### ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

### Williams

Summary of Current Assets &

Planning Considerations and Recommendations

### **Summary of Current Assets**

Assets	<u>Values</u>
Cash	\$2,160,000.00
Cryptocurrency	\$92,376.00
Brokerage Acct	\$184,935.00
John's IRA	\$101,240.00
John's IRA	\$70,178.00
John's SEP IRA	\$212,921.00
Johns Roth IRA	\$18,138.00
#1 LLC	\$1,873,124.00
#2 LLC	\$337,587.00
#3 LLC	\$50,000.00
#4 LLC	\$2,000,000.00
#5 LLC	\$160,000.00
#6 LLC	\$971,676.00
#7 LLC	\$5,000.00
#8 LLC	\$50,000.00
#9 LLC	\$500,000.00
#10 LLC	\$7,704,974.00
#11 LLC	\$4,859,829.00
#12 LLC	\$935,400.00
#13 LLC	\$121,761.00
#14 LLC	\$3,750,000.00
#15 LLC	\$1,000,000.00
Real Estate #1	\$1,300,000.00
Real Estate #2	\$550,000.00
Real Estate #3	\$245,000.00
Real Estate #4	\$1,150,000.00
Personal Assets	\$165,000.00
	\$30,569,139.00
Liabilities	<b>\$</b> (1,655,368.00)
Total Net Worth	\$28,913,771.00

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

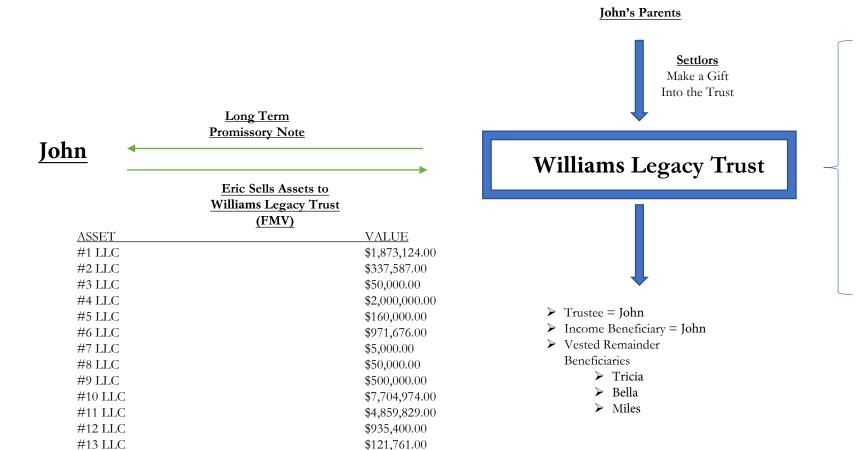
# Summary of Estimated Federal Estate Tax Liability

FEDERAL ESTATE TAX	2022	2026
TAXABLE ESTATE	\$28,913,771.00*	\$28,913,771.00*
FET APPLICABLE EXEMPTION	\$(12,920,000.00)	\$(7,000,000.00)
AMOUNT ("A.E.A.")	\$(12,920,000.00)	\$(7,000,000.00)
,	\$3,073,771.00	\$14,913,771.00
FET RATE	40%*	40%*
FET LIABILITY	\$1,229,508.40	\$5,965,508.40

Current Net Worth	\$28,913,771.00		
Annual Appreciation	<mark>4%</mark>		
Years of Growth	18	36 (Eric's $L/E = 31$ year	ars / Jennifer's $L/E = 38$ years)
Net Worth	\$58,573,995.00	\$118,660,166.00	
A.E.A.	\$(7,000,000.00)*	\$(7,000,000.00)*	*Assumes No Change in
	\$(7,000,000.00)*	\$(7,000,000.00)*	A.E.A. and No Change in
Taxable Estate	\$44,573,995.00	\$104,660,166.00	Rate
Federal Estate Tax ("FET") Rate	40%*	40%*	
Estimated FET Liability	\$17,829,598.00	\$41,864,066.00	
Current Net Worth	\$28,913,771.00		
Annual Appreciation	6%	8%	10%
Years of Growth	36		
Net Worth	\$235,567,779	\$461,700,064	\$893,802,166
A.E.A.	\$(7,000,000)*	\$(7,000,000)*	\$(7,000,000)*
	\$(7,000,000)*	\$(7,000,000)*	\$(7,000,000)*
Taxable Estate	\$221,567,779	\$447,700,064	\$879,802,166
Federal Estate Tax ("FET") Rate	40%*	40%*	40%
Estimated FET Liability	\$88,627,112	\$179,080,026	\$351,920,866

# RECOMMENDATION I: BENEFICIARY DEFECTIVE INHERITOR'S TRUST "BDIT"

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL



\$3,750,000.00

\$1,000,000.00 \$24,319,351.00

- Dynasty Trust
- ➤ Grantor Trust to John for Federal Income Tax Purposes
- ➤ Sale is a Non-taxable Event
- Removes Values of Assets from John's and Tricia's Estates for Federal Estate Tax Purposes
- Removes Appreciation of Assets from John's and Tricia's Estates for Federal Estate Tax Purposes

#14 LLC #15 LLC

# RECOMMENDATION I: BENEFICIARY DEFECTIVE INHERITOR'S TRUST "BDIT"

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

#### John & Tricia

#### **Balance Sheet after BDIT Strategy**

ASSET	<u>VALUE</u>	
Cash	\$2,160,000.00	
Cryptocurrency	\$92,376.00	
Brokerage Acct	\$184,935.00	
John's IRA	\$101,240.00	
John's IRA	\$70,178.00	
John's SEP IRA	\$212,921.00	
John's Roth IRA	\$18,138.00	
Real Estate #1	\$1,300,000.00	
Real Estate #2	\$550,000.00	
Real Estate #3	\$245,000.00 Lons	<u> Term</u>
Real Estate #4	¢1 1 5 0 000 00	sory Note
Personal Assets	\$165,000.00	<u> </u>
Promissory Note	\$24,319,351.00 ► Long Term AFR	= 3.86%
	\$30,569,139.00 > <b>20 Year Term</b>	
Liabilities	\$(1,655,368.00) ➤ Interest Only + E	Balloon
Total Net Worth	\$28,913,771.00 > Annual Payment	

### RECOMMENDATION IIA: SPOUSAL LIFETIME ACCESS TRUSTS

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

Tricia

#### **Separate Property Assets**

ASSET	VALUE
Cash	\$2,160,000.00
Promissory Note (45%)	\$10,943,707.95
NET ESTATE	\$13,103,707,95

John

• John Makes Gifts to Tricia

• Gifts become Tricia's Sole and Separate Property

 Gifts Qualify for the Unlimited Marital Deduction for Gift Tax Purposes

#### Post Nuptial Agreement

- Tricia Makes Gifts to John
- Gifts become John's Sole and Separate Property
- Gifts Qualify for the Unlimited Marital Deduction for Gift Tax Purposes

#### Separate Property Assets

	NET ESTATE	\$13,652,954.0
	Promissory Note (55%)	\$13,375,643.0
	Brokerage Acct	\$184,935.00
ر ۱	Cryptocurrency	\$92,376.00
	ASSET	VALUE

### RECOMMENDATION IIA: SPOUSAL LIFETIME ACCESS TRUSTS

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

#### <u>John</u>

John Makes Gifts of
His Separate Property
to the
SLAT for the Benefit of Tricia

Gifts into SLATS use Remaining Applicable Exemption Amounts
Available to John and Tricia

#### Tricia

Tricia Makes Gifts of Her Separate Property to the SLAT for the Benefit of John

### SLAT FOR THE BENEFIT OF ERIC

- ❖ SLAT is Irrevocable
- SLAT is a Dynasty Trust
- ❖ SLAT = Grantor Trust for Federal Income Tax
  - Disregarded Entity
- Tricia is the Settlor
- ❖ John is the Trustee
- ❖ John is the Current Income Beneficiary
- ❖ John has Limited Power of Appointment
- \* Bella and Miles are Vested Remainder Beneficiaries
- ❖ Grandchildren are Contingent Remainder Beneficiaries
- ❖ Provides Estate Tax Planning & Asset Protection

### SLAT FOR THE BENEFIT OF Tricia

- ❖ SLAT is Irrevocable
- ❖ SLAT is a Dynasty Trust
- ❖ SLAT = Grantor Trust for Federal Income Tax
  - Disregarded Entity
- ❖ John is the Settlor
- \* Tricia is the Trustee
- \* Tricia, Bella, and Miles are Current Income Beneficiaries
- ❖ Bella and Miles are Vested Remainder Beneficiaries
- \* Grandchildren are Contingent Remainder Beneficiaries
- ❖ Provides Estate Tax Planning & Asset Protection

### RECOMMENDATION IIA: SPOUSAL LIFETIME ACCESS TRUSTS

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

#### <u>John</u>

John Makes Gifts of His Separate Property to the SLAT for the Benefit of Tricia

Gifts into SLATS use Remaining Applicable Exemption Amounts
Available to John and Tricia

### SLAT FOR THE BENEFIT OF John

NET ESTATE	\$13,652,954.05*
Promissory Note (55%)	\$13,375,643.05
Brokerage Acct	\$184,935.00
Cryptocurrency	\$92,376.00
ASSET	VALUE

\*For Federal Gift Tax Purposes, the Fair Market Value of the Promissory Notes Should Be Discounted From Face Value

\*Discounted Value < Applicable Exemption Amount of \$12,920,000

\*Promissory Notes Need To Be Formally Appraised

#### Tricia

Tricia Makes Gifts of Her Separate Property to the SLAT for the Benefit of John

### SLAT FOR THE BENEFIT OF Tricia

NET ESTATE	\$13,103,707,95*
Promissory Note (45%)	\$10,943,707.95
Cash	\$2,160,000.00
ASSET	VALUE

## RECOMMENDATION IIB: IRA LIQUIDATIONS & SPOUSAL LIFETIME ACCESS TRUST

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

#### **IRA LIQUIDATION**

 ❖ John's IRA
 \$101,240.00

 ❖ John's IRA
 \$70,178.00

 ❖ John's SEP IRA
 \$212,921.00

 ❖ John's Roth IRA
 \$18,138.00

 ❖ IRAs − Cash Out
 \$402.477.00

**❖** Income Tax Rate 47.00% (37% + 10%)

 ❖ Tax Liability
 \$(189,164.19)

 ❖ Net Cash
 \$213,312.81

❖ Gift to SLAT FBO TRICIA



\$213,312.81

Gift into SLAT FBO Tricia Uses Remaining Applicable Exemption Amounts Available to John SLAT FOR THE BENEFIT OF Tricia

ASSET	VALUE
Cash	\$2,160,000.00
Promissory Note (45%)	\$10,943,707.95
Cash (IRAs)	\$213,312.81
NET ESTATE	\$13,317,020.76

### RECOMMENDATION IIA & IIB: Annual Cash Flow

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

### Williams Legacy Trust

\$516,299.82 (Annual Payment = 55% \* \$938,726.95)

SLAT FOR THE BENEFIT OF John

ASSET VALUE
Cryptocurrency \$92,376.00
Brokerage Acct \$184,935.00
Promissory Note (55%) \$13,375,643.05
NET ESTATE \$13,652,954.05\*

Long Term
Promissory Note

- ➤ Long Term AFR = 3.86%
- ➤ 20 Year Term
- > Interest Only + Balloon
- > Annual Payment = \$938,726.95

\$422,427.13 (Annual Payment = 45% \* \$938,726.95)

> SLAT FOR THE BENEFIT OF Tricia

ASSET	VALUE
Cash	\$2,160,000.00
Promissory Note (45%)	\$10,943,707.95
Cash (IRAs)	\$213,312.81
NET ESTATE	\$13,317,020.76

10

#### **RECOMMENDATION III: QUALIFIED PERSONAL RESIDENCE TRUST**

### ATTORNEY-CLIENT **PRIVILEGED** CONFIDENTIAL

❖ John & Tricia = Settlors

#### Gift & Transfer:

❖ Real Estate #1

\$1,300,000.00

Williams Qualified Personal **Residence Trust** 

- ❖ QPRT is Irrevocable
- ❖ John & Tricia = Trustees
- ❖ John & Tricia = Current Income Beneficiaries
  - \* Right to Use the Residence for a Term of

Years

#### **Upon Expiration of Term**

- ❖ Bella and Miles = Vested Remainder Beneficiaries
  - ❖ Properties Pass to Children Via Legacy Trusts
- ❖ John & Tricia = Pay Rent to Use Property
- ❖ Values of Properties Are Not Included in Estates for Federal Estate Tax Purposes if John & Tricia Survive the Term of Years
- \* Provides Asset Protection

#### Transfer Tax Calculation (Gift)

❖ Section 7520 Rate 4.6%

❖ Term of Years 20

**❖** Ages 49 (11/22/1976) (B)

43 (06/12/1979) (D)

❖ Value of RE #1

\$1,300,000.00

❖ Value of Use

\$780,299

**❖** Value of Gift

\$519,701

❖ A.E.A. Utilization

\$519,701

### RECOMMENDATION IV: SECTION 7702 PLAN

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

SLAT FOR THE BENEFIT OF Tricia

SLAT FOR THE BENEFIT OF John

Annual Loans of Cash

Split Dollar Agreement + Promissory Note Williams Family Legacy Trust

- ❖ Williams Family Legacy Trust is Irrevocable
- ❖ John and Tricia are the Settlors
- ❖ Independent Party is the Trustee
- ❖ Bella and Miles are the Beneficiaries
- ❖ Dynasty Trust
- ❖ Sole Asset Life Insurance Policy
   − 2<sup>nd</sup> to Die
- ❖ Death Benefit for Paying the FETL

- ❖ Insured = John Williams & Tricia Williams
- **❖** Death Benefit = **\$26,090,302**
- ❖ Death Benefit is not subject to FET

### RECOMMENDATION VI: REVISE CURRENT ESTATE PLAN

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

### FOUNDATION ESTATE PLAN

- ❖ Revocable Trust
- ❖ Coordinate Estate Plan with Foregoing Proposed Plan
- ❖ Coordinate Dispositive Terms and Trustee Nominations with Terms of Other Trusts Implemented
- ❖ Last Wills and Testaments
- ❖ Powers of Attorney
- ❖ Healthcare Powers of Attorney

### SUMMARY OF ASSET ALLOCATION POST PLANNING

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

Assets	Values	John's SLAT	Tricia's SLAT	QPRT	IRA / SLAT	RLT
<u>Cash</u>	\$2,160,000.00		\$2,160,000.00			
Cryptocurrency	\$92,376.00	\$92,376.00				
Brokerage Acct	\$184,935.00	\$184,935.00				
John's IRA	\$101,240.00				\$101,240.00	
John's IRA	\$70,178.00				\$70,178.00	
John's SEP IRA	212,921.00				\$212,921.00	
John's Roth IRA	\$18,138.00 \$2,839,7	788.00			\$18,138.00	
#1 LLC	\$1,873,124.00					
#2 LLC	\$337,587.00					
#3 LLC	\$50,000.00					
#4 LLC	\$2,000,000.00					
#5 LLC	\$160,000.00					
#6 LLC	\$971,676.00					
#7 LLC	\$5,000.00					
#8 LLC	\$50,000.00					
#9 LLC	\$500,000.00					
#10 LLC	\$7,704,974.00					
#11 LLC	\$4,859,829.00					
#12 LLC	\$935,400.00					
#12 LLC	\$121,761.00					
#13 LLC	\$3,750,000.00					
#14 LLC	\$1,000,000.00					
Promissory Note (BDIT)	\$- \$24,319	,351.00 \$13,375,643.05	\$10,943,707.95			
Real Estate #1	\$1,300,000.00			\$1,300,000.00		
Real Estate #2	\$550,000.00					\$550,000.00
Real Estate #3	\$245,000.00					\$245,000.00
Real Estate #4	\$1,150,000.00					\$1,150,000.00
Personal Assets	\$165,000.00 \$3,410,0	00.00				\$165,000.00
	\$30,569,139.00 \$30,569		\$13,103,707.95	\$1,300,000.00	\$402,477.00	\$2,110,000.00
Liabilities	\$(1,655,368.00) \$(1,655,	• • • • • • • • • • • • • • • • • • • •			<u> </u>	,
Total Net Worth	\$28,913,771.00 \$28,913	,				\$30,569,139.00
						\$-

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

Summary of
Estimated
Federal Estate Tax
Liability
Post Planning

FEDERAL ESTATE TAX 2026 **CURRENT NET WORTH** \$28,913,771.00 MINUS SLAT FBO John \$(13,652,954.05) MINUS SLAT FBO Tricia MINUS \$(13,103,707.95) **QPRT** \$0.00 MINUS IRAS / SLAT FBO Tricia \$(213,312.81) TAXABLE ESTATE \$1,943,796.19 FET APPLICABLE EXEMPTION AMT. \$(0.00) \$(0.00) \$1,943,796.19 FET RATE 40% FET LIABILITY \$777,518.48 \$5,965,508.40 vs. Estimated FET Savings \$5,187,989.92 Assets Subject to FET Post Planning \$2,110,000 (Assets of Rev Trust) Annual Appreciation  $4^{\circ}/_{\circ}$ Years of Growth 36 Net Worth \$8,659,298.00 A.E.A. \$(0.00) \$(0.00)

\$8,659,298.00

\$3,463,719.00

\$41,864,066.00

40%

Estimated FET Savings \$38,400,347.00

Resulting From Recommendations & Additional Dollars to Bella and Miles

Taxable Estate

Estate Tax Liability

**Versus Current** 

FET Rate

# ATTORNEY-CLIENT PRIVILEGED CONFIDENTIAL

Summary of
Estimated
Federal Estate Tax
Liability
Post Planning

Assets Subject to FET Post Planning

Annual Appreciation Years of Growth Net Worth A.E.A.

Taxable Estate FET Rate Estimated Estate Tax Liability Versus Current Estimated

Estimated FET Savings Resulting From Recommendations & Additional Dollars to Bella and Miles \$2,110,000 (Assets of Rev Trust)

6%	8%	10%
36	36	36
\$17,190,702	\$33,692,843	\$65,225,756
\$(0.00)	\$(0.00)	\$(0.00)
\$(0.00)	\$(0.00)	\$(0.00)
\$17,190,702	\$33,692,843	\$65,225,756
40%	40%	40%
\$6,876,281	\$13,477,137	<b>\$26,090,302</b>
\$88,627,112	\$179,080,026	\$351,920,866
\$81,750,831	\$165,602,889	\$325,830,564