,000
Taxable Gain	$8,345,000
Income (Capital Gains) Tax Liability	$1,850,086

This loss of taxes also creates another loss. All of the future earnings that could have been received had this tax amount been invested, are also lost in perpetuity! Let's assume a return on investment of 7% and that at least one of you lives 25 years.

B. Income Loss

Loss of income** potential each year for life!	$129,506
At your ages, this projected loss of income is	$3,237,651

And, the problem gets worse...

Upon both of your deaths, the remaining amount of these proceeds (along with your other assets) will be subjected to an estate tax. This is the largest tax of all.

C. Estate Taxes

Net Proceeds (after Capital Gains Taxes)	$7,649,914
Estate Tax (55%)	$4,207,452
Net to Family	$3,442,461

D. Where Did All The Money Go?

Sales Price	$9,500,000
Total Taxes (Capital Gains plus Estate Tax)	$6,057,539
Net to Family	$3,442,461
Percentage Lost to Taxes	**63.76%**

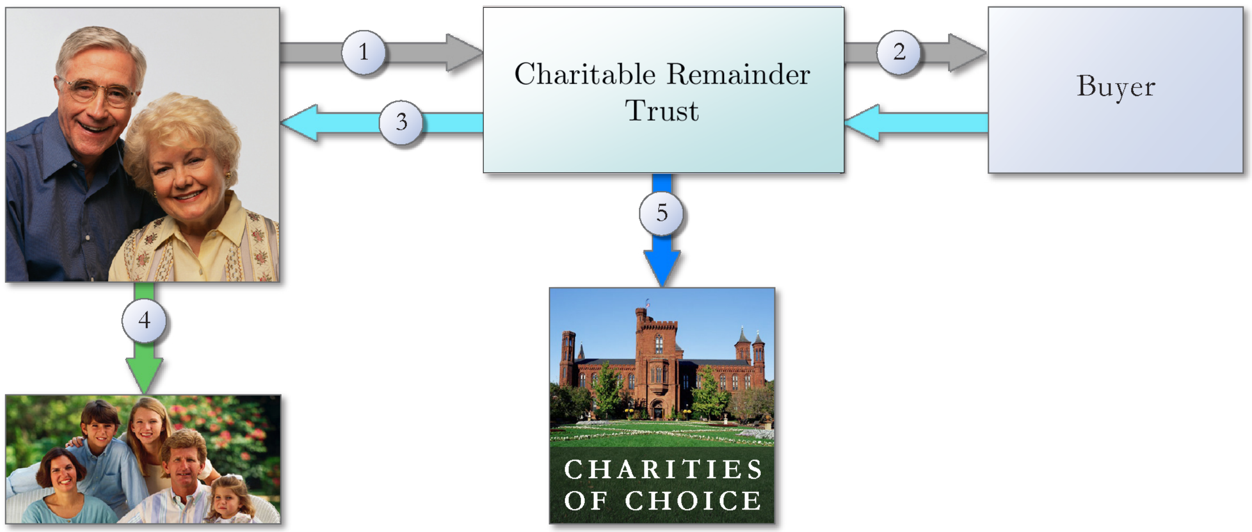
(The IRS' version of Capital Punishment!)

[1] Federal plus State Capital Gains taxes

** Assuming a pre-tax return on investment at 7%. ($1,850,086 @ 7% = a loss of $129,506 each year of life)

Clark and Barbara Jones

Charitable Remainder Trust



Fortunately, a tool that can help solve this problem has existed for many years, although it has not been widely publicized. Created over 100 years ago, and clarified by Congress in 1969, this trust has been utilized by many top tax advisors for the benefit of their affluent clients.

Many individuals who have learned about this trust thought it was too good to be true and wrote the IRS requesting clarification. Because of the burden of responding, the IRS, in 1990, published 16 versions of the trust as authorized prototypes.

Here's How It Works

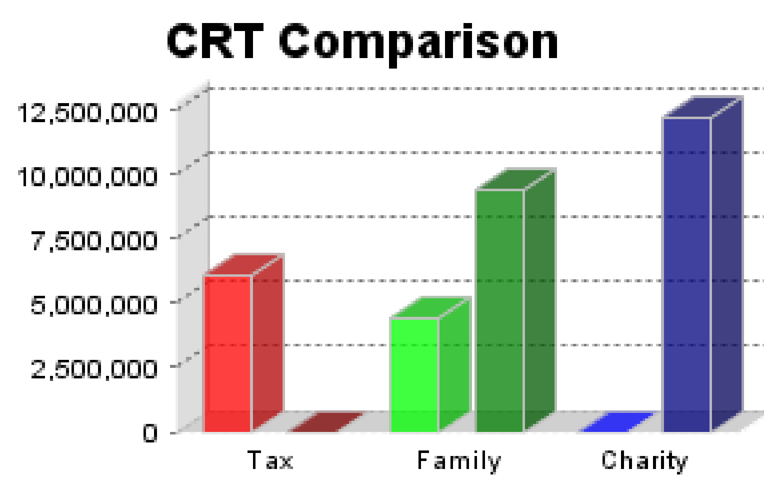
1. The Charitable Remainder Trust is established and certain assets are transferred to it.
2. Assets are then sold by the trustee (this can be Clark and Barbara) and proceeds are reinvested (as trustee directs) into income producing assets.
3. Cash is paid to Clark & Barbara as the income beneficiaries for their lifetimes. Upon the first death, the full amount is paid to the survivor.
4. Gifts are regularly made to the Family (or in trust for them) of excess cash flow, which protects their inheritance with life insurance on the lives of Clark and Barbara.
5. Upon the deaths of Clark & Barbara, the remaining (CRT) assets pass to the named charities.

The Comparison

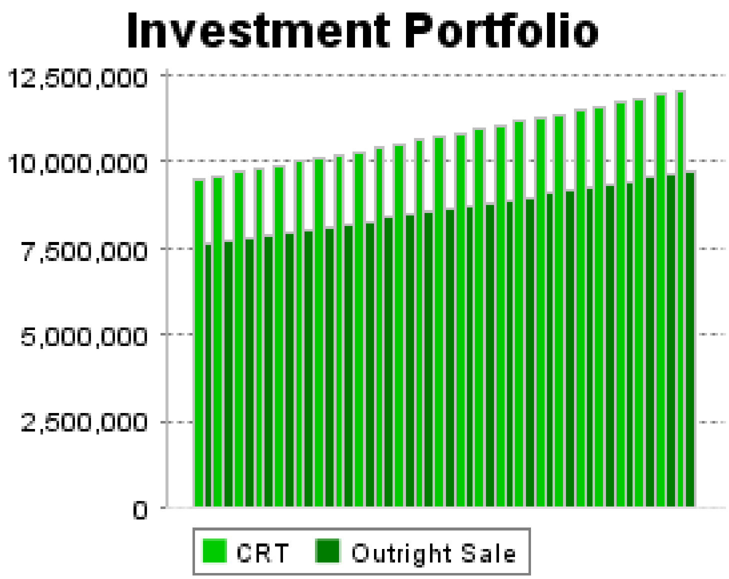
When comparing the results of a traditional outright sale to the use of a Charitable Remainder Trust (CRT) and inheritance trust for the family, the difference is truly astounding.

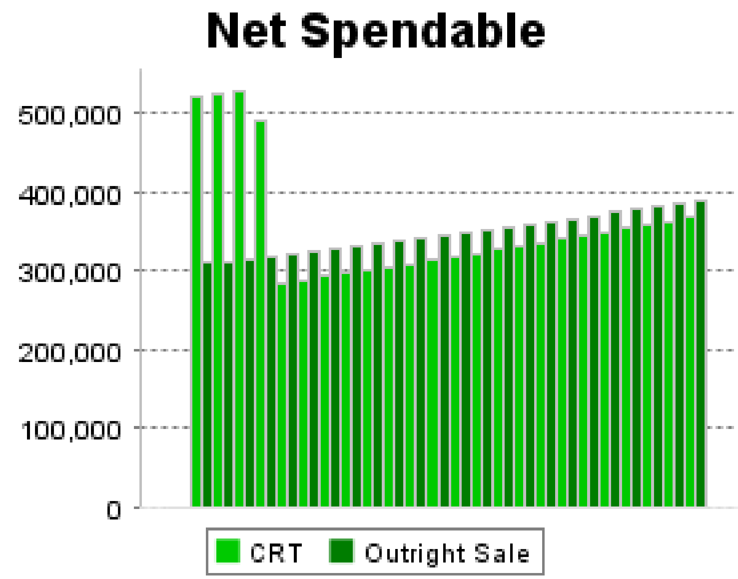
Taxes	Outright Sale		CRT	
Net Proceeds from Sale	$9,500,000		**$9,500,000**	
Capital Gains Tax (up front)	$1,850,086		$0	
Net Remaining to Invest	$7,649,914		$9,500,000	
Income Tax Deduction	$0		$2,965,900	
Estate Tax (@55%)	$4,207,452		$0	
Benefits During Lifetime of Clark & Barbara	Outright Sale		CRT	
Annual Income 1st Yr. (Net after tax)	$309,431	(1)	**$520,295**	(2)(3)
Annual Income 25th Yr. (Net after tax)	$392,895	(1)	**$372,715**	(2)
Cumulative Net Life Income	$8,739,331		**$8,939,326**	
Tax Saved from Deduction	$0		**$1,275,337**	
Summary at life expectancy (25 years)	Outright Sale		CRT	
Life Income plus Income Tax Savings	$8,739,331		**$8,939,326**	
Net passing to Family - after tax (4)	$4,414,722		**$9,350,000**	
Benefit to Charity(ies) (5)	$0		**$12,183,104**	
Total to Clark & Barbara, Family & Charity	$13,154,054		**$30,472,430**	
Difference			**$17,318,376**	

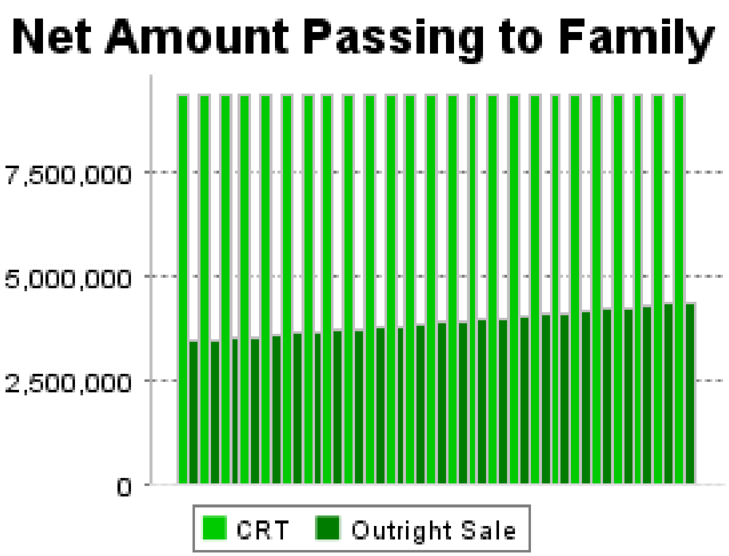
1. Assumes a pretax investment return of 7% and a spending rate of 6% (less tax). The balance (after tax) is reinvested in a growing portfolio.
2. Assumes a pretax investment return of 7% and a payout rate of 6%, reduced by taxes and a life insurance premium of $115,200. Balance, 1%, grows inside the trust.
3. In the early years, income is increased due to income tax savings.
4. Equals the growing portfolio, less estate tax vs. tax free life insurance.
5. Amount left in the Charitable Remainder Trust upon projected deaths in 25 years.

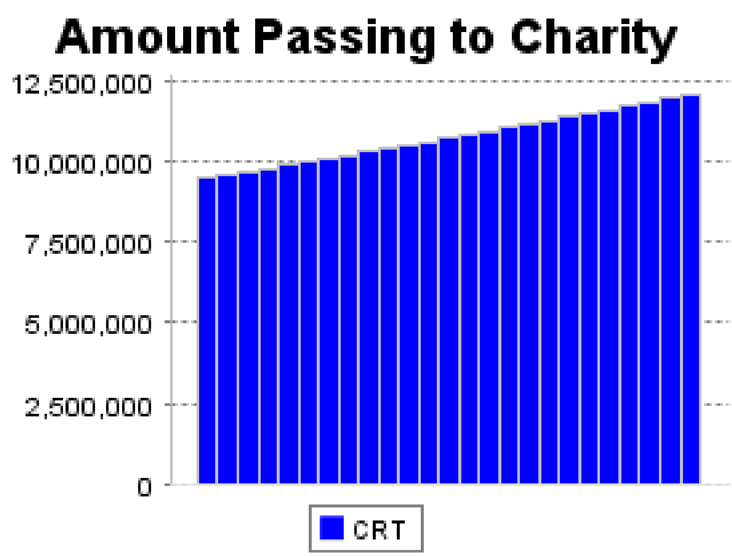


Charitable Remainder Trust









Charitable Remainder Trust

Assumptions

Property Value	9,500,000	Date Calculated	4/23/2009
Liability	0	IRC Sec. 7520(b) rate used	2%
Basis	1,155,000	Charitable Deduction Factor	0.3122
Maginal Income Tax Rate (Fed and State)	43%	Charitable Deduction	2,965,900
Future Estate Tax Rate	55%	Adjusted Gross Income (AGI) before payout	2,000,000
Capital Gains Rate (Fed and State)	22.17%	Deduction Limitation of AGI	30%
Investment Return	7%	Donor(s)	Clark & Barbara
Spending/Payout Rate(1)	6%	Life Expectancy (Average per tables)(A)(B)	(13) (18)
Capital Gains Tax	1,850,086	Insurance(4)	9,350,000

Outright Sale					Sale With Charitable Remainder Trust (CRT)						
Year	Investment Return	Income Tax(2)	Net(1) Spendable	Portfolio Balance	Year	Annual Payout	Charitable Deduction (3)	Insurance Premiums	Income Tax(2)	Net Spendable	Trust Balance
0	0	0	0	7,649,914	0	0	0	0	0	0	9,500,000
1	535,494	149,563	309,431	7,726,413	1	570,000	771,000	115,200	-65,496	520,296	9,595,000
2	540,849	151,059	312,526	7,803,677	2	575,700	772,710	115,200	-64,196	524,696	9,690,950
3	546,257	152,570	315,651	7,881,714	3	581,457	774,437	115,200	-62,883	529,140	9,787,860
4	551,720	154,095	318,807	7,960,531	4	587,272	647,753	115,200	-19,708	491,779	9,885,738
5	557,237	155,636	321,996	8,040,136	5	593,144	0	115,200	193,276	284,668	9,984,595
6	562,810	157,193	325,215	8,120,537	6	599,076	0	115,200	195,209	288,667	10,084,441
7	568,438	158,765	328,468	8,201,743	7	605,066	0	115,200	197,161	292,706	10,185,286
8	574,122	160,352	331,752	8,283,760	8	611,117	0	115,200	199,133	296,785	10,287,139
9	579,863	161,956	335,070	8,366,598	9	617,228	0	115,200	201,124	300,904	10,390,010
10	585,662	163,575	338,421	8,450,264	10	623,401	0	115,200	203,135	305,066	10,493,910
11	591,518	165,211	341,805	8,534,766	11	629,635	0	115,200	205,166	309,268	10,598,849
12	597,434	166,863	345,223	8,620,114	12	635,931	0	115,200	207,218	313,513	10,704,838
(A) 13	603,408	168,532	348,675	8,706,315	13	642,290	0	115,200	209,290	317,800	10,811,886
14	609,442	170,217	352,162	8,793,378	14	648,713	0	115,200	211,383	322,130	10,920,005
15	615,536	171,919	355,683	8,881,312	15	655,200	0	115,200	213,497	326,503	11,029,205
16	621,692	173,639	359,240	8,970,125	16	661,752	0	115,200	215,632	330,920	11,139,497
17	627,909	175,375	362,833	9,059,826	17	668,370	0	115,200	217,788	335,382	11,250,892
(B) 18	634,188	177,129	366,461	9,150,425	18	675,054	0	115,200	219,966	339,887	11,363,401
19	640,530	178,900	370,126	9,241,929	19	681,804	0	115,200	222,166	344,438	11,477,035
20	646,935	180,689	373,827	9,334,348	20	688,622	0	115,200	224,388	349,035	11,591,805
21	653,404	182,496	377,565	9,427,692	21	695,508	0	115,200	226,631	353,677	11,707,723
22	659,938	184,321	381,341	9,521,969	22	702,463	0	115,200	228,898	358,366	11,824,801
23	666,538	186,164	385,154	9,617,188	23	709,488	0	115,200	231,187	363,101	11,943,049
24	673,203	188,026	389,006	9,713,360	24	716,583	0	115,200	233,499	367,884	12,062,479
25	679,935	189,906	392,896	9,810,494	25	723,749	0	115,200	235,834	372,715	12,183,104
			8,739,331							8,939,326	

Summary of Outright Sale

Estate Impact @ Death:	25th year
Portfolio Balance	9,810,494
Estate Tax	5,395,772
Net to Family	4,414,722
Net To Charity	0

1) Net spendable is figured by taking a spendable rate (6%) multiplied by the period beginning balance and subtracting the income tax. The spendable rate is comparable to the CRT payout rate. The unspent growth is added to the portfolio balance.
2) Income tax is figured by taking the rate of ordinary income (2%) multiplied by the marginal income tax rate (43%) and adding that to the realized capital gain (6% - 2% = 4%) multiplied by the capital gains rate (22.17%). This yields a marginal tax rate of 29.11%.
3) Deduction is subject to 30% of AGI; 5 year carry forward.
4) Insurance amounts/value/premium duration based upon current assumptions, major carrier, NOT GUARANTEED

Summary of Sale with CRT

Estate Impact @ Death:	25th year
Trust Balance	12,183,104
Estate Tax	0
Net to Family (Ins.)(4)	9,350,000
Net to Charity	12,183,104

Extra Net Spendable(cumul.) w/CRT	199,994
Premiums Gifted (4)	2,880,000

Taxes Saved	25th year
Capital Gains Tax	1,850,086
Income Tax (3)	1,275,337
Estate Tax	5,395,772
Total Taxes Saved	8,521,195

Your Qualified Retirement Plan Dilemma

The Good News

You have Retirement Plan assets that are more than you will spend during your lifetime. This excess will be available to pass on to your family.

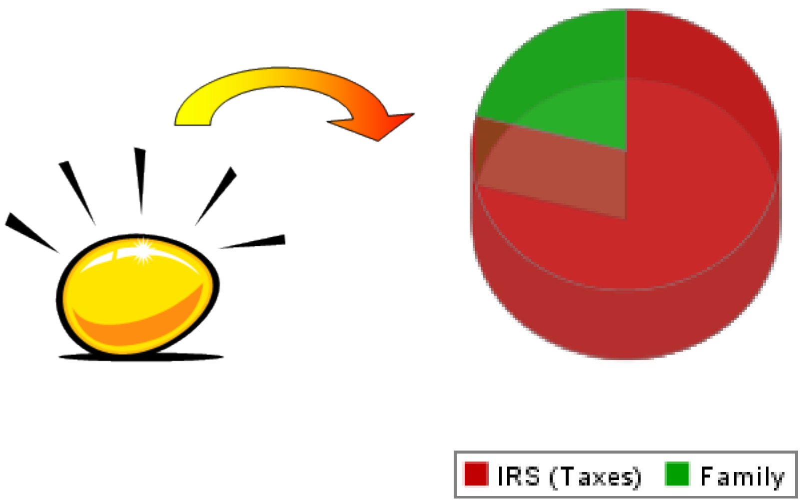
The Bad News

One of the disadvantages of a qualified retirement plan is that upon the death of the surviving spouse, any remaining balance in the plan is subject to double taxation.

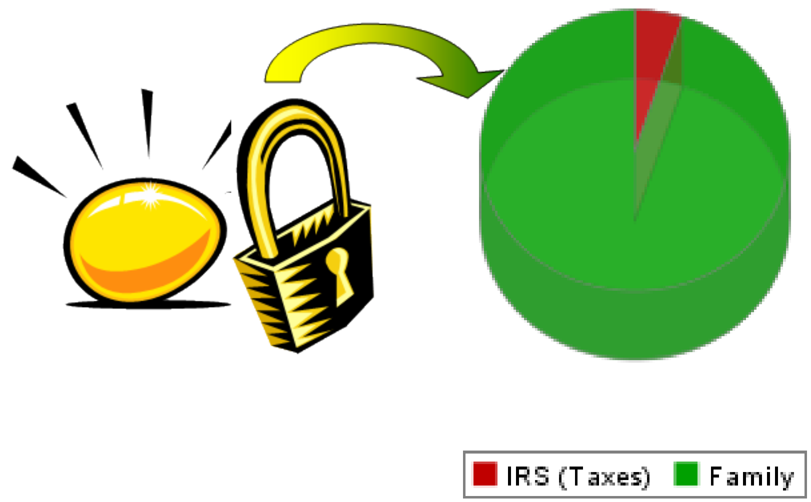
The first of these taxes is the estate tax. The combined Federal & State estate taxes can transfer from 41% to 60% of the qualified plan balance to this confiscatory tax.

The second of the taxes is the income tax. Depending on the distribution election made by the participant, or the cash needs of the estate, the entire balance can be subject to an income taxable distribution following the the death of the surviving spouse. This can cause the tax deferred balance to suddenly become subject to Federal and State Income Taxes during the estate settlement process, referred to as Income in Respect of a Decedent (IRD).

Your Situation in 25 Years



Recommendations

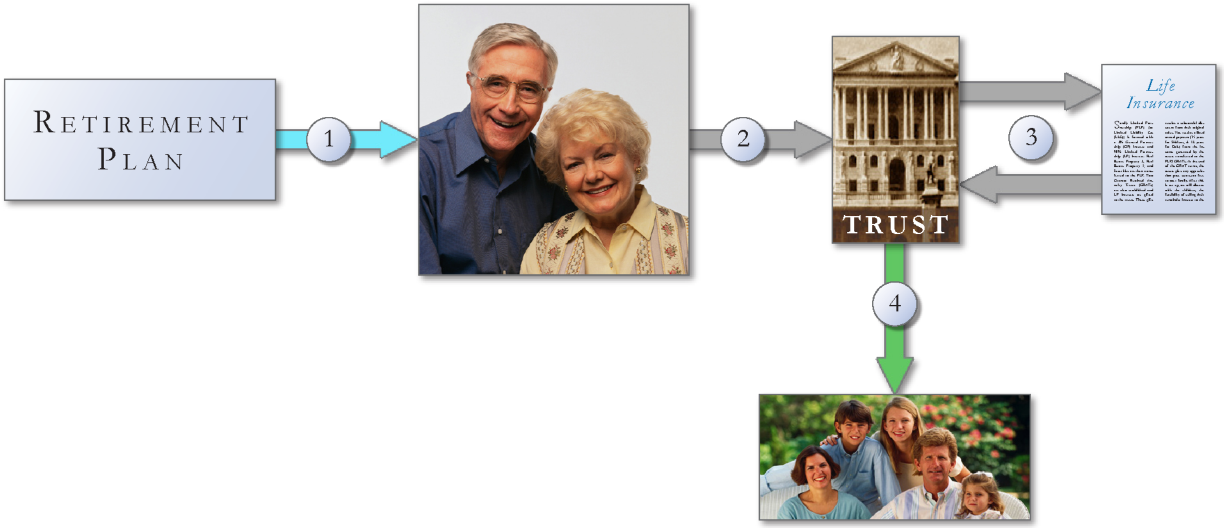


Clark and Barbara Jones

Current Retirement Plan

	Year	Plan Balance Beg Of Year	Earning @7%	Minimum Distribution	Balance End of Year	Retirement Plan Taxes at Death	% to Taxes	Accum'd in Investment	Plan and Investment Money	Total Taxes	Net To Family
1	2009	3,400,000	238,000	0	3,638,000	2,557,332	70.3%	0	3,638,000	2,557,332	1,080,668
2	2010	3,638,000	254,660	0	3,892,660	1,597,742	41.04%	0	3,892,660	1,597,742	2,294,918
3	2011	3,892,660	272,486	142,068	4,023,078	3,410,492	84.77%	81,059	4,104,137	3,455,074	649,062
4	2012	4,023,078	281,615	151,814	4,152,880	3,520,529	84.77%	171,042	4,323,922	3,614,602	709,320
5	2013	4,152,880	290,702	162,222	4,281,359	3,629,445	84.77%	270,698	4,552,057	3,778,329	773,728
6	2014	4,281,359	299,695	173,334	4,407,720	3,736,565	84.77%	380,830	4,788,550	3,946,022	842,528
7	2015	4,407,720	308,540	185,198	4,531,062	3,841,126	84.77%	502,302	5,033,364	4,117,393	915,972
8	2016	4,531,062	317,174	197,863	4,650,373	3,942,270	84.77%	636,041	5,286,415	4,292,093	994,322
9	2017	4,650,373	325,526	211,381	4,764,519	4,039,035	84.77%	783,043	5,547,562	4,469,709	1,077,853
10	2018	4,764,519	333,516	224,741	4,873,294	4,131,247	84.77%	943,768	5,817,062	4,650,320	1,166,742
11	2019	4,873,294	341,131	240,064	4,974,361	4,216,925	84.77%	1,119,906	6,094,267	4,832,873	1,261,394
12	2020	4,974,361	348,205	255,095	5,067,471	4,295,857	84.77%	1,311,931	6,379,401	5,017,419	1,361,982
13	2021	5,067,471	354,723	270,988	5,151,206	4,366,842	84.77%	1,520,991	6,672,197	5,203,387	1,468,810
14	2022	5,151,206	360,584	287,777	5,224,013	4,428,563	84.77%	1,748,307	6,972,321	5,390,132	1,582,188
15	2023	5,224,013	365,681	305,498	5,284,196	4,479,582	84.77%	1,995,168	7,279,364	5,576,925	1,702,440
16	2024	5,284,196	369,894	324,184	5,329,906	4,518,332	84.77%	2,262,935	7,592,841	5,762,946	1,829,895
17	2025	5,329,906	373,093	343,865	5,359,135	4,543,110	84.77%	2,553,044	7,912,178	5,947,284	1,964,894
18	2026	5,359,135	375,139	362,104	5,372,171	4,554,161	84.77%	2,865,598	8,237,769	6,130,240	2,107,529
19	2027	5,372,171	376,052	381,005	5,367,217	4,549,962	84.77%	3,201,908	8,569,126	6,311,012	2,258,114
20	2028	5,367,217	375,705	400,539	5,342,384	4,528,910	84.77%	3,563,320	8,905,704	6,488,736	2,416,968
21	2029	5,342,384	373,967	420,660	5,295,691	4,489,327	84.77%	3,951,212	9,246,902	6,662,493	2,584,409
22	2030	5,295,691	370,698	441,308	5,225,082	4,429,469	84.77%	4,366,981	9,592,063	6,831,308	2,760,754
23	2031	5,225,082	365,756	458,340	5,132,497	4,350,982	84.77%	4,809,723	9,942,220	6,996,330	2,945,890
24	2032	5,132,497	359,275	475,231	5,016,540	4,252,682	84.77%	5,280,477	10,297,017	7,156,944	3,140,073
25	2033	5,016,540	351,158	491,818	4,875,881	4,133,440	84.77%	5,780,230	10,656,110	7,312,566	3,343,544
26	2034	4,875,881	341,312	507,904	4,709,288	3,992,214	84.77%	6,309,901	11,019,189	7,462,660	3,556,529
27	2035	4,709,288	329,650	517,504	4,521,434	3,832,964	84.77%	6,867,032	11,388,466	7,609,832	3,778,634
28	2036	4,521,434	316,500	525,748	4,312,186	3,655,578	84.77%	7,451,987	11,764,173	7,754,171	4,010,002
29	2037	4,312,186	301,853	532,369	4,081,671	3,460,163	84.77%	8,064,995	12,146,665	7,895,910	4,250,755
30	2038	4,081,671	285,717	537,062	3,830,326	3,247,090	84.77%	8,706,121	12,536,446	8,035,456	4,500,990
31	2039	3,830,326	268,123	539,482	3,558,966	3,017,049	84.77%	9,375,234	12,934,200	8,173,428	4,760,772
32	2040	3,558,966	249,128	531,189	3,276,905	2,777,937	84.77%	10,067,384	13,344,289	8,314,998	5,029,291
33	2041	3,276,905	229,383	520,144	2,986,144	2,531,450	84.77%	10,781,956	13,768,101	8,461,526	5,306,575
34	2042	2,986,144	209,030	506,126	2,689,048	2,279,592	84.77%	11,518,185	14,207,234	8,614,594	5,592,639
35	2043	2,689,048	188,233	488,918	2,388,364	2,024,692	84.77%	12,275,150	14,663,514	8,776,025	5,887,489

RETIREMENT PLAN MAXIMIZER™



THE PROCESS

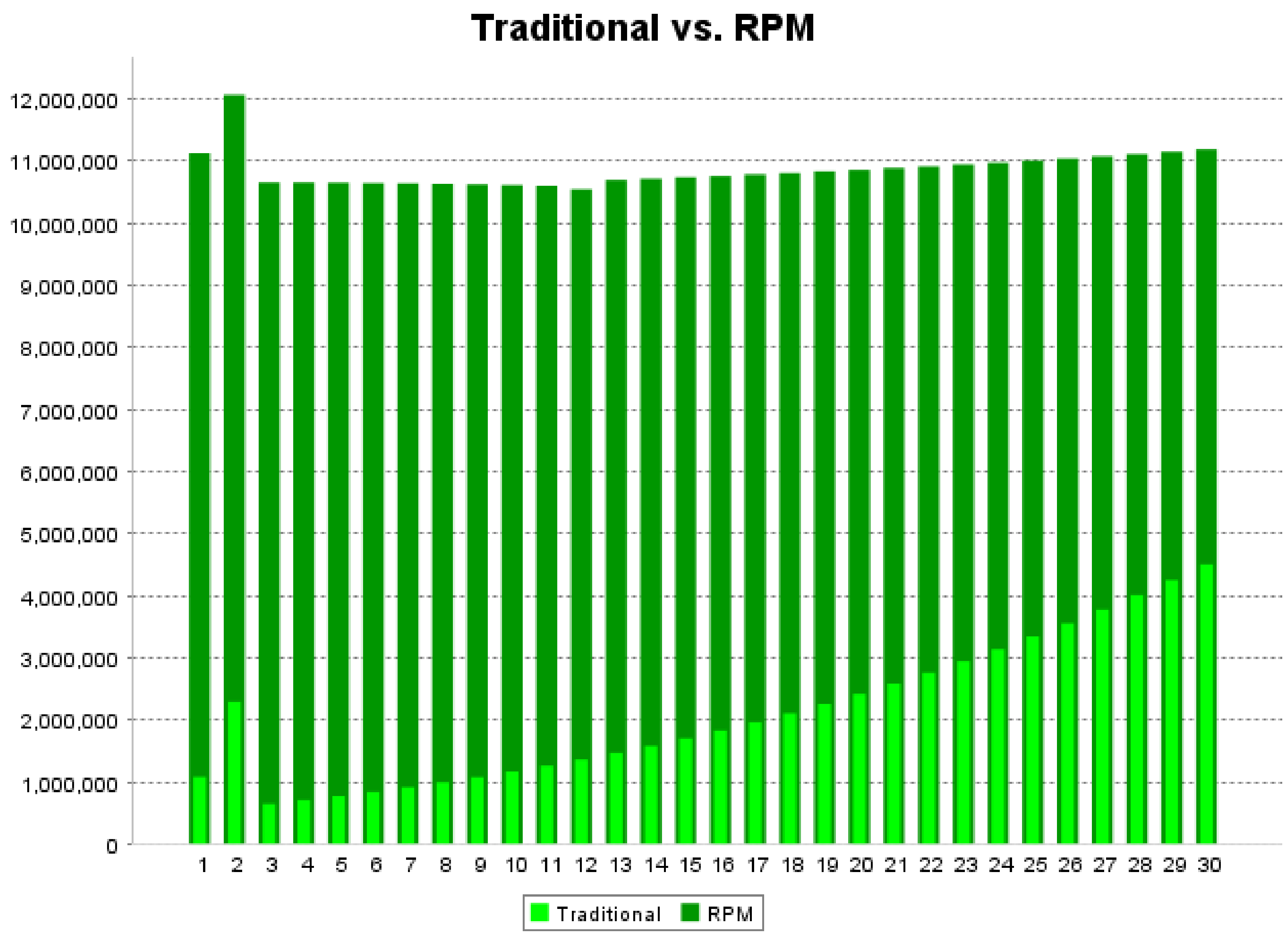
1. Clark and Barbara begin taking an imcome from his/her respective retirement programs. The amount taken in this example is designed to deplete their retirement assets at the end of the 12th year.
2. The after tax income is gifted to an Irrevocable Inheritance Trust. It is assumed that there are no gift taxes paid on the gifts due to the number of heirs and the annual exclusions available under the Crummey provision.
3. The Trust uses the assets and income of the Trust to purchase a Life Insurance policy on Clark and Barbara's lives. The trust is owner and beneficiary of the policy.
4. The Trust, at the death of the parents, receives the proceeds of the life insurance free of income and estate taxes.

RETIREMENT PLAN MAXIMIZER™ SUMMARY

		The RETIREMENT PLAN MAXIMIZER (RPM)					DISTRIBUTION AFTER BOTH DEATHS				
	Year	Plan Balance Beg Of Year	Earning @7%	Plan Distribution	Balance End of Year	Total Taxes	Net Distribution to Trust	Trust Owned Ins Premium	Year End Value of Trust	Life Insurance Death Benefit	Net To Family
1	2009	3,400,000	238,000	428,067	3,209,933	2,330,240	252,367	208,000	46,342	10,200,000	11,126,036
2	2010	3,209,933	224,695	428,067	3,006,562	1,234,043	252,367	208,000	94,748	10,200,000	12,067,266
3	2011	3,006,562	210,459	428,067	2,788,954	2,457,047	234,507	208,000	126,287	10,200,000	10,658,194
4	2012	2,788,954	195,227	428,067	2,556,114	2,259,662	234,507	208,000	159,135	10,200,000	10,655,587
5	2013	2,556,114	178,928	428,067	2,306,976	2,048,459	234,507	208,000	193,346	10,200,000	10,651,863
6	2014	2,306,976	161,488	428,067	2,040,397	1,822,472	234,507	208,000	228,977	10,200,000	10,646,902
7	2015	2,040,397	142,828	428,067	1,755,158	1,580,665	234,507	208,000	266,086	10,200,000	10,640,579
8	2016	1,755,158	122,861	428,067	1,449,953	1,321,933	234,507	208,000	304,736	10,200,000	10,632,756
9	2017	1,449,953	101,497	428,067	1,123,382	1,045,089	234,507	208,000	344,989	10,200,000	10,623,283
10	2018	1,123,382	78,637	428,067	773,952	748,866	234,507	208,000	386,913	10,200,000	10,612,000
11	2019	773,952	54,177	428,067	400,062	431,907	234,507	208,000	430,577	10,200,000	10,598,732
12	2020	400,062	28,004	428,067	0	128,979	234,507	208,000	476,053	10,200,000	10,547,074
13	2021	0	0	0	0	0	0	0	495,810	10,200,000	10,695,810
14	2022	0	0	0	0	0	0	0	516,386	10,200,000	10,716,386
15	2023	0	0	0	0	0	0	0	537,816	10,200,000	10,737,816
16	2024	0	0	0	0	0	0	0	560,135	10,200,000	10,760,135
17	2025	0	0	0	0	0	0	0	583,381	10,200,000	10,783,381
18	2026	0	0	0	0	0	0	0	607,591	10,200,000	10,807,591
19	2027	0	0	0	0	0	0	0	632,806	10,200,000	10,832,806
20	2028	0	0	0	0	0	0	0	659,068	10,200,000	10,859,068
21	2029	0	0	0	0	0	0	0	686,419	10,200,000	10,886,419
22	2030	0	0	0	0	0	0	0	714,906	10,200,000	10,914,906
23	2031	0	0	0	0	0	0	0	744,574	10,200,000	10,944,574
24	2032	0	0	0	0	0	0	0	775,474	10,200,000	10,975,474
25	2033	0	0	0	0	0	0	0	807,657	10,200,000	11,007,657
26	2034	0	0	0	0	0	0	0	841,174	10,200,000	11,041,174
27	2035	0	0	0	0	0	0	0	876,083	10,200,000	11,076,083
28	2036	0	0	0	0	0	0	0	912,441	10,200,000	11,112,441
29	2037	0	0	0	0	0	0	0	950,307	10,200,000	11,150,307
30	2038	0	0	0	0	0	0	0	989,745	10,200,000	11,189,745
31	2039	0	0	0	0	0	0	0	1,030,820	10,200,000	11,230,820
32	2040	0	0	0	0	0	0	0	1,073,599	10,200,000	11,273,599
33	2041	0	0	0	0	0	0	0	1,118,153	10,200,000	11,318,153
34	2042	0	0	0	0	0	0	0	1,164,557	10,200,000	11,364,557
35	2043	0	0	0	0	0	0	0	1,212,886	10,200,000	11,412,886

Traditional vs. Retirement Plan Maximizer™

		Net (after all taxes) Amount To Family		
	Year	Amount to Family "Before"	Amount to Family "RPM"	RPM vs Before Advantage
1	2009	1,080,668	11,126,036	10,045,368
2	2010	2,294,918	12,067,266	9,772,348
3	2011	649,062	10,658,194	10,009,131
4	2012	709,320	10,655,587	9,946,268
5	2013	773,728	10,651,863	9,878,134
6	2014	842,528	10,646,902	9,804,374
7	2015	915,972	10,640,579	9,724,607
8	2016	994,322	10,632,756	9,638,434
9	2017	1,077,853	10,623,283	9,545,430
10	2018	1,166,742	10,612,000	9,445,258
11	2019	1,261,394	10,598,732	9,337,339
12	2020	1,361,982	10,547,074	9,185,092
13	2021	1,468,810	10,695,810	9,227,000
14	2022	1,582,188	10,716,386	9,134,197
15	2023	1,702,440	10,737,816	9,035,376
16	2024	1,829,895	10,760,135	8,930,240
17	2025	1,964,894	10,783,381	8,818,486
18	2026	2,107,529	10,807,591	8,700,062
19	2027	2,258,114	10,832,806	8,574,692
20	2028	2,416,968	10,859,068	8,442,100
21	2029	2,584,409	10,886,419	8,302,010
22	2030	2,760,754	10,914,906	8,154,152
23	2031	2,945,890	10,944,574	7,998,684
24	2032	3,140,073	10,975,474	7,835,401
25	2033	3,343,544	11,007,657	7,664,113
26	2034	3,556,529	11,041,174	7,484,645
27	2035	3,778,634	11,076,083	7,297,449
28	2036	4,010,002	11,112,441	7,102,439
29	2037	4,250,755	11,150,307	6,899,552
30	2038	4,500,990	11,189,745	6,688,755
31	2039	4,760,772	11,230,820	6,470,048
32	2040	5,029,291	11,273,599	6,244,308
33	2041	5,306,575	11,318,153	6,011,579
34	2042	5,592,639	11,364,557	5,771,917
35	2043	5,887,489	11,412,886	5,525,397


Traditional vs. RPM
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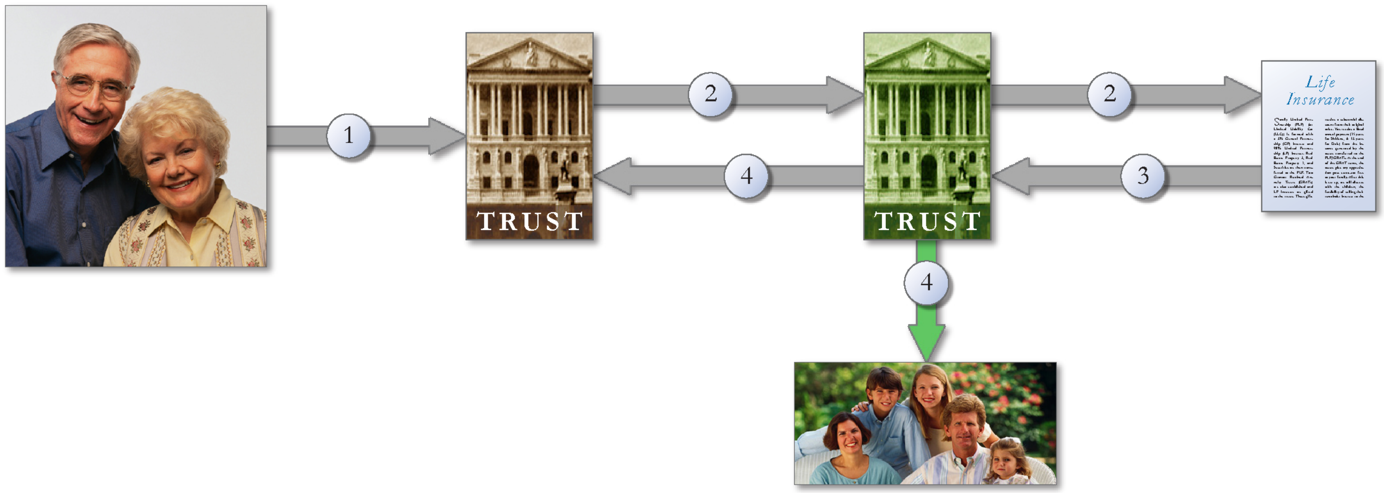
Traditional
RPM

Clark and Barbara Jones

Irrevocable Inheritance (Crummey) Trust



1. Clark & Barbara make annual gifts of $416,000 to an Irrevocable Inheritance (Crummey) Trust utilizing annual exclusion gifts made for children and grandchildren.
2. The trustee uses the gifts to loan money to the Multigenerational Trust which then obtains $40,600,000 of life insurance on Clark and Barbara's lives with an annual premium of $620,600. Trust income provides the difference.
3. Upon the second death (of Clark & Barbara), the life insurance proceeds are paid to the Multigenerational Trust free of both income and estate taxes.
4. The Multigenerational Trust then uses insurance proceeds to repay the loan to this trust.
5. Distributions are made to children and grandchildren from both trusts, as directed by instructions from Clark and Barbara

Other Issues

- Trustee must notify the beneficiaries in writing of the gift made to this trust. (Crummey power withdrawal right letters drafted by attorney)
- Beneficiaries have a certain amount of time (e.g. 30 days) to 'demand' their share of the gift. This withdrawal right creates a "present interest (vs. a "future interest") gift", thus enabling the annual exclusion to apply.
- Beneficiaries can elect to receive some or all of their gift, refuse the gift in writing, or waive the gift by allowing their option to lapse.

The Problem

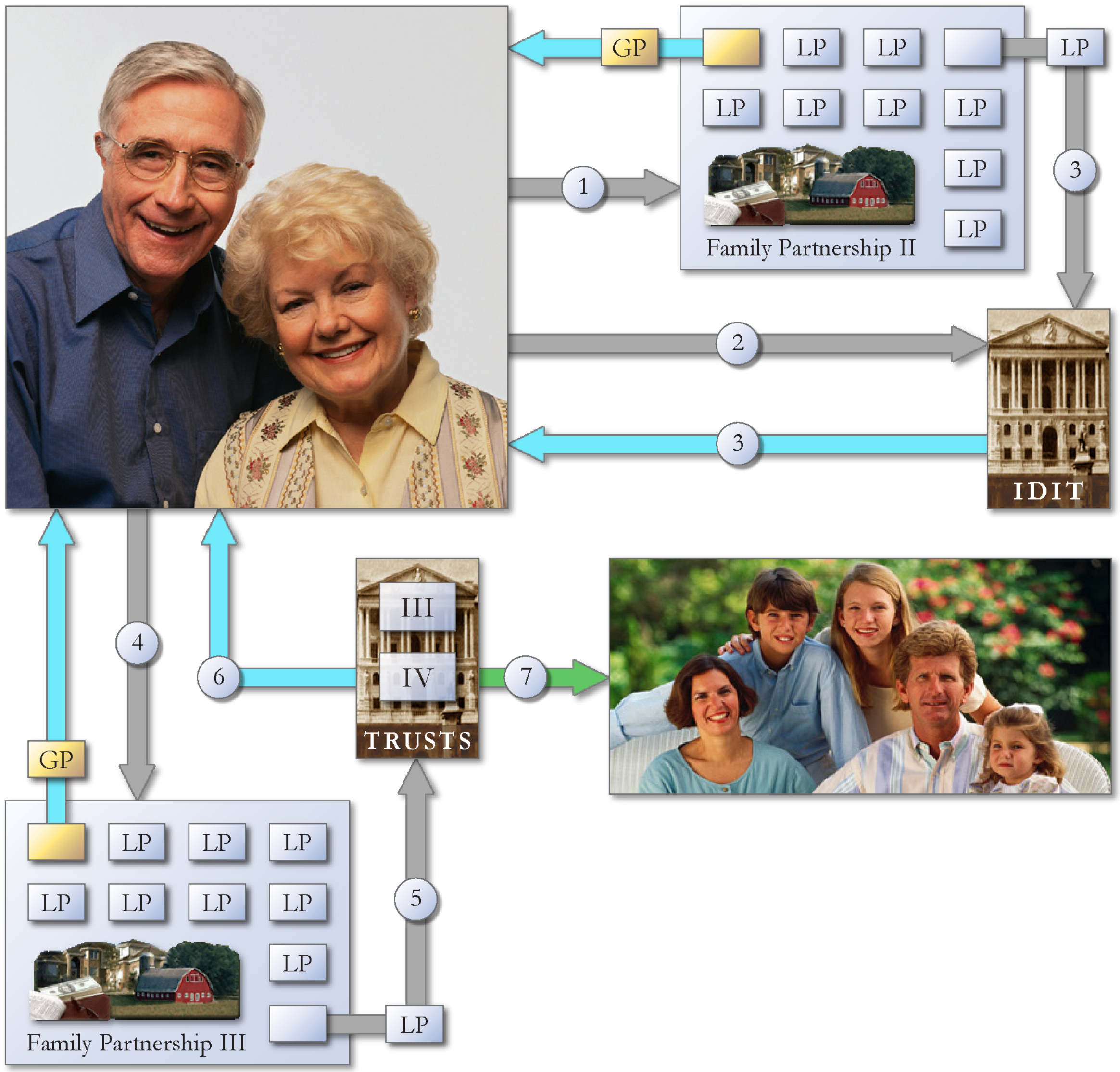
Your assets of Path of Progress, Securities have the potential to grow very dramatically over the next few years. This is great news until we calculate your future estate tax liability

Today's Fair Market Value	**$10,260,939**
Projected Years of Growth	**25**
Average Growth Rate	**10%**
Average Income Rate	**3%**
Total Value (projected) in Taxable Estate	**$93,325,250**
Estate Tax (55%)	**$51,328,887**
Net Value Passing to Family	**$41,996,362**

When an asset is growing very rapidly in one's estate, and the estate tax liability is growing faster than can be reduced by normal gifting techniques, a different approach can be taken.

Let's examine a combination of leveraging techniques that can be utilized with this circumstance.

Intentionally Defective Irrevocable Trust (IDIT)



The Process

1. A Family Limited Partnership (FLP) is formed with a 2% General Partnership (GP) interest and 98% Limited Partnership (LP) interest. Assets are transferred to the FLP. with each of you recieving one half of the GP/LP shares, however the distribution and liquidation powers must be assigned to someone else.

2,3. LP interests are sold by each of you to an Intentionally Defective Irrevocable Trust (IDIT) set up for the benefit of your children, grandchildren, etc., which needs to be previously funded with at least 1/9th of the value of the assets sold to this trust. The sale price is assumed to be discounted by (40%), due to the LP interests you each have and the underlying illiquid real estate asset. You each obtain notes recievable for the discounted value, paying 5% interest only, with a balloon payment due in 15 years.

4,5,6,7. The notes are then combined with Securities Portfolio assets and placed in another FLP. You each then transfer your respective 49% LP interest in the FLP into separate GRATS, set up for 10 years and then payable to the children.

Benefits of using this technique.

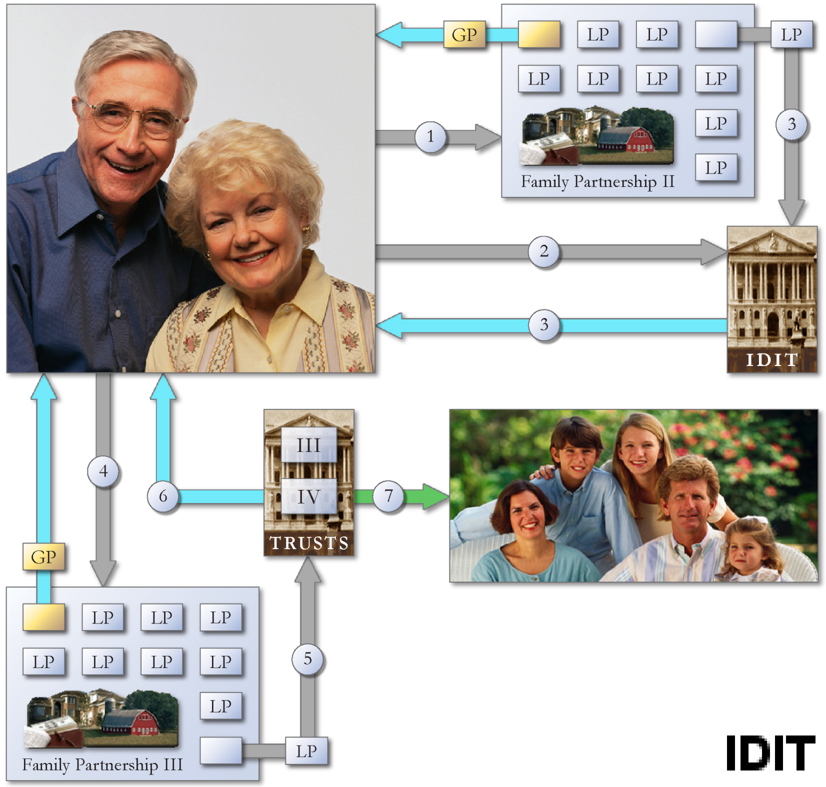
- The FLP discounts the asset value.
- The IDIT enables the freezing of a rapidly growing value.
- Then the GRATS remove the remaining value from the taxable estate

Side effects of this technique

- Assets are Irrevocably transferred to the family.
- Heirs lose the step-up in basis of the assets.

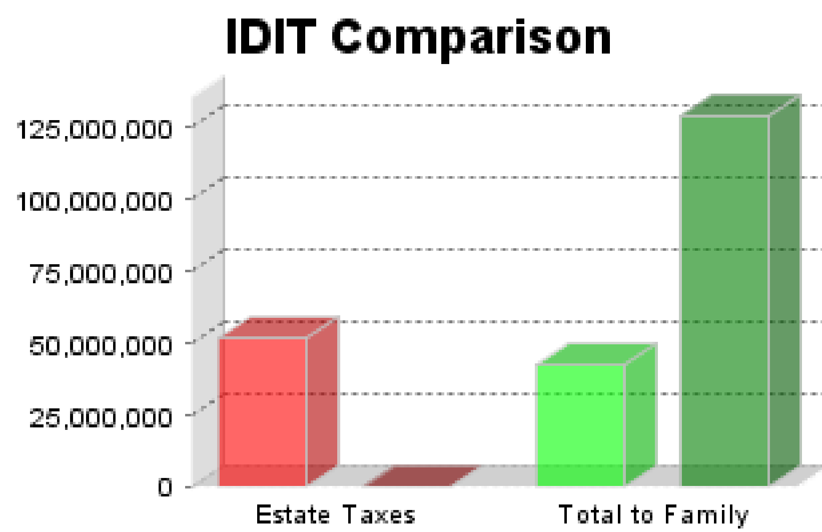
Clark and Barbara Jones

Intentionally Defective Irrevocable Trust (IDIT)



Comparison in 25 Years

	Keep in the Estate	IDIT	Difference
Estate/Gift Taxable:	$93,325,250	$45,000	$93,325,250
Total Estate/Gift Taxes:	$51,328,887	$0 *	$51,328,887
Total to Family	$41,996,362	$129,280,423	$87,263,810



* Taxable gifts are covered by the lifetime exemption.

Eliminating the GRAT Side Effects

By Strategically combining the tax advantages of the 10 Year GRAT with life insurance, your plan may eliminate the side effects (see below) of the GRAT technique. The insurance is designed to provide you with 98.17% of the tax savings, regardless of when deaths occur.

How Does This Work

Growth and Income of the GRAT (Year 9)		**$20,747,236**
Estate Taxes (if death occurs too soon)		**11,410,980**
Insurance Death Benefit	(a)	**10,000,000**
Annual Insurance Premium		**135,000**
Accumulated Cost of Insurance ($135,000 x 9 years)	(b)	**$1,215,000**
Cash Value of Life Insurance	(c)	**$1,031,540**
Cost to Preserve Tax Savings (Insurance)	(d)=(b-c)	**$183,460**
Cost of Protection as a Percent of Tax Savings	(d)/(a)	**1.83%**
Percent of Tax Savings Realized		**98.17%**

Side Effect

If death occurs before the end of the GRAT term, GRAT payments and the assets are included in the taxable estate not as cash, but as continued annuity payments, thus not available to pay the tax.

Solution

Insurance proceeds replace the tax savings if early death occurs. These tax-free proceeds (when insurance is owned outside the estate) are in addition to any assets passing through the estate.

Summary

Professionals often refer to the Grantor Retained Annuity Trust (GRAT) as a "heads you win, tails you tie" scenario. However, combining the power of the GRAT with life insurance yields a "heads you win, tails you win" outcome for you and for your family.

The Problem

Due to your sound financial acumen, your assets Board Walk, Park Place, provide steady growth and income. However, the fair market value plus growth and income not spent continue to add to your estate tax liability.

Todays Fair Market Value	$12,082,391
Projected Years of Growth	25.0
Average Growth Rate	5.99%
Average Income Rate	5.96%
Total Value (projected) in Taxable Estate	**$88,683,270**
Estate Tax (55%)	**$48,775,798**
Net Value Passing to Family	**$39,907,471**

When one's estate (and the estate tax liability) is growing faster than can be reduced by personal spending and normal (tax free) gifting to one's family, leveraged gifts can be very effective. This process can reduce the value of the assets being transferred, often resulting in the reduction of taxes.

Let's examine a double discount leveraging technique that is often utilized with this circumstance.

CURRENT SITUATION

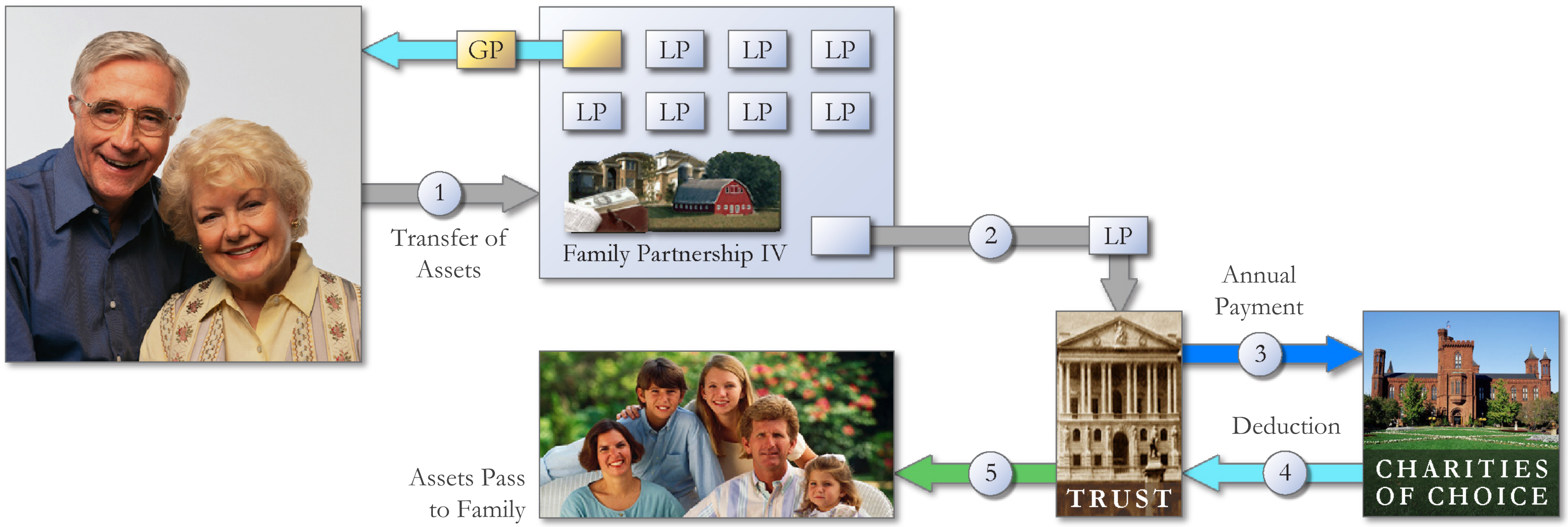
Assets	Current Full Value	Grown for 25 years
Board Walk	4,802,000	20,609,563
Park Place	7,154,000	30,704,043
Total of Assets	11,956,000	51,313,606
Securities & Rental Income	126,391	37,369,663
Total Value	12,082,391	88,683,270
Value for Estate Tax Purpose	12,082,391	51,313,606
Value of excess cash invested	-	37,369,663
Total value in estate	12,082,391	88,683,270
Estate Tax	(6,645,315)	(48,775,798)
Amount to Family	$5,437,076	$39,907,471
Amount to Charity	$0	$0

Securities + accum. Net Rental Income + accum. Securities

	Rental Income From Assets	Income Taxes on Rents	Net Earnings on Sec. Portfolio (5.99%)	Portfolio Balance
				126,391
1	717,360	(309,397)	6,320	540,673
2	760,402	(327,961)	27,034	1,000,147
3	806,026	(347,639)	50,007	1,508,541
4	854,387	(368,497)	75,427	2,069,858
5	905,650	(390,607)	103,493	2,688,394
6	959,990	(414,043)	134,420	3,368,760
7	1,017,589	(438,886)	168,438	4,115,901
8	1,078,644	(465,219)	205,795	4,935,121
9	1,143,363	(493,132)	246,756	5,832,107
10	1,211,965	(522,720)	291,605	6,812,957
11	1,284,683	(554,084)	340,648	7,884,204
12	1,361,763	(587,329)	394,210	9,052,849
13	1,443,469	(622,568)	452,642	10,326,392
14	1,530,077	(659,922)	516,320	11,712,867
15	1,621,882	(699,518)	585,643	13,220,875
16	1,719,195	(741,489)	661,044	14,859,625
17	1,822,347	(785,978)	742,981	16,638,974
18	1,931,687	(833,137)	831,949	18,569,474
19	2,047,589	(883,125)	928,474	20,662,411
20	2,170,444	(936,113)	1,033,121	22,929,863
21	2,300,671	(992,279)	1,146,493	25,384,748
22	2,438,711	(1,051,816)	1,269,237	28,040,880
23	2,585,034	(1,114,925)	1,402,044	30,913,033
24	2,740,136	(1,181,820)	1,545,652	34,016,999
25	2,904,544	(1,252,730)	1,700,850	37,369,663

Clark and Barbara Jones

Charitable Lead Annuity Trust (CLAT)



The Process

1. A Family Limited Partnership (FLP) is formed with a 2% General Partnership (GP) interest and 98% Limited Partnership(LP) interest. Assets are then transferred to the FLP.
2. A Charitable Lead Annuity Trust (CLAT) is also established and LP interesets are gifted to the trust. This gift receives a substantial discount from its original value, known as its Net Present Value.
3. The charity(ies) of your choice receive(s) a fixed annual payment for 15 years from the income generated by the assets transferred to the FLP/CLAT.
4. The CLAT receives an income tax charitable deduction for the payments made to charity(ies). Any excess income is taxed and the net accumulates in the trust.
5. At the end of the CLAT term, the assets, plus any appreciateion and excess income, pass estate-tax free to your family.

Benefits of Using this Technique

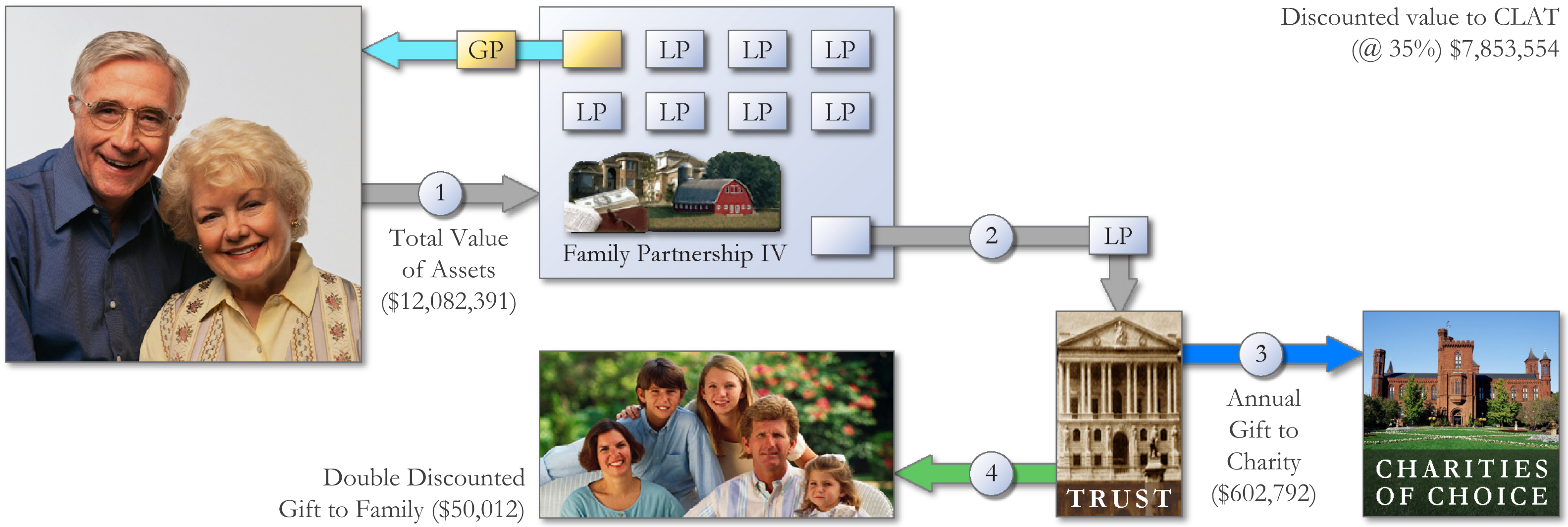
- Valuation discounts are made possible by the FLP. An additional discount is obtained by the CLAT.
- Only a portion of the full value of the assets is subject to estate/gift taxes.
- Full value of the net assets remaining in the CLAT is later transferred to the heirs without additional tax.
- Excess earnings and growth in the value of the assets add to the benefit for the family.
- The substantial tax savings are shared by the heirs and the selected charities.

Side effects/Draw backs of using this technique

- All income from these assets is directed to charity or retained in the trust.
- Heirs lose the step-up in basis of the assets upon the parents death(s).

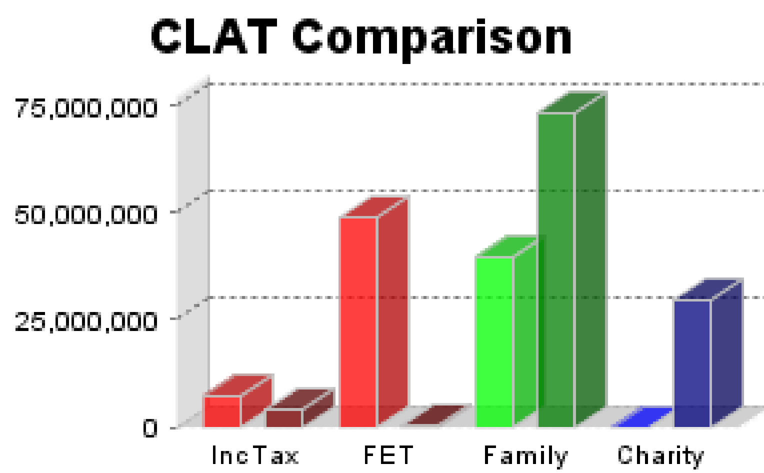
Clark and Barbara Jones

The Comparison



Comparison in 25 Years

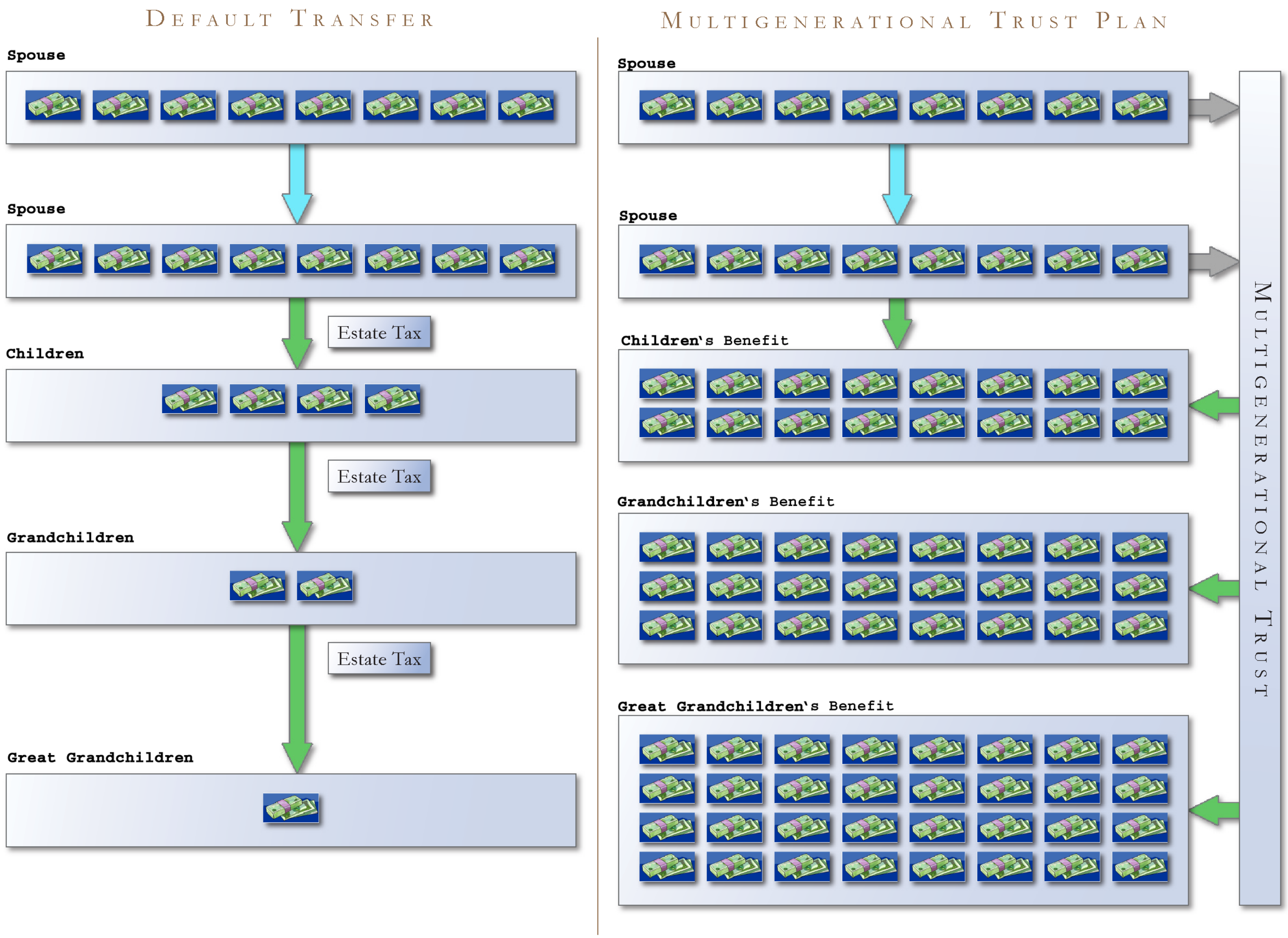
	Keep in the Estate	15 yr CLAT	Difference
Total Income Taxes:	$7,444,301	$3,804,524	$3,639,777
Estate/Gift Taxable:	**$88,683,270**	**$50,012**	**$88,633,258**
Total Estate/Gift Taxes:	**$48,775,798**	**$0***	**$48,748,292**
Total to Family	**$39,907,471**	**$73,675,476**	**$33,768,005**
Total to Charity	**$0**	**$29,797,554**	**$29,797,554**



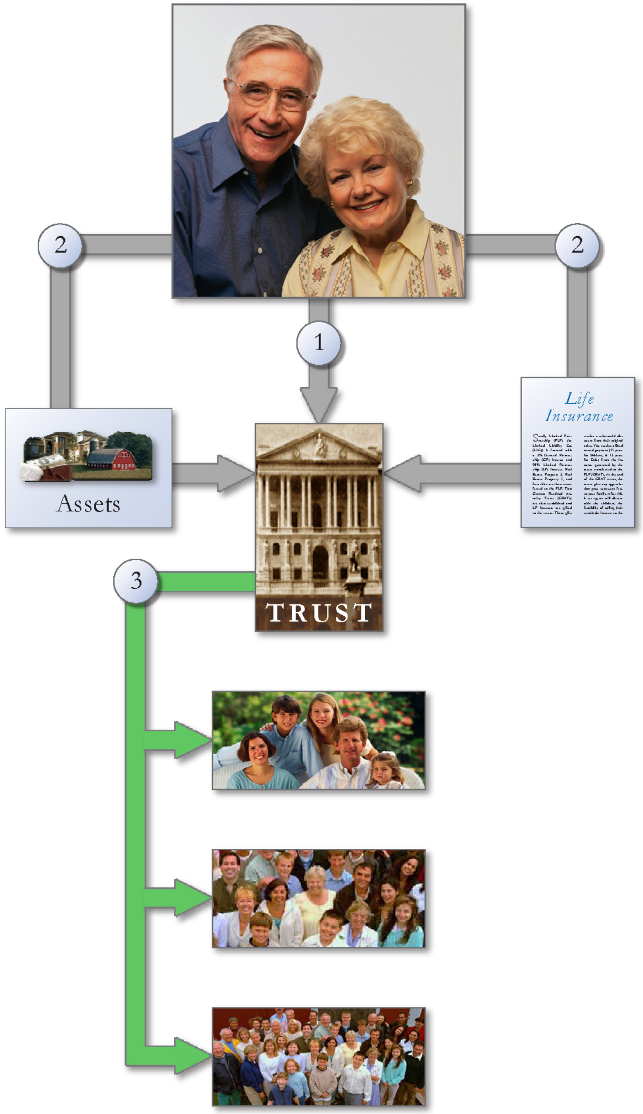
* Taxable gifts are covered by the lifetime exemption.

Clark and Barbara Jones

Multigenerational Trust



Multigenerational Trust



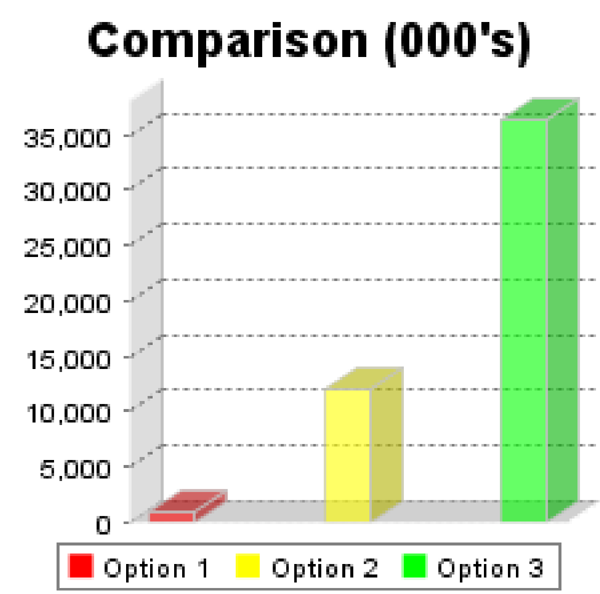
1. Clark and Barbara transfer Marketable Securities to a Family Limited Partnership (FLP) or a Limited Liability Corporation (LLC).
2. LP/MI interests are then gifted to the Multigenerational Trust, utilizing Generation-Skipping Tax Exemptions. The FLP/LLC interests could receive discounts for a lack of marketability and a lack of control.
3. Assets can be protected for family from divorced spouses, creditors, and estate taxes.
4. Earnings of the Multigenerational Trust can benefit future posterity according to the financial philosophy described by Clark and Barbara in the trust instrument.
5. Upon the deaths of children, grandchildren, etc., assets remaining in the trust can avoid estate taxes as long as the trust is allowed to continue. This length of time is based upon the laws of each state, called the "Rule against perpetuities". In many states, this trust could last as long as 100 years or so, whereas in others such as South Dekota, Delaware, or Alaska it could last indefinitely.
6. The Multigenerational Trust can also use Life Insurance and other assets to leverage, hedge and add to the gifted capital, as well as to save income taxes. (Please refer to Recommendations for details.)

GRANTOR MULTIGENERATIONAL TRUST

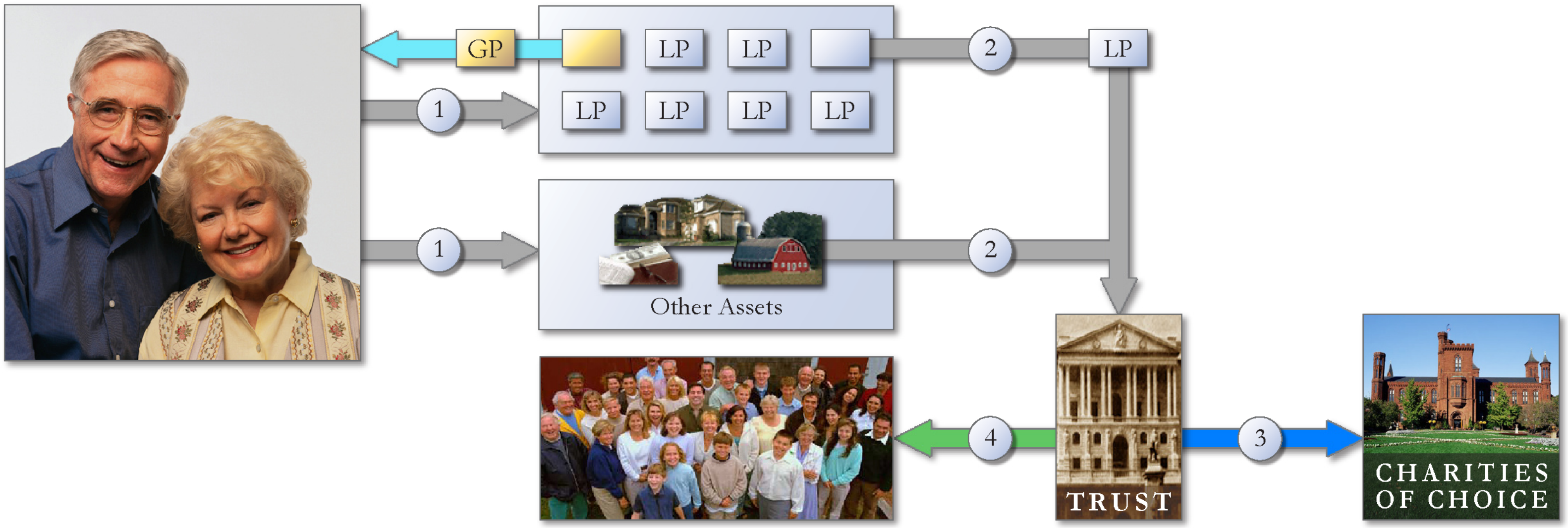
	Option 1 Normal Estate Distribution	Option 2 Multigenerational Trust in CA	Option 3 Multigenerational Trust in SD
First Generation (18 years)			
Starting Value	$ 1,787,520	$ 1,787,520	$ 1,787,520
Net Growth of Assets	$ 4,254,177	$ 3,314,668	$ 3,314,668
Value At Death	$ 6,041,697	$ 5,102,188	$ 5,102,188
Less Estate Tax	$ 3,322,933	0	0
Total Benefit to family	**$ 2,718,763**	**$ 5,102,188**	**$ 5,102,188**
Present Value of Amount to family (3% Infl.)	$ 1,596,987	$ 2,996,998	$ 2,996,998
Second Generation (25 years)			
Starting Value	$ 2,718,763	$ 5,102,188	$ 5,102,188
Average Annual Income 3% per year	$ 67,936	$ 134,693	$ 142,164
PV of Average Income (3% Infl)	$ 19,059	$ 37,787	$ 39,883
Net Growth of Assets	$ 1,530,684	$ 3,758,777	$ 4,709,197
Value At Death	$ 4,249,448	$ 8,860,965	$ 9,811,385
Less Estate Tax	$ 2,337,196	0	0
Total Benefit to family	**$ 1,912,252**	**$ 8,860,965**	**$ 9,811,385**
Present Value of Amount to family (3% Infl.)	$ 536,469	$ 2,485,881	$ 2,752,515
Third Generation (25 years)			
Starting Value	$ 1,912,252	$ 8,860,965	$ 9,811,385
Average Annual Income 3% per year	$ 47,783	$ 233,921	$ 273,379
PV of Average Income (3% Infl)	$ 6,402	$ 31,343	$ 36,630
Net Growth of Assets	$ 1,076,612	$ 6,527,863	$ 9,055,672
Value At Death	$ 2,988,864	$ 15,388,828	$ 18,867,057
Less Estate Tax	$ 1,643,875	0	0
Total Benefit to family	**$ 1,344,989**	**$ 15,388,828**	**$ 18,867,057**
Present Value of Amount to family (3% Infl.)	$ 180,214	$ 2,061,932	$ 2,527,976
Fourth Generation (25 years)			
Starting Value	$ 1,344,989	$ 15,388,828	$ 18,867,057
Average Annual Income 3% per year	$ 33,608	$ 406,251	$ 525,701
PV of Average Income (3% Infl)	$ 2,151	$ 25,998	$ 33,642
Net Growth of Assets	$ 757,239	$ 11,336,933	$ 17,413,839
Value At Death	$ 2,102,227	$ 26,725,761	$ 36,280,897
Less Estate Tax	$ 1,156,225	$ 14,699,168	0
Total Benefit to family	**$ 946,002**	**$ 12,026,592**	**$ 36,280,897**
Present Value of Amount to family (3% Infl.)	$ 60,538	$ 769,628	$ 2,321,754
COMPARISON OF PRINCIPAL ACCOUNTS			
Unadjusted Balance	$ 946,002	$ 12,026,592	$ 36,280,897
Inflation Adjusted	$ 60,538	$ 769,628	$ 2,321,754
Effectiveness Index (compared to Sc1)	**$ 1**	**$ 12.7 : 1**	**$ 38.4 : 1**

ASSUMPTIONS FOR COMPARISON

Current FMV of security Porfolio	**1,787,520**
Years per Generation(2nd thru 4th)	**25**
Estate Tax Rate	**55%**
Inflation Rate	**3%**
Clark Life Expectancy	**13**
Barbara Life Expectancy	**18**
Annual Rate of Income (gross)	**2%**
Annual Rate of Growth (gross)	**5%**
Annual Payout Rate (2nd - 4th generations)	**3%**
Trustee Fee Rate	**1%**
Net Annual Growth (CA)	**2.53%**
Net Annual Growth (SD)	**2.71%**



Testamentary Charitable Lead Annuity Trust



1. Upon both of your deaths, a Testamentary Charitable Lead Annuity Trust (Test. CLAT), which will be described in your Living Trust, becomes operative. Except for personal effects, some assets covered by remaining exemption(s), and enough liquidity to pay administrative expenses, all other remaining assets are then transferred to the Test. CLAT. Your estate will receive a substantial deduction from the taxable estate based on the term of the trust and the payout to charity.
2. A family foundation and subsequently the charity(ies) of choice receive(s) a fixed annual payment for 20 years from the income generated by the use of assets transferred to the Test. CLAT.
3. At the end of the Test. CLAT term, the assets plus any appreciation pass estate-tax free to the family.

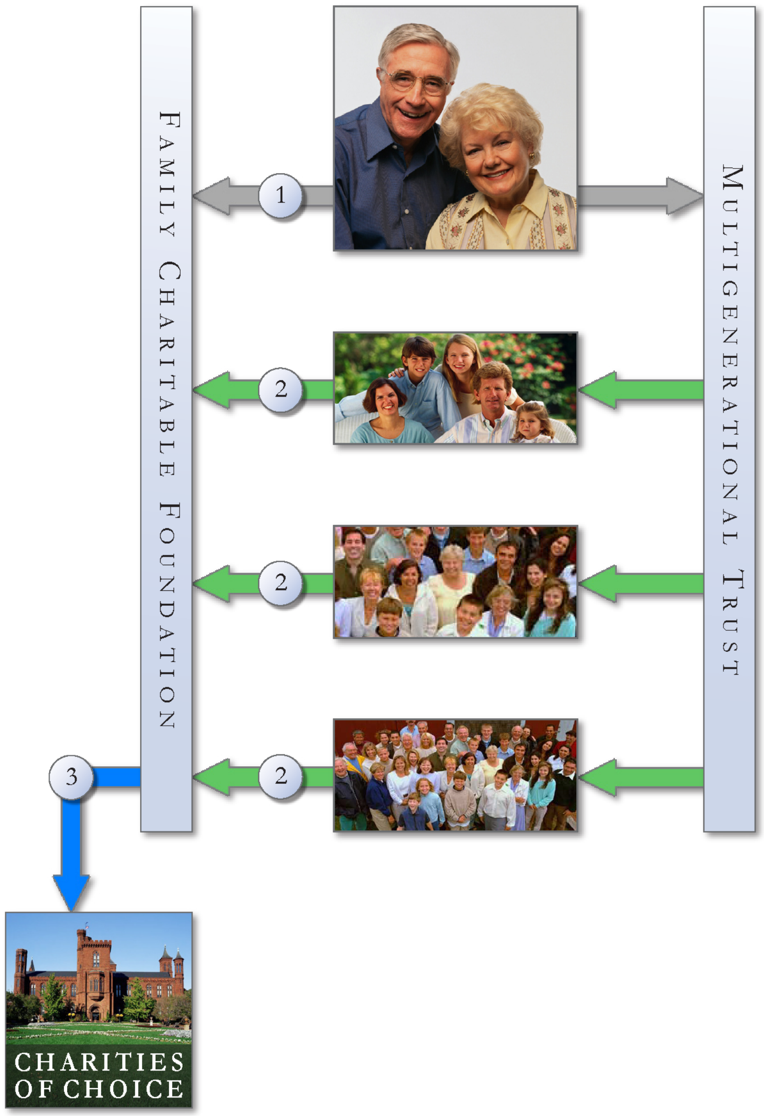
Benefits of Using this Technique

- A substantial discount is obtained by your estate through utilizing the Test. CLAT.
- Clark and Barbara have full control of assets while living, and can choose the level of control by the family after death.
- Full value, of the assets remaining in the trust at the end of the period, is later transferred to the family without additional tax.
- Excess earnings and growth in the value of assets add to the benefit to the family.
- The substantial tax savings are shared by the family and selected charities.
- Assets transferred to Test. CLAT receive a step up in basis at death.

Side Effects / Draw backs of using this technique

- Heirs do not receive the benefit of the assets until after the CLAT term expires.

Family Charitable Foundation



1. A Family Charitable Foundation is created in the form of a Donor Advised Fund (DAF), which operates under the sponsorship umbrella of a Public Charitable Foundation. This sponsor provides the necessary reporting paperwork and also favorable tax treatment. Clark and Barbara can fund this DAF, possibly in several stages (see recommendations), and can help oversee the DAF and in cooperation of the Public Charity also recommends distributions to charities from the SO during their lifetimes.

2. Children, grandchildren and beyond can become involved in both the management of the DAF (through a separate family entity) as well as the awarding of distributions to various charities. As this is done, their hearts can be touched and enlarged as they observe the beneficial effects of their humanitarian efforts.

3. As these distributions are made, family members have the opportunity to participate in a wonderful process. In addition to benefiting mankind and their respective communities, important relationships can be formed with community leaders, which can open many other opportunities and positive experiences for family members.

ESTIMATE OF CASH FLOWS - SCENARIO #2 AFTER (IN 000'S)

											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	81/79	86/85	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
I. CASH FLOW													
CASH RECEIPTS:													
Consulting Income	156	162	168	174	181	188	195	0	0	0	0	0	0
Social Security	24	25	25	26	27	28	29	30	30	31	34	40	49
Interest On Cash	52	52	52	52	52	52	52	52	52	52	52	52	52
Int & Div on Securities Portfolio	112	133	156	179	203	222	243	264	285	307	370	512	796
Retirement Distributions	428	428	428	428	428	428	428	428	428	428	0	0	0
CRUT(s) Distributions	570	576	581	587	593	599	605	611	617	623	642	675	724
Cash distributed from GRATs	740	740	740	740	740	740	740	740	740	740	0	0	0
IDIT GRAT Payments	582	582	582	582	582	582	582	582	582	582	0	0	0
General Partner Rental Income	37	39	42	44	47	50	54	57	61	65	79	109	174
Municipal Bonds	106	106	106	106	106	106	106	106	106	106	106	106	106
Total Cash Recipts	**2,806**	**2,842**	**2,880**	**2,919**	**2,959**	**2,995**	**3,033**	**2,870**	**2,901**	**2,935**	**1,283**	**1,494**	**1,900**
DISBURSEMENTS:													
Living Expenses (1)	400	408	416	424	433	442	450	459	469	478	507	560	643
Vacation (Other Exp)	15	15	15	15	15	15	15	15	15	15	15	15	15
RPM Trust	252	252	235	235	235	235	235	235	235	235	0	0	0
Gift to Irrevocable (Crummey) Trust	416	416	416	416	416	416	416	416	416	416	0	0	0
RPM Taxes	176	176	194	194	194	194	194	194	194	194	0	0	0
Taxes from Grantor Multigeneration Trust	22	20	19	17	16	14	12	10	8	6	0	0	0
Income Tax	745	756	837	849	1,187	1,221	1,237	1,161	1,175	1,189	420	513	693
Charitable Deductions	[717]	[726]	[737]	[747]	[40]	[0]	[0]	[0]	[0]	[0]	[0]	[0]	[0]
Total Disbursements	**2,026**	**2,043**	**2,131**	**2,150**	**2,495**	**2,536**	**2,559**	**2,490**	**2,511**	**2,532**	**942**	**1,088**	**1,352**
EXCESS CASH FLOW:	**780**	**799**	**749**	**769**	**464**	**460**	**474**	**380**	**391**	**402**	**341**	**406**	**548**

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

ESTIMATE OF NET WORTH - SCENARIO #2 AFTER (IN 000'S)

											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	81/79	86/85	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
II. SECURITIES PORTFOLIO													
BEG. BALANCE SECURITIES PORTFOLIO	5,604	6,665	7,798	8,937	10,152	11,124	12,140	13,221	14,262	15,366	18,498	25,620	39,776
Growth	280	333	390	447	508	556	607	661	713	768	925	1,281	1,989
Excess Cash	780	799	749	769	464	460	474	380	391	402	341	406	548
ENDING BALANCE SECURITIES PORTFOLIO	6,665	7,798	8,937	10,152	11,124	12,140	13,221	14,262	15,366	16,537	19,764	27,308	42,313

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

Estimate Of Net Worth - Scenario #2 After (in 000's)

Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	C 81/79	B 86/85	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
III. Net Worth													
Checking	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296
Muni Bonds	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Sec Portfolio	6,665	7,798	8,937	10,152	11,124	12,140	13,221	14,262	15,366	16,537	19,764	27,308	42,313
Retirement Plans	3,400	3,210	3,007	2,789	2,556	2,307	2,040	1,755	1,450	1,123	0	0	0
Personal Residence	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,330	4,052	5,332
Furnishings	350	350	350	350	350	350	350	350	350	350	350	350	350
Cars	125	125	125	125	125	125	125	125	125	125	125	125	125
Boats	200	200	200	200	200	200	200	200	200	200	200	200	200
QPRT Vacation Home Tahoe	1,590	1,685	1,787	1,894	2,007	2,128	2,255	2,391	2,534	2,686	3,199	0	0
General Partner Retained Interest in FLP	643	687	735	786	840	899	962	1,030	1,103	1,181	1,454	2,070	3,441
END OF YEAR NET WORTH	18,999	20,164	21,337	22,582	23,581	24,626	25,731	26,796	27,921	29,108	32,368	38,051	55,707

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

ESTIMATE OF NET WORTH - SCENARIO #2 AFTER (IN 000'S)

IV. Estate Distribution

											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	81/79	86/85	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
Estate Net Worth	18,999	20,164	21,337	22,582	23,581	24,626	25,731	26,796	27,921	29,108	32,368	38,051	55,707
Grantor Retained Annuity Trust(s)	10,908	11,562	12,256	12,990	13,770	14,596	15,472	16,400	17,384	18,428	0	0	0
IDIT GRATs	7,350	8,219	9,201	10,311	11,565	12,982	14,583	16,392	18,437	20,747	0	0	0
Asssets to 20 Yr Test. Clat	-18,949	-20,114	-21,287	-22,532	-23,531	-24,576	-25,681	-26,746	-27,871	-29,058	-32,318	-38,001	-55,657
Exemptions(2)	-7,000	-0	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
Taxable Estate	**11,308**	**19,831**	**19,507**	**21,351**	**23,385**	**25,628**	**28,105**	**30,842**	**33,871**	**37,225**	**0**	**0**	**0**
Federal Estate Tax	2,971	0	10,312	11,327	12,445	13,679	15,041	16,547	18,212	20,057	0	0	0
Federal Income Tax	766	1,018	537	498	457	413	365	314	260	201	0	0	0
State Income Tax	316	299	280	259	238	215	190	163	135	104	0	0	0
TOTAL TAXES AT 2ND DEATH	**4,053**	**1,316**	**11,129**	**12,084**	**13,140**	**14,306**	**15,596**	**17,024**	**18,607**	**20,363**	**0**	**0**	**0**
Multigenerational Trusts	1,788	1,877	1,971	2,069	2,173	2,281	2,395	2,515	2,641	2,773	3,210	4,097	5,765
QPRT Vacation Home Tahoe	0	0	0	0	0	0	0	0	0	0	1,600	4,282	6,438
Grantor Retained Annuity Trust (Family)	0	0	0	0	0	0	0	0	0	0	29,928	46,456	83,444
Intentionaly Defective Irrevocable Trust	7,605	10,248	8,754	9,723	10,815	12,048	13,443	15,178	17,495	20,077	29,826	54,952	129,280
Life Insurance From GRAT(s)	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	0	0	0
Life Insurance from CRUT	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350	9,350
Retirement Plan Maximizer	11,126	12,067	10,658	10,656	10,652	10,647	10,641	10,633	10,623	10,612	10,696	10,808	11,008
Charitable Lead Annuity Trust (CLAT)	12,082	12,873	13,735	14,675	15,699	16,814	18,027	19,346	20,780	22,336	27,846	41,648	73,703
Present Value Test. CLAT	18,899	20,064	21,237	22,481	23,481	24,526	25,631	26,696	27,821	29,008	32,267	37,950	55,606
Irrevocable Trust(Receivables @6%)	416	857	1,324	1,820	2,345	2,902	3,492	4,117	4,780	5,483	7,855	12,857	22,824
Life Insurance Trust	400	400	400	400	400	400	400	400	400	400	400	400	400
NET TO FAMILY	**85,921**	**96,250**	**87,808**	**92,441**	**97,160**	**102,290**	**107,888**	**114,053**	**121,154**	**128,902**	**156,578**	**226,940**	**403,036**
Net To Family Inflation Adjusted	78,921	93,447	80,882	82,766	84,548	86,511	88,680	91,109	94,061	97,260	108,418	136,092	197,283
Amount to Charity from CRT	9,595	9,691	9,788	9,886	9,985	10,084	10,185	10,287	10,390	10,494	10,812	11,363	12,183
Amount to Charity from CLAT	603	1,248	1,938	2,676	3,466	4,312	5,217	6,185	7,220	8,328	12,141	18,556	29,798

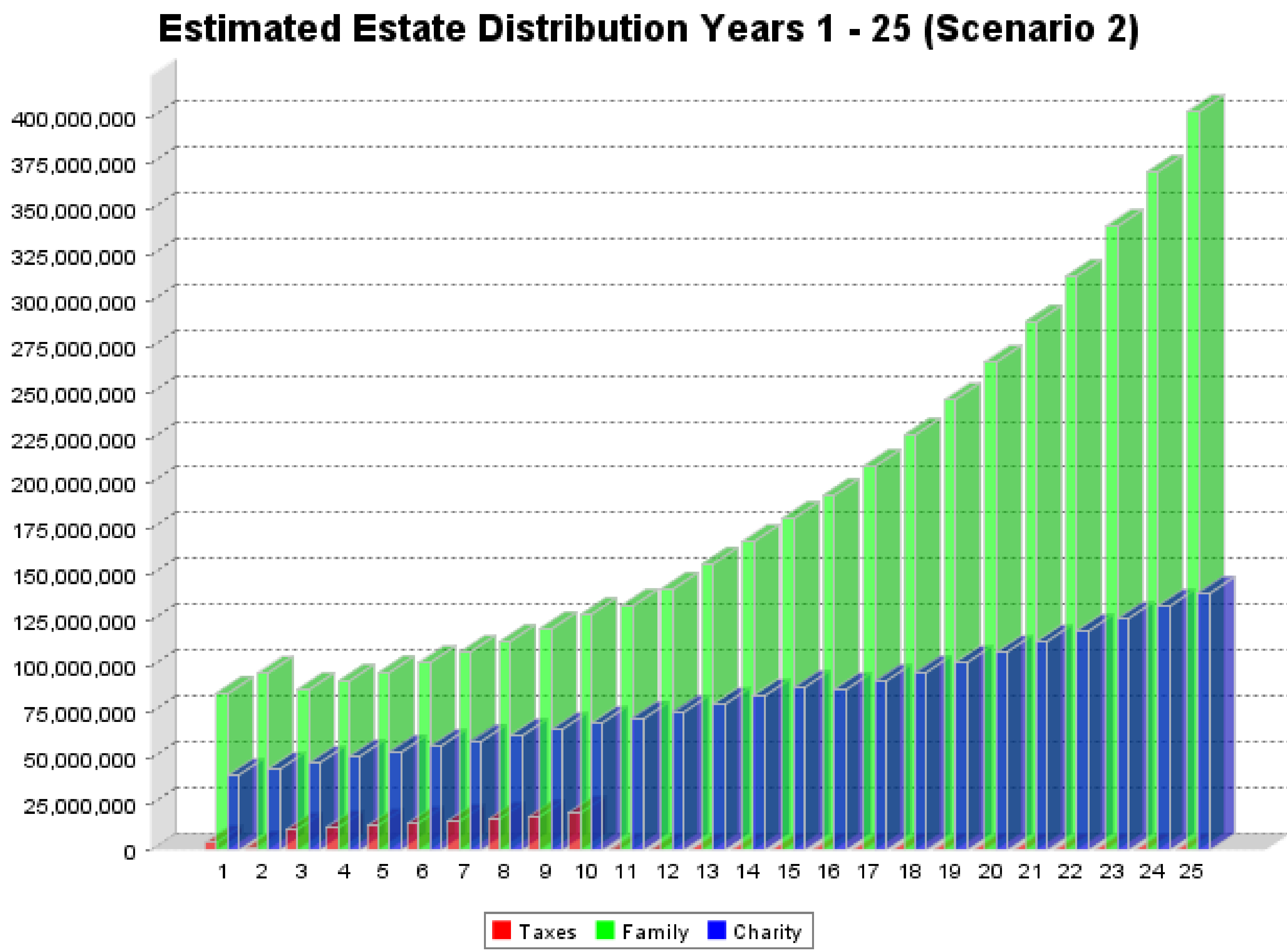
C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

Estimate Of Net Worth - Scenario #2 After (in 000's)

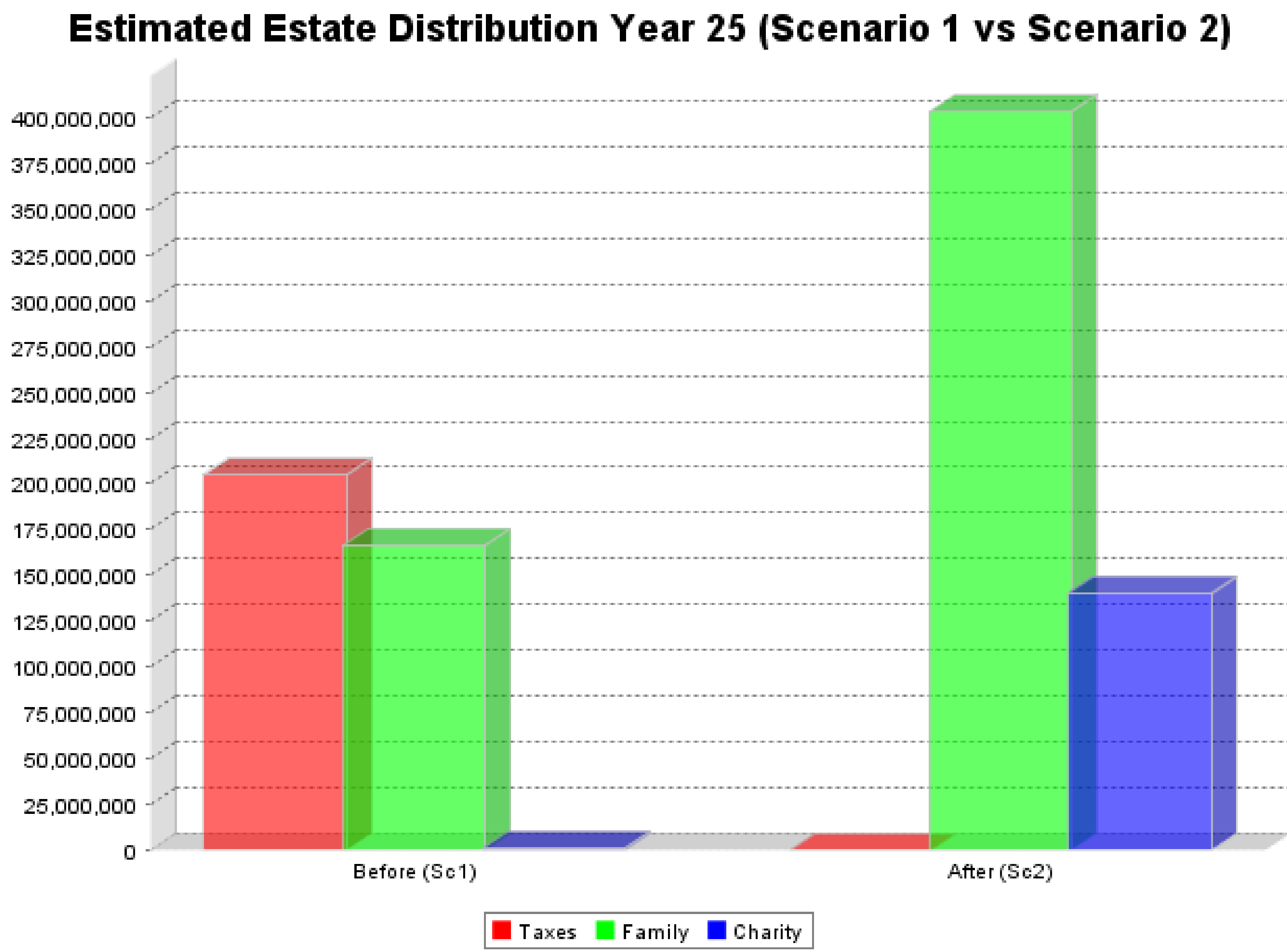
											C	B	
Ages: (Clark/Barbara)	69/68	70/69	71/70	72/71	73/72	74/73	75/74	76/75	77/76	78/77	81/79	86/85	93/92
End of Fiscal Year #	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**13**	**18**	**25**
PV of AMT to Charity from Test. CLAT	29,855	31,691	33,538	35,500	37,074	38,720	40,461	42,139	43,912	45,782	50,918	59,872	87,690
TOTAL TO CHARITY	**40,769**	**44,115**	**47,576**	**51,259**	**53,954**	**56,751**	**59,716**	**62,695**	**65,851**	**69,193**	**79,335**	**97,104**	**140,666**

C: Clark actuarial life expectancy - 13 years
B: Barbara actuarial life expectancy - 18 years

ESTATE DISTRIBUTION COMPARISON



Estate Distribution Comparison



Estate Distribution Comparison