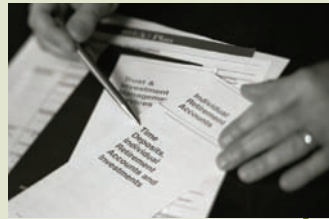


ACTION STEPS



- 1 Thomas and Virginia Smith scheduled a meeting at Million Voorhees LLP (see www.MillionVoorhees.com) to have their attorney generate an illustration with numbers like those on the previous page.
- 2 The Smiths had their attorney update their living trust with a revocable TCLAT provision. The updated living trust gave the Smiths the right to change the TCLAT at any time until death. Their heirs had limited rights to revoke the TCLAT provision following the Smiths' deaths.
- 3 The Smiths met with their children to create guidelines for a family board. The family agreed to meet at least annually before and after the death of Thomas and Virginia to review how the Smiths should use TCLAT distributions to fund charities that would honor the Smiths' legacy.
- 4 The Smiths met with their children to discuss the expected inheritance for each child. The children saw that they would receive reasonable wealth transfers during the lives of Thomas and Virginia and at the death of Thomas and Virginia. Therefore, the children did not mind waiting until the end of the term of the TCLAT to receive a portion of their inheritance. The parents and children agreed to shorten the term of the TCLAT (thereby generating less than a 100% estate tax deduction) if the children would be too old at the end of the TCLAT term.
- 5 The Smiths agreed to meet with their attorney periodically to review which trusts should complement the TCLAT in order to transfer appropriate assets to the children regardless of when Thomas and Virginia die.



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TCLAT Case Study



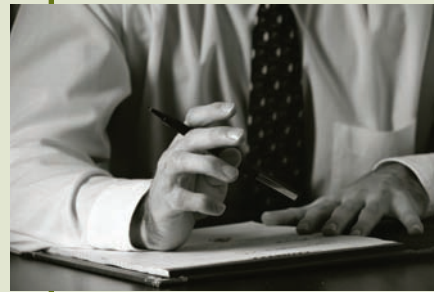
How the Smiths Zeroed-Out Their Estate Taxes with a
Testamentary Charitable Lead Annuity Trust

CASE STUDY ▲ T C L A T

FLOW CHART ▲ B A R C H A R T



Thomas and Virginia Smith wanted a low-cost way to direct their tax savings to their family and favorite charities. The Smiths did not want their children to pay estate taxes on the portion of the parents' estate that exceeded the parents' lifetime exemption (\$4 million). Instead, the Smiths wanted to accumulate the money that would have been wasted on estate taxes in a family foundation that could be managed by the children. The Smiths hoped to have their children meet annually to make decisions about investing the foundation assets and disbursing a portion of the earnings to charities that uphold the Smiths' values. Thomas and Virginia believed strongly in having the family participate in voluntary philanthropy instead of simply letting 45% of their taxable estate pass to the Treasury Department, which would disburse the Smiths' hard-earned wealth through involuntary philanthropy.



Solutions

The Smiths' advisers showed them how they could retain use of all of their assets during their lifetime and transfer them into a Testamentary Charitable Lead Annuity Trust ("TCLAT") at death in order to "zero out" estate taxes. Their attorney generated a customized report to illustrate how the heirs would receive a larger financial inheritance if the Smiths used a TCLAT. When adding the financial inheritance to the capital managed by the heirs in the family foundation, the heirs realized that they could control more than twice as much capital if using a TCLAT instead of letting assets pass to the IRS.

Results

Before implementing the TCLAT, the Smiths analyzed how the TCLAT would perform under various interest rate scenarios with several different trust terms. After seeing how the TCLAT would benefit the family under most reasonable interest rate scenarios, the Smiths added an amendment to their living trust to zero-out estate taxes with the TCLAT. The Smiths based their decision on the numbers on the following page.

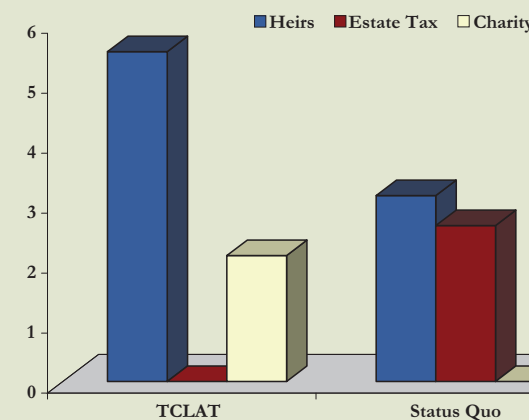


TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST

ESTIMATED VALUE IF DEATH OCCURS THIS YEAR

ASSUMPTIONS			
CONTRIBUTION	\$1,666,667	DEDUCTION FACTOR	100.0%
ASSET DISCOUNT	40.0%	PAYOUT RATE	8.62%
TOTAL RETURN	9.0%	TERM	15
CURRENT 7520 RATE	3.4%	ESTATE TAX RATE	45%

Year	Gross value of Assets in TCLAT	TCLAT Benefits		Alternative: Pay Tax & Invest	
		TCLAT Distribution to charity	TCLAT Gross value benefits to heirs	Investment account balance	Amount Lost to estate taxes
1	2,884,097	143,681	-	1,297,844	1,586,253
2	2,990,416	143,681	-	1,364,423	1,667,628
3	3,106,304	143,681	-	1,434,418	1,753,177
4	3,231,760	143,681	-	1,505,004	1,843,115
5	3,367,646	143,681	-	1,585,365	1,937,667
6	3,514,823	143,681	-	1,666,694	2,037,069
7	3,674,230	143,681	-	1,752,195	2,141,571
8	3,846,883	143,681	-	1,842,083	2,251,434
9	4,033,883	143,681	-	1,936,582	2,366,933
10	4,236,421	143,681	-	2,035,929	2,488,357
11	4,455,789	143,681	-	2,140,372	2,616,010
12	4,693,386	143,681	-	2,250,173	2,750,211
13	4,950,726	143,681	-	2,365,607	2,891,297
14	5,229,450	143,681	-	2,486,963	3,039,621
15	5,531,334	143,681	5,531,334	2,614,544	3,195,554
Totals		\$2,155,215	\$5,531,334	\$2,614,544	\$3,195,554



	VALUE AT END OF TCLAT TERM	
	TCLAT	Status Quo
Heirs	5.5	3.1
Estate Tax	0	2.6
Charity	2.1	0

THOMAS AND VIRGINIA STRATEGY DIAGRAM

