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Private Wealth Management

The Mid Atlantic Fellows Institute  
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Financial Modeling in Estate Planning

## Why Estate Planning Modeling May Be Important For Many of Your Clients and Your Practice:

- Modeling is a form of communication which helps explain the benefits of a technique in comparison to no further planning and other techniques.
- Stress testing techniques with modeling sometimes demonstrates unexpected results.
- We use oral explanations and PowerPoint illustrations to explain the qualitative differences of various techniques, but those tools may be inadequate to explain the quantitative differences between the techniques.
- Many of your clients live in a “spreadsheet” world and are used to communications with that tool.
- Modeling usually illustrates the value proposition of your services to a wealthy client like no other tool. Using some perhaps bad humor, I frequently tell clients that “if a hedge fund manager could change your family’s net worth as much as your estate planner can, there is no telling what they would charge.” Modeling illustrates the value of your services.
- Many times the modeling that we see from attorneys only illustrates the math of “discounting” and does not illustrate the greater power of freezing and grantor trusts over a client’s lifetime. **The investment opportunity costs of paying taxes are also rarely modeled. Those opportunity costs are frequently higher than the taxes themselves.**
- You must also model the effects of a client’s consumption. No client is going to implement a planning strategy unless they are convinced their consumption needs will always be satisfied.

## Where We Start:

- Start with the asset assumptions – values, ownership structure, growth rates and turnover. The growth rates are typically made up of an ordinary rate of return (or yield), a tax free rate of return and a growth rate that is subject to turnover and long term capital gains.
- We then gather the other assumptions such as tax rates, consumption, life expectancy, interest rates, inflation rate and discounts that might apply to owned entities.
- Finally, we gather information about prior lifetime gifts, current estate tax exemption and assumed federal and state estate tax rate.
- With the information around asset values, assumed growth rates and life expectancy, calculate the value of the assets at a certain point in the future (based on the assumed life expectancy).
- This number will serve as a target. When comparing no further planning to the hypothetical techniques, all dollars will be accounted for by checking that the total future values across the assets taking into consideration spending and related opportunity costs will equal our target across all scenarios.

## **The Modeling Begins – No Further Planning:**

- No further planning is built out. Balance sheets for each entity are created with a line for each year of the analysis/life expectancy.
- Using beginning values, there are columns for each of the different types of asset returns (ordinary, tax free, growth) and each type of spending (consumption, taxes, etc.).
  - Asset returns are based on beginning of year value;
  - Consumption is generally increased each year by the assumed inflation rate;
  - Taxes are calculated for each return type (ordinary income and long term capital gains based on the assumed turnover);
  - Ending balance is the sum of beginning balance, asset return and spending, which results in the following year's beginning balance.
- Once each balance sheet is built, the ending values are summed and compared to the target value initially calculated using the assumptions (see Summary Page explanation).
  
- **The Modeling Continues – Hypothetical Technique**
- By copying the successfully reconciled No Further Planning to a new spreadsheet, balance sheets are added for each new entity that will be a part of the estate planning technique (i.e., new trusts, GRATs, new pass-through entities, notes, etc.).
- Once each balance sheet is built, the ending values are summed and compared to the target value initially calculated using the assumptions (see Summary Page explanation).

## Summarize Results

- The summary page categorizes future values of no further planning and hypothetical techniques (pre-death and post death) of where the money ends up:
  - Assets – separated by asset ownership (i.e., parents, children and children/grandchildren);
  - Consumption and related investment opportunity costs;
  - Taxes paid and related investment opportunity costs;
  - Embedded long term capital gains tax liability (post death);
  - Estate taxes (post death);
  - A total of all of these amounts – which must equal the target value of the assets that was initially calculated using the assumptions.

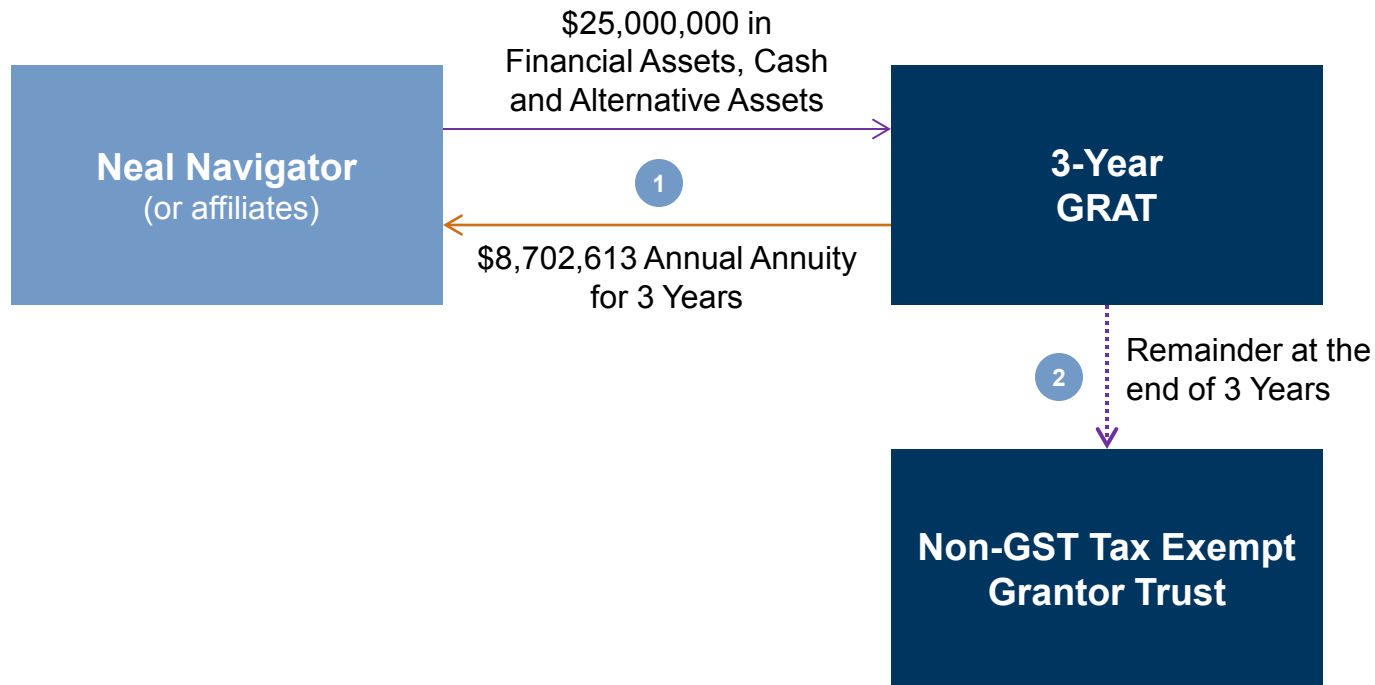
See example spreadsheets, tables and graphs that follow.

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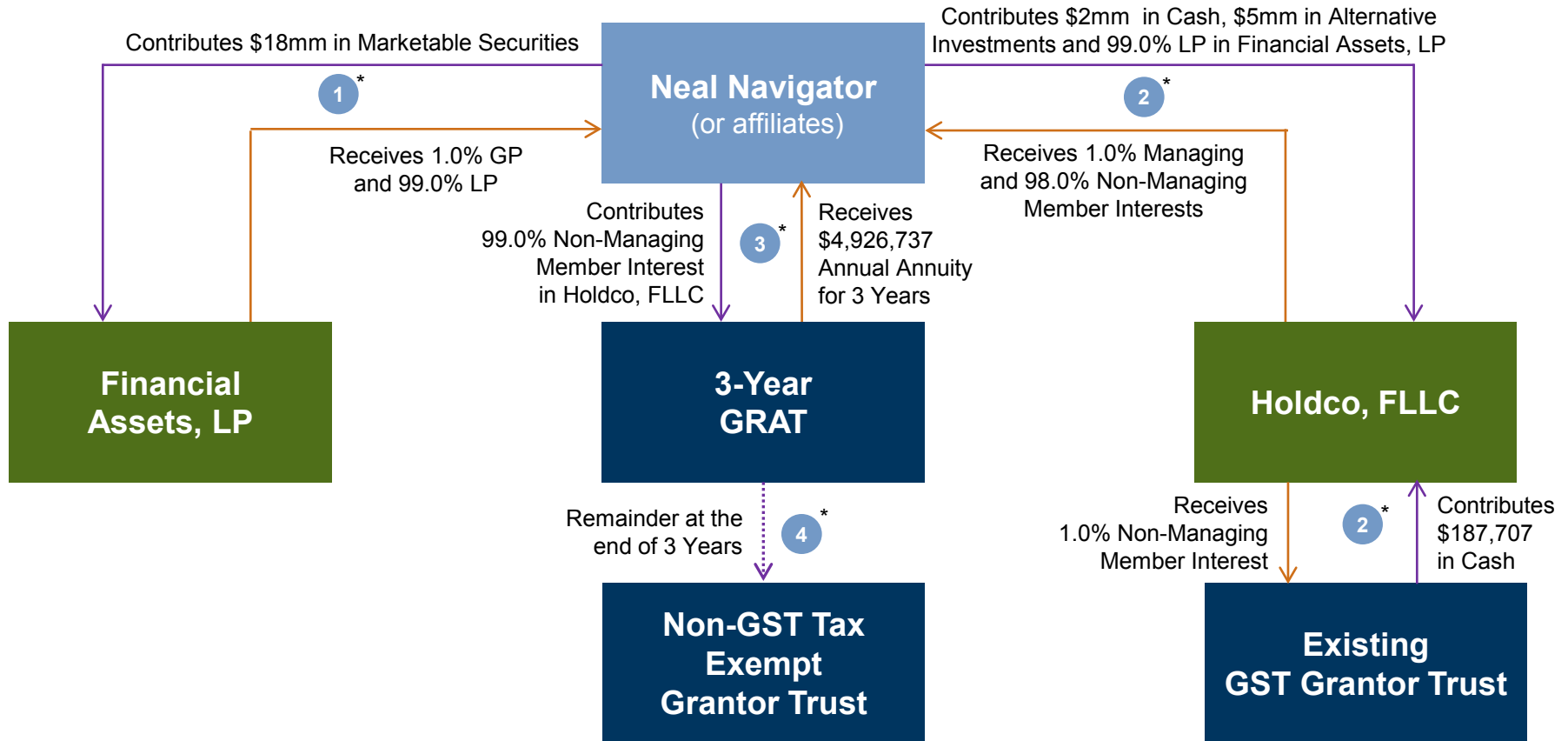
## Private Wealth Management

### Brief Discussion of the GRAT Technique

## GRAT Technique A (Without the Use of Discounted Interests in Entities)



GRAT Technique B (With the Use of Discounted Interests in Entities)



\*These transactions need to be separate, distinct and independent.



## Income Tax and Basis Enhancing Advantages of a GRAT

- Ability of grantor to pay for income taxes associated with GRAT gift tax free and substitute assets of the GRAT income tax-free.
- A GRAT does not require the use of the unified credit and the unified credit can be saved to protect the estate cost of a taxpayer dying with low basis assets.

## Considerations of Using a GRAT

- Financial reasons why a GRAT may not succeed.
  - Some assets are not volatile.
  - Some GRAT investments are only profitable if the investment is long.
- If a GRAT is not administered properly, the retained interest by the grantor may not be deemed to be a qualified interest.
  - The Atkinson worry.
  - The annuity amount must be paid annually.
  - Paying the grantor in satisfaction of his retained annuity interest with hard to value assets may disqualify his retained interest from being a qualified interest, if the assets are valued improperly.
  - The contribution of assets to the traditional GRAT structure must be made at the exact point of the creation of the GRAT.
- The retained annuity interest is valued using the valuation principles under IRC Sec. 7520, which is typically higher than interest on an intra-family note.
- A successful GRAT could regress to the mean by the end of the term of the GRAT.
- The traditional GRAT structure may not satisfy a client's stewardship goals because the investments of the GRAT may have been too successful.
- May require the client to continually create GRATs (i.e., the use of cascading GRATs) until the desired estate planning results are achieved.

- The GST tax exemption may be difficult to leverage through the use of a traditional GRAT structure.
- A traditional GRAT structure will not be successful in transferring assets if the grantor does not survive until the end of the term of the GRAT.

- Structural solutions to prevent the inadvertent additional contribution of assets to a GRAT.
  - When creating the GRAT, the grantor may wish to consider a provision that prohibits any additional contributions to the GRAT and if any additional contribution is made, a new GRAT must be created specifically to hold that contribution.
  - The grantor of the GRAT may wish to consider initially making the trust revocable. Once all assignments to the trust have been completed, the grantor could amend the trust to make it an irrevocable GRAT.
- Structural solutions to ensure that the annuity amount is always deemed to be paid on a timely basis.
  - The grantor of the GRAT may wish to consider a provision in the trust document that provides (pursuant to a formula) a portion of the trust that is equal to the annuity amount due to the grantor shall not be subject to the trust.
  - If that portion remains in the hands of the trustee after the annuity payment date, the trustee shall hold such property only as a nominee, or as an agent, for the grantor.
  - The grantor may also wish to consider a provision in the trust document that the portion of the trust estate that is being held in that agent capacity can be comingled with the trust assets and that the person also serving as trustee has full authority, as agent, to invest the property.
- Structural solutions to limit the amount that is received by the remainderman of the GRAT.
  - A structural solution for a donor with those stewardship goals is to put a cap on the amount left in the trust for the benefit of his descendants at the end of the annuity term.
  - To the extent that the value of the assets of the GRAT on its termination exceeds that cap, there could be a provision that requires that excess to revert back to the donor.

- Solutions to reduce the mortality risk in GRATs.
  - The grantor could sell her retained annuity interest.
  - The grantor could use a life insurance to hedge against an early grantor death.
  - The grantor could purchase the remainder interest in a profitable GRAT from the remainder beneficiaries.
  - The GRAT could be created by the grantor in consideration of full and adequate consideration.
  - In order to keep the GRAT annuity amount very low, the donor could use a combination of the following strategies: a member interest in a FLLC could be contributed to the GRAT and the donor could allocate part or all of his gift tax exemption to the GRAT and reduce the retained annuity.

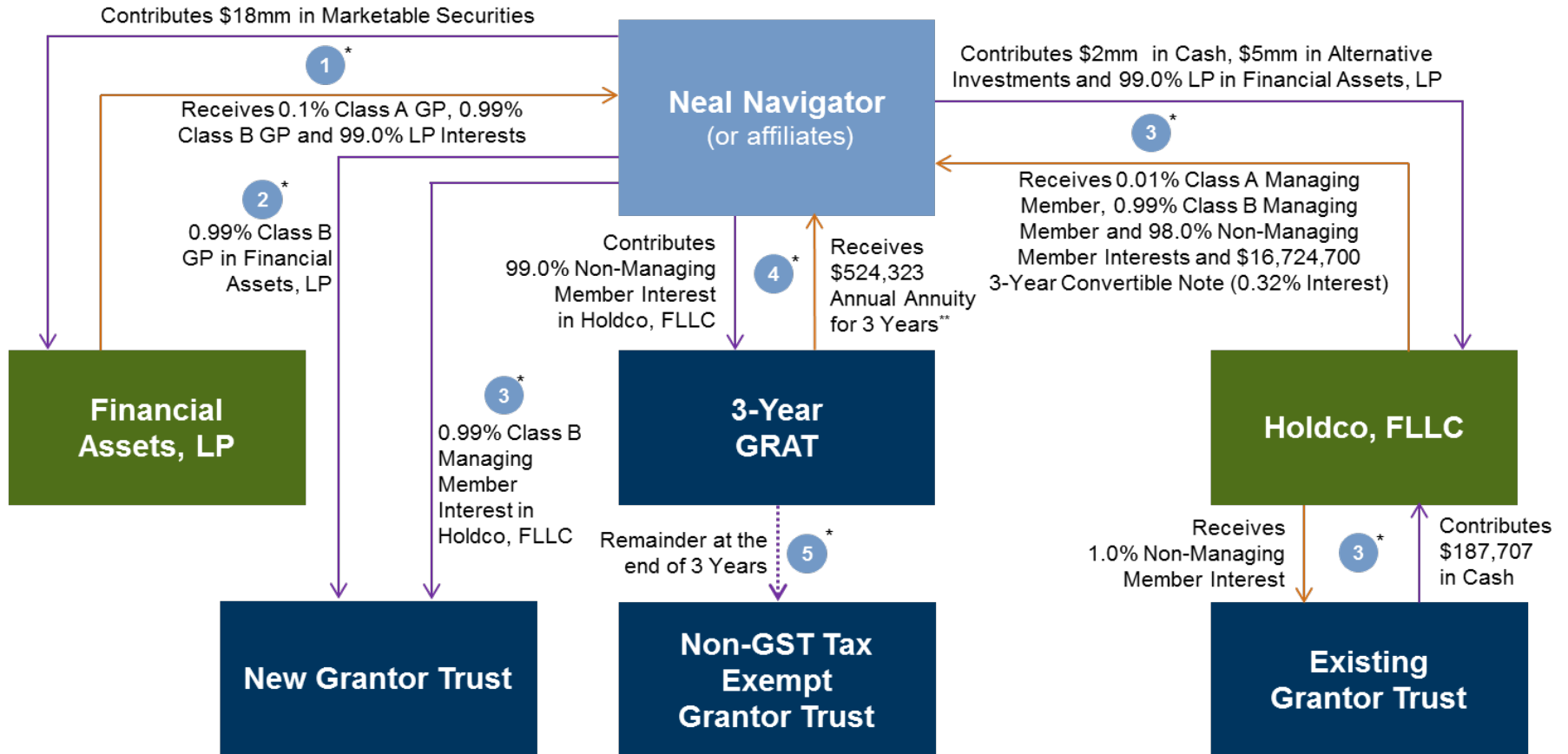
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Brief Discussion of a Combination of an Interest in a Leveraged Single Member LLC to a GRAT (“LAGRAT”) Technique

# Marrying the Best Characteristics of a LAIDGT With a GRAT: The Advantages and Considerations of Contributing an Interest in a Leveraged FLLC to a GRAT (the So-called “LAGRAT”)

- Consider the following example:



\*These transactions need to be separate, distinct and independent.

\*\*The source of the annuity payment could be from a loan from a third party trust or a third party commercial lender.

# Summary of the Key Advantages of a LAGRAT in Comparison to a Traditional GRAT

- Performs much better in bear, flat and bull markets.
- The “Atkinson” worry about paying a GRAT annuity with a hard-to-value asset may be eliminated.
- Has many of the same advantages that a sale to a grantor trust (SIDGT) has in comparison to a GRAT. For example, a retained note is much more flexible than a retained annuity.
- The LAGRAT technique avoids the necessity of continually creating GRATs using the so-called “cascading GRATs” technique.
- The LAGRAT technique locks in today’s low interest rate.
- The LAGRAT technique has a lower “hurdle rate” than a GRAT.
- There may be an extra level of valuation discount in using the technique.
- Disregarded entity status can be turned “off” or “on again” by simply admitting or redeeming member interests that either turn single member FLLC status off or on.



# Summary of the Key Advantages of a LAGRAT in Comparison to a Defined Value Allocation Sale to a Grantor Trust (“SIDGT”)

- Does not require a significant use of gift tax exemption, which may be wasted if markets deteriorate.
- In the future the IRS may be able to ignore defined value sales by changing its regulations.
- Better authority that sales to single member FLLC's should be ignored by the IRS for income tax purposes than sales to a grantor trust.
- smaller chance of an audit of a transfer to a GRAT than a sale (even a defined sale) to a grantor trust.
- Smaller chance that the retained note will be recharacterized as a deemed retained interest in the donee trust under equitable tax principles because of too much leverage. if the retained note is recharacterized as an equity interest it will be recharacterized as an equity interest in the FLLC and not a retained interest in the GRAT.
- Disregarded entity status can be turned “off” or “on again” by simply admitting or redeeming member interests that either turn single member FLLC status off or on.

## Considerations of the LAGRAT Technique

- If the grantor does not survive the term of the GRAT, part or all of the net value of the leveraged FLLC interests owned by the GRAT and the then value of the outstanding note receivable from the FLLC could be taxable in the grantor's estate.
- The LAGRAT is more complex to initially create than the traditional GRAT (but it is less complicated than using the alternative "freeze" technique of cascading GRATs that would be created each year).
- Care must be taken to make sure that there is not a violation of the Treasury regulation that prohibits "issuance of a note, or other debt instrument, option, or other similar financial arrangement, directly or indirectly, in satisfaction of the annuity amount." However, it is permissible for a grantor to loan money to enable a GRAT to make an investment, if the loan proceeds can be traced for that purpose. Since the GRAT is being created after the creation of the leveraged Holdco, it should be clear that the grantor's receipt of a note from Holdco is in exchange for a contribution of an asset to Holdco. It is also permissible for a third party trust or third party commercial lender to loan money to the GRAT in order for the GRAT to pay the annuity.
- Care must be taken to make sure that the IRS cannot successfully take the position that the creation of Holdco, FLLC should be ignored for gift tax purposes and that the retained notes are in reality retained trust interests in the GRAT that do not constitute a qualified annuity interest under IRC Sec. 2702.
- Care must be taken if the underlying asset that is sold or contributed to the single member FLLC is stock in a subchapter S corporation.

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Sample Modeling Comparing No Further Planning, the GRAT Technique and the LAGRAT Technique

## Grant Gratuitous

### Hypothetical Integrated Income and Estate Tax Plan Comparisons (25-Year Future Values)

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	25-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
<b>No Further Planning</b>				
Grant Gratuitous	391,737,526	-	-	0.00%
Gratuitous Children	-	228,790,516	123,407,451	38.40%
Gratuitous Children and Grandchildren	-	10,420,000	5,620,450	1.75%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Costs	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	55,135,606	55,135,606	29,739,627	9.25%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	-	-	-	0.00%
IRS Estate Taxes @ 40% <sup>(2)</sup>	-	152,527,011	82,271,634	25.60%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>

#### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

Grant Gratuitous	61,356,395	-	-	0.00%
Gratuitous Children	327,055,432	351,487,932	189,589,283	58.99%
Gratuitous Children and Grandchildren	-	10,420,000	5,620,450	1.75%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Costs	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	58,461,306	58,461,306	31,533,478	9.81%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	-	6,129,337	3,306,107	1.03%
IRS Estate Taxes @ 40% <sup>(2)</sup>	-	20,374,558	10,989,845	3.42%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>

#### Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT

Grant Gratuitous	924,076	-	-	0.00%
Gratuitous Children	377,656,586	369,703,751	199,414,724	62.05%
Gratuitous Children and Grandchildren	9,747,916	10,671,993	5,756,372	1.79%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Costs	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	58,544,554	58,544,554	31,578,381	9.83%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	-	7,952,835	4,289,684	1.33%
IRS Estate Taxes @ 40% <sup>(2)</sup>	-	-	-	0.00%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>

	No Further Planning	Hypothetical Technique #1	Hypothetical Technique #2
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#### Calculations of Remaining Estate Tax Exemption<sup>(2)</sup>

Current Gift and Estate Exemption	11,400,000	11,400,000	11,400,000
Assumed Prior Gifts Made	-	-	663,702
Future Estate Tax Exemption Available in 25 years (assumes 2.5% inflation)	10,420,000	10,420,000	9,756,298

(1) Post death amounts to children and grandchildren are reduced by the embedded capital gain tax liability. This capital gains tax is only paid when those assets are sold.

(2) For purposes of these calculation, it is assumed that the increased estate tax exemption sunsets in 2025.

## Grant Gratuitous No Further Planning

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<b>Assumptions:</b>	
Total Estimated Rate of Return Over Next 25 Years	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

## Grant Gratuitous

	<b>Financial &amp; Other Assets</b>						
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Consumption from these Sources</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	100,000,000	600,000	2,400,000	4,400,000	(1,000,000)	(558,960)	105,841,040
Year 2	105,841,040	635,046	2,540,185	4,657,006	(1,025,000)	(811,521)	111,836,756
Year 3	111,836,756	671,021	2,684,082	4,920,817	(1,050,625)	(1,011,818)	118,050,233
Year 4	118,050,233	708,301	2,833,206	5,194,210	(1,076,891)	(1,176,483)	124,532,576
Year 5	124,532,576	747,195	2,988,782	5,479,433	(1,103,813)	(1,317,334)	131,326,840
Year 6	131,326,840	787,961	3,151,844	5,778,381	(1,131,408)	(1,442,800)	138,470,818
Year 7	138,470,818	830,825	3,323,300	6,092,716	(1,159,693)	(1,558,915)	145,999,050
Year 8	145,999,050	875,994	3,503,977	6,423,958	(1,188,686)	(1,670,033)	153,944,262
Year 9	153,944,262	923,666	3,694,662	6,773,548	(1,218,403)	(1,779,326)	162,338,408
Year 10	162,338,408	974,030	3,896,122	7,142,890	(1,248,863)	(1,889,136)	171,213,451
Year 11	171,213,451	1,027,281	4,109,123	7,533,392	(1,280,085)	(2,001,227)	180,601,935
Year 12	180,601,935	1,083,612	4,334,446	7,946,485	(1,312,087)	(2,116,960)	190,537,432
Year 13	190,537,432	1,143,225	4,572,898	8,383,647	(1,344,889)	(2,237,421)	201,054,893
Year 14	201,054,893	1,206,329	4,825,317	8,846,415	(1,378,511)	(2,363,506)	212,190,938
Year 15	212,190,938	1,273,146	5,092,583	9,336,401	(1,412,974)	(2,495,989)	223,984,104
Year 16	223,984,104	1,343,905	5,375,619	9,855,301	(1,448,298)	(2,635,563)	236,475,067
Year 17	236,475,067	1,418,850	5,675,402	10,404,903	(1,484,506)	(2,782,876)	249,706,840
Year 18	249,706,840	1,498,241	5,992,964	10,987,101	(1,521,618)	(2,938,551)	263,724,976
Year 19	263,724,976	1,582,350	6,329,399	11,603,899	(1,559,659)	(3,103,205)	278,577,761
Year 20	278,577,761	1,671,467	6,685,866	12,257,421	(1,598,650)	(3,277,463)	294,316,402
Year 21	294,316,402	1,765,898	7,063,594	12,949,922	(1,638,616)	(3,461,964)	310,995,235
Year 22	310,995,235	1,865,971	7,463,886	13,683,790	(1,679,582)	(3,657,373)	328,671,928
Year 23	328,671,928	1,972,032	7,888,126	14,461,565	(1,721,571)	(3,864,384)	347,407,694
Year 24	347,407,694	2,084,446	8,337,785	15,285,939	(1,764,611)	(4,083,727)	367,267,526
Year 25	367,267,526	2,203,605	8,814,421	16,159,771	(1,808,726)	(899,071)	391,737,526

## Grant Gratuitous

### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

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Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

## Grant Gratuitous

	Financial & Other Assets								
	Beginning of Year	Income	Tax Free Income	Growth	Annuity Payments	Contribution to New GRATs	Consumption from these Sources	Income Taxes	End of Year
Year 1	-	-	-	-	34,810,450	(33,251,490)	(1,000,000)	(558,960)	-
Year 2	-	-	-	-	46,385,443	(44,548,922)	(1,025,000)	(811,521)	-
Year 3	-	-	-	-	61,893,124	(59,830,680)	(1,050,625)	(1,011,818)	-
Year 4	-	-	-	-	47,910,003	(45,656,629)	(1,076,891)	(1,176,483)	-
Year 5	-	-	-	-	52,228,287	(49,807,140)	(1,103,813)	(1,317,334)	-
Year 6	-	-	-	-	54,058,697	(51,484,489)	(1,131,408)	(1,442,800)	-
Year 7	-	-	-	-	51,153,350	(48,434,742)	(1,159,693)	(1,558,915)	-
Year 8	-	-	-	-	52,120,423	(49,261,705)	(1,188,686)	(1,670,033)	-
Year 9	-	-	-	-	51,930,555	(48,932,826)	(1,218,403)	(1,779,326)	-
Year 10	-	-	-	-	51,042,310	(47,904,311)	(1,248,863)	(1,889,136)	-
Year 11	-	-	-	-	50,857,664	(47,576,353)	(1,280,085)	(2,001,227)	-
Year 12	-	-	-	-	50,270,986	(46,841,939)	(1,312,087)	(2,116,960)	-
Year 13	-	-	-	-	49,543,139	(45,960,829)	(1,344,889)	(2,237,421)	-
Year 14	-	-	-	-	48,866,604	(45,124,587)	(1,378,511)	(2,363,506)	-
Year 15	-	-	-	-	48,013,133	(44,104,170)	(1,412,974)	(2,495,989)	-
Year 16	-	-	-	-	47,060,103	(42,976,242)	(1,448,298)	(2,635,563)	-
Year 17	-	-	-	-	46,021,155	(41,753,773)	(1,484,506)	(2,782,876)	-
Year 18	-	-	-	-	44,847,760	(40,387,590)	(1,521,618)	(2,938,551)	-
Year 19	-	-	-	-	43,554,001	(38,891,138)	(1,559,659)	(3,103,205)	-
Year 20	-	-	-	-	42,131,958	(37,255,845)	(1,598,650)	(3,277,463)	-
Year 21	-	-	-	-	40,566,209	(35,465,629)	(1,638,616)	(3,461,964)	-
Year 22	-	-	-	-	38,852,852	(33,515,897)	(1,679,582)	(3,657,373)	-
Year 23	-	-	-	-	36,981,707	(31,395,751)	(1,721,571)	(3,864,384)	-
Year 24	-	-	-	-	34,941,782	-	(1,764,611)	(4,083,727)	29,093,444
Year 25	29,093,444	174,561	698,243	1,280,112	22,596,037	-	(1,808,726)	(4,224,770)	47,808,900

## Grant Gratuitous

### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

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Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #1

	Financial & Other Assets						
	Beginning of Year	Income	Tax Free Income	Growth	Annuity Payments	Remainder	End of Year
Year 1	100,000,000	600,000	2,400,000	4,400,000	(34,810,450)	-	72,589,550
Year 2	72,589,550	435,537	1,742,149	3,193,940	(34,810,450)	-	43,150,727
Year 3	43,150,727	258,904	1,035,617	1,898,632	(34,810,450)	(11,533,430)	-

### 3-Year Grantor Retained Annuity Trust #2

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 1	-	-	-	-	33,251,490	-	-	33,251,490
Year 2	33,251,490	199,509	798,036	1,463,066	-	(11,574,993)	-	24,137,107
Year 3	24,137,107	144,823	579,291	1,062,033	-	(11,574,993)	-	14,348,260
Year 4	14,348,260	86,090	344,358	631,323	-	(11,574,993)	(3,835,037)	-

### 3-Year Grantor Retained Annuity Trust #3

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 2	-	-	-	-	44,548,922	-	-	44,548,922
Year 3	44,548,922	267,294	1,069,174	1,960,153	-	(15,507,680)	-	32,337,862
Year 4	32,337,862	194,027	776,109	1,422,866	-	(15,507,680)	-	19,223,184
Year 5	19,223,184	115,339	461,356	845,820	-	(15,507,680)	(5,138,019)	-

## Grant Gratuitous

### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

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#### Assumptions:

Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #4

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 3	-	-	-	-	59,830,680	-	-	59,830,680
Year 4	59,830,680	358,984	1,435,936	2,632,550	-	(20,827,329)	-	43,430,822
Year 5	43,430,822	260,585	1,042,340	1,910,956	-	(20,827,329)	-	25,817,373
Year 6	25,817,373	154,904	619,617	1,135,964	-	(20,827,329)	(6,900,530)	-

### 3-Year Grantor Retained Annuity Trust #5

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 4	-	-	-	-	45,656,629	-	-	45,656,629
Year 5	45,656,629	273,940	1,095,759	2,008,892	-	(15,893,278)	-	33,141,942
Year 6	33,141,942	198,852	795,407	1,458,245	-	(15,893,278)	-	19,701,167
Year 7	19,701,167	118,207	472,828	866,851	-	(15,893,278)	(5,265,776)	-

### 3-Year Grantor Retained Annuity Trust #6

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 5	-	-	-	-	49,807,140	-	-	49,807,140
Year 6	49,807,140	298,843	1,195,371	2,191,514	-	(17,338,090)	-	36,154,779
Year 7	36,154,779	216,929	867,715	1,590,810	-	(17,338,090)	-	21,492,143
Year 8	21,492,143	128,953	515,811	945,654	-	(17,338,090)	(5,744,472)	-



## Grant Gratuitous

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Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #7

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 6	-	-	-	-	51,484,489	-	-	51,484,489
Year 7	51,484,489	308,907	1,235,628	2,265,318	-	(17,921,982)	-	37,372,359
Year 8	37,372,359	224,234	896,937	1,644,384	-	(17,921,982)	-	22,215,931
Year 9	22,215,931	133,296	533,182	977,501	-	(17,921,982)	(5,937,928)	-

### 3-Year Grantor Retained Annuity Trust #8

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 7	-	-	-	-	48,434,742	-	-	48,434,742
Year 8	48,434,742	290,608	1,162,434	2,131,129	-	(16,860,352)	-	35,158,561
Year 9	35,158,561	210,951	843,805	1,546,977	-	(16,860,352)	-	20,899,943
Year 10	20,899,943	125,400	501,599	919,597	-	(16,860,352)	(5,586,187)	-

### 3-Year Grantor Retained Annuity Trust #9

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 8	-	-	-	-	49,261,705	-	-	49,261,705
Year 9	49,261,705	295,570	1,182,281	2,167,515	-	(17,148,221)	-	35,758,850
Year 10	35,758,850	214,553	858,212	1,573,389	-	(17,148,221)	-	21,256,784
Year 11	21,256,784	127,541	510,163	935,298	-	(17,148,221)	(5,681,564)	-

## Grant Gratuitous

### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

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#### Assumptions:

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Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #10

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 9	-	-	-	-	48,932,826	-	-	48,932,826
Year 10	48,932,826	293,597	1,174,388	2,153,044	-	(17,033,737)	-	35,520,118
Year 11	35,520,118	213,121	852,483	1,562,885	-	(17,033,737)	-	21,114,870
Year 12	21,114,870	126,689	506,757	929,054	-	(17,033,737)	(5,643,633)	-

### 3-Year Grantor Retained Annuity Trust #11

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 10	-	-	-	-	47,904,311	-	-	47,904,311
Year 11	47,904,311	287,426	1,149,703	2,107,790	-	(16,675,706)	-	34,773,524
Year 12	34,773,524	208,641	834,565	1,530,035	-	(16,675,706)	-	20,671,058
Year 13	20,671,058	124,026	496,105	909,527	-	(16,675,706)	(5,525,010)	-

### 3-Year Grantor Retained Annuity Trust #12

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 11	-	-	-	-	47,576,353	-	-	47,576,353
Year 12	47,576,353	285,458	1,141,832	2,093,360	-	(16,561,543)	-	34,535,461
Year 13	34,535,461	207,213	828,851	1,519,560	-	(16,561,543)	-	20,529,542
Year 14	20,529,542	123,177	492,709	903,300	-	(16,561,543)	(5,487,186)	-

## Grant Gratuitous

### Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs

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<b>Assumptions:</b>	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #13

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 12	-	-	-	-	46,841,939	-	-	46,841,939
Year 13	46,841,939	281,052	1,124,207	2,061,045	-	(16,305,890)	-	34,002,353
Year 14	34,002,353	204,014	816,056	1,496,104	-	(16,305,890)	-	20,212,637
Year 15	20,212,637	121,276	485,103	889,356	-	(16,305,890)	(5,402,482)	-

### 3-Year Grantor Retained Annuity Trust #14

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 13	-	-	-	-	45,960,829	-	-	45,960,829
Year 14	45,960,829	275,765	1,103,060	2,022,276	-	(15,999,171)	-	33,362,759
Year 15	33,362,759	200,177	800,706	1,467,961	-	(15,999,171)	-	19,832,432
Year 16	19,832,432	118,995	475,978	872,627	-	(15,999,171)	(5,300,860)	-

### 3-Year Grantor Retained Annuity Trust #15

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 14	-	-	-	-	45,124,587	-	-	45,124,587
Year 15	45,124,587	270,748	1,082,990	1,985,482	-	(15,708,072)	-	32,755,735
Year 16	32,755,735	196,534	786,138	1,441,252	-	(15,708,072)	-	19,471,587
Year 17	19,471,587	116,830	467,318	856,750	-	(15,708,072)	(5,204,413)	-

## Grant Gratuitous

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#### Assumptions:

Total Estimated Rate of Return	7.40%
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Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #16

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 15	-	-	-	-	44,104,170	-	-	44,104,170
Year 16	44,104,170	264,625	1,058,500	1,940,583	-	(15,352,860)	-	32,015,019
Year 17	32,015,019	192,090	768,360	1,408,661	-	(15,352,860)	-	19,031,270
Year 18	19,031,270	114,188	456,750	837,376	-	(15,352,860)	(5,086,724)	-

### 3-Year Grantor Retained Annuity Trust #17

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 16	-	-	-	-	42,976,242	-	-	42,976,242
Year 17	42,976,242	257,857	1,031,430	1,890,955	-	(14,960,223)	-	31,196,261
Year 18	31,196,261	187,178	748,710	1,372,635	-	(14,960,223)	-	18,544,561
Year 19	18,544,561	111,267	445,069	815,961	-	(14,960,223)	(4,956,635)	-

### 3-Year Grantor Retained Annuity Trust #18

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 17	-	-	-	-	41,753,773	-	-	41,753,773
Year 18	41,753,773	250,523	1,002,091	1,837,166	-	(14,534,676)	-	30,308,876
Year 19	30,308,876	181,853	727,413	1,333,591	-	(14,534,676)	-	18,017,057
Year 20	18,017,057	108,102	432,409	792,750	-	(14,534,676)	(4,815,642)	-

## Grant Gratuitous

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#### Assumptions:

Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #19

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 18	-	-	-	-	40,387,590	-	-	40,387,590
Year 19	40,387,590	242,326	969,302	1,777,054	-	(14,059,102)	-	29,317,170
Year 20	29,317,170	175,903	703,612	1,289,955	-	(14,059,102)	-	17,427,539
Year 21	17,427,539	104,565	418,261	766,812	-	(14,059,102)	(4,658,075)	-

### 3-Year Grantor Retained Annuity Trust #20

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 19	-	-	-	-	38,891,138	-	-	38,891,138
Year 20	38,891,138	233,347	933,387	1,711,210	-	(13,538,180)	-	28,230,902
Year 21	28,230,902	169,385	677,542	1,242,160	-	(13,538,180)	-	16,781,808
Year 22	16,781,808	100,691	402,763	738,400	-	(13,538,180)	(4,485,482)	-

### 3-Year Grantor Retained Annuity Trust #21

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 20	-	-	-	-	37,255,845	-	-	37,255,845
Year 21	37,255,845	223,535	894,140	1,639,257	-	(12,968,927)	-	27,043,850
Year 22	27,043,850	162,263	649,052	1,189,929	-	(12,968,927)	-	16,076,168
Year 23	16,076,168	96,457	385,828	707,351	-	(12,968,927)	(4,296,877)	-

## Grant Gratuitous

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Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### 3-Year Grantor Retained Annuity Trust #22

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 21	-	-	-	-	35,465,629	-	-	35,465,629
Year 22	35,465,629	212,794	851,175	1,560,488	-	(12,345,745)	-	25,744,340
Year 23	25,744,340	154,466	617,864	1,132,751	-	(12,345,745)	-	15,303,677
Year 24	15,303,677	91,822	367,288	673,362	-	(12,345,745)	(4,090,404)	-

### 3-Year Grantor Retained Annuity Trust #23

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 22	-	-	-	-	33,515,897	-	-	33,515,897
Year 23	33,515,897	201,095	804,382	1,474,699	-	(11,667,035)	-	24,329,039
Year 24	24,329,039	145,974	583,897	1,070,478	-	(11,667,035)	-	14,462,353
Year 25	14,462,353	86,774	347,096	636,344	-	(11,667,035)	(3,865,533)	-

### 3-Year Grantor Retained Annuity Trust #24

	Financial & Other Assets							
	Beginning of Year	Income	Tax Free Income	Growth	Contribution	Annuity Payments	Remainder	End of Year
Year 23	-	-	-	-	31,395,751	-	-	31,395,751
Year 24	31,395,751	188,375	753,498	1,381,413	-	(10,929,002)	-	22,790,035
Year 25	22,790,035	136,740	546,961	1,002,762	-	(10,929,002)	-	13,547,495
Year 26	13,547,495	81,285	325,140	596,090	-	(10,929,002)	(3,621,007)	-

## Grant Gratuitous

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Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

#### Assumptions (continued):

GRAT Annual Annuity Payout	34.81045%
IRS §7520 Rate	2.20%

### Non-GST Tax Exempt Grantor Trusts (GRAT Remainder)

	Financial & Other Assets							End of Year Financial
	Beginning of Year	Income	Tax Free Income	Growth	GRAT Remainder	Beneficiary Distributions	Income Taxes	
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	11,533,430	-	-	11,533,430
Year 4	11,533,430	69,201	276,802	507,471	3,835,037	-	-	16,221,942
Year 5	16,221,942	97,332	389,327	713,765	5,138,019	-	-	22,560,384
Year 6	22,560,384	135,362	541,449	992,657	6,900,530	-	-	31,130,383
Year 7	31,130,383	186,782	747,129	1,369,737	5,265,776	-	-	38,699,807
Year 8	38,699,807	232,199	928,795	1,702,791	5,744,472	-	-	47,308,064
Year 9	47,308,064	283,848	1,135,394	2,081,555	5,937,928	-	-	56,746,789
Year 10	56,746,789	340,481	1,361,923	2,496,859	5,586,187	-	-	66,532,238
Year 11	66,532,238	399,193	1,596,774	2,927,418	5,681,564	-	-	77,137,189
Year 12	77,137,189	462,823	1,851,293	3,394,036	5,643,633	-	-	88,488,974
Year 13	88,488,974	530,934	2,123,735	3,893,515	5,525,010	-	-	100,562,169
Year 14	100,562,169	603,373	2,413,492	4,424,735	5,487,186	-	-	113,490,955
Year 15	113,490,955	680,946	2,723,783	4,993,602	5,402,482	-	-	127,291,768
Year 16	127,291,768	763,751	3,055,002	5,600,838	5,300,860	-	-	142,012,219
Year 17	142,012,219	852,073	3,408,293	6,248,538	5,204,413	-	-	157,725,536
Year 18	157,725,536	946,353	3,785,413	6,939,924	5,086,724	-	-	174,483,949
Year 19	174,483,949	1,046,904	4,187,615	7,677,294	4,956,635	-	-	192,352,397
Year 20	192,352,397	1,154,114	4,616,458	8,463,505	4,815,642	-	-	211,402,116
Year 21	211,402,116	1,268,413	5,073,651	9,301,693	4,658,075	-	-	231,703,948
Year 22	231,703,948	1,390,224	5,560,895	10,194,974	4,485,482	-	-	253,335,522
Year 23	253,335,522	1,520,013	6,080,053	11,146,763	4,296,877	-	-	276,379,228
Year 24	276,379,228	1,658,275	6,633,101	12,160,686	4,090,404	-	-	300,921,694
Year 25	300,921,694	1,805,530	7,222,121	13,240,555	3,865,533	-	-	327,055,432

## Grant Gratuitous

### Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT

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<b>Assumptions:</b>	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, FLP Valuation Discount	35.00%
Holdco, FLLC Valuation Discount	20.00%
IRS §7520 Rate	2.20%
Intra-Family Interest Rate (short-term)	1.87%

## Grant Gratuitous

	<b>Financial &amp; Other Assets</b>										
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Financial Assets Distributions</b>	<b>Holdco Distributions</b>	<b>Annuity Payments</b>	<b>Note Payments</b>	<b>Consumption</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	-	-	-	-	285	184	1,823,265	1,113,010	(1,000,000)	(558,960)	1,377,784
Year 2	1,377,784	8,267	33,067	60,622	298	184	1,823,265	1,113,010	(1,025,000)	(811,521)	2,579,975
Year 3	2,579,975	15,480	61,919	113,519	311	184	1,823,265	1,113,010	(1,050,625)	(1,011,818)	3,645,220
Year 4	3,645,220	21,871	87,485	160,390	324	-	-	1,113,010	(1,076,891)	(1,176,483)	2,774,927
Year 5	2,774,927	16,650	66,598	122,097	339	-	-	1,113,010	(1,103,813)	(1,317,334)	1,672,473
Year 6	1,672,473	10,035	40,139	73,589	353	-	-	1,113,010	(1,131,408)	(1,442,800)	335,391
Year 7	335,391	2,012	8,049	14,757	369	-	-	2,358,029	(1,159,693)	(1,558,915)	-
Year 8	-	-	-	-	385	-	-	2,858,333	(1,188,686)	(1,670,033)	-
Year 9	-	-	-	-	402	-	-	2,997,327	(1,218,403)	(1,779,326)	-
Year 10	-	-	-	-	420	-	-	3,137,579	(1,248,863)	(1,889,136)	-
Year 11	-	-	-	-	438	-	-	3,280,873	(1,280,085)	(2,001,227)	-
Year 12	-	-	-	-	458	-	-	3,428,589	(1,312,087)	(2,116,960)	-
Year 13	-	-	-	-	478	-	-	3,581,832	(1,344,889)	(2,237,421)	-
Year 14	-	-	-	-	499	-	-	3,741,518	(1,378,511)	(2,363,506)	-
Year 15	-	-	-	-	521	-	-	3,908,442	(1,412,974)	(2,495,989)	-
Year 16	-	-	-	-	544	-	-	4,083,318	(1,448,298)	(2,635,563)	-
Year 17	-	-	-	-	568	-	-	4,266,814	(1,484,506)	(2,782,876)	-
Year 18	-	-	-	-	593	-	-	4,459,577	(1,521,618)	(2,938,551)	-
Year 19	-	-	-	-	619	-	-	4,662,245	(1,559,659)	(3,103,205)	-
Year 20	-	-	-	-	646	-	-	4,875,467	(1,598,650)	(3,277,463)	-
Year 21	-	-	-	-	674	-	-	5,099,906	(1,638,616)	(3,461,964)	-
Year 22	-	-	-	-	704	-	-	5,336,251	(1,679,582)	(3,657,373)	-
Year 23	-	-	-	-	735	-	-	5,585,221	(1,721,571)	(3,864,384)	-
Year 24	-	-	-	-	767	457	-	4,448,853	(1,764,611)	(99,123)	2,586,344
Year 25	2,586,344	15,518	62,072	113,799	801	481	-	-	(1,808,726)	(112,120)	858,169



## Grant Gratuitous

### Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT

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Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, FLP Valuation Discount	35.00%
Holdco, FLLC Valuation Discount	20.00%
IRS §7520 Rate	2.20%
Intra-Family Interest Rate (short-term)	1.87%

### Financial Assets, LP

	<b>Financial &amp; Other Assets</b>					
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Distributions</b>	<b>End of Year</b>
Year 1	95,000,000	570,000	2,280,000	4,180,000	(2,850,000)	99,180,000
Year 2	99,180,000	595,080	2,380,320	4,363,920	(2,975,400)	103,543,920
Year 3	103,543,920	621,264	2,485,054	4,555,932	(3,106,318)	108,099,852
Year 4	108,099,852	648,599	2,594,396	4,756,394	(3,242,996)	112,856,246
Year 5	112,856,246	677,137	2,708,550	4,965,675	(3,385,687)	117,821,921
Year 6	117,821,921	706,932	2,827,726	5,184,165	(3,534,658)	123,006,085
Year 7	123,006,085	738,037	2,952,146	5,412,268	(3,690,183)	128,418,353
Year 8	128,418,353	770,510	3,082,040	5,650,408	(3,852,551)	134,068,761
Year 9	134,068,761	804,413	3,217,650	5,899,025	(4,022,063)	139,967,786
Year 10	139,967,786	839,807	3,359,227	6,158,583	(4,199,034)	146,126,369
Year 11	146,126,369	876,758	3,507,033	6,429,560	(4,383,791)	152,555,929
Year 12	152,555,929	915,336	3,661,342	6,712,461	(4,576,678)	159,268,390
Year 13	159,268,390	955,610	3,822,441	7,007,809	(4,778,052)	166,276,199
Year 14	166,276,199	997,657	3,990,629	7,316,153	(4,988,286)	173,592,352
Year 15	173,592,352	1,041,554	4,166,216	7,638,063	(5,207,771)	181,230,415
Year 16	181,230,415	1,087,382	4,349,530	7,974,138	(5,436,912)	189,204,553
Year 17	189,204,553	1,135,227	4,540,909	8,325,000	(5,676,137)	197,529,554
Year 18	197,529,554	1,185,177	4,740,709	8,691,300	(5,925,887)	206,220,854
Year 19	206,220,854	1,237,325	4,949,300	9,073,718	(6,186,626)	215,294,572
Year 20	215,294,572	1,291,767	5,167,070	9,472,961	(6,458,837)	224,767,533
Year 21	224,767,533	1,348,605	5,394,421	9,889,771	(6,743,026)	234,657,304
Year 22	234,657,304	1,407,944	5,631,775	10,324,921	(7,039,719)	244,982,226
Year 23	244,982,226	1,469,893	5,879,573	10,779,218	(7,349,467)	255,761,444
Year 24	255,761,444	1,534,569	6,138,275	11,253,504	(7,672,843)	267,014,947
Year 25	267,014,947	1,602,090	6,408,359	11,748,658	(8,010,448)	278,763,605

<b>Ownership</b>		
	<b>GST Tax Exempt</b>	
<b>Grant Gratuitous</b>	<b>Grantor Trust</b>	<b>Holdco, FLLC</b>
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%

## Grant Gratuitous

### Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT

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<b>Assumptions:</b>		<b>Assumptions (continued):</b>	
Total Estimated Rate of Return	7.40%	Financial Assets, FLP Valuation Discount	35.00%
Rate of Return Taxed at Ordinary Rates	0.60%	Holdco, FLLC Valuation Discount	20.00%
Rate of Return Tax Free	2.40%	IRS §7520 Rate	2.20%
Rate of Return Taxed at Capital Gains Rates	4.40%	Intra-Family Interest Rate (short-term)	1.87%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%		
Long Term Capital Gain Tax Rate	23.80%		
Ordinary Income Tax Rate	40.80%		
Consumption from these Sources (+2.5% per year)	\$1,000,000		

### Holdco, FLLC

	<b>Financial &amp; Other Assets</b>							
	Beginning of Year	Income	Tax Free Income	Growth	Financial Assets, LP Distributions	Note Payments	Distributions	End of Year
Year 1	5,000,000	30,000	120,000	220,000	2,821,500	(1,113,010)	(1,841,682)	5,236,808
Year 2	5,236,808	31,421	125,683	230,420	2,945,646	(1,113,010)	(1,841,682)	5,615,287
Year 3	5,615,287	33,692	134,767	247,073	3,075,254	(1,113,010)	(1,841,682)	6,151,381
Year 4	6,151,381	36,908	147,633	270,661	3,210,566	(1,113,010)	-	8,704,138
Year 5	8,704,138	52,225	208,899	382,982	3,351,831	(1,113,010)	-	11,587,065
Year 6	11,587,065	69,522	278,090	509,831	3,499,311	(1,113,010)	-	14,830,809
Year 7	14,830,809	88,985	355,939	652,556	3,653,281	(2,358,029)	-	17,223,541
Year 8	17,223,541	103,341	413,365	757,836	3,814,025	(2,858,333)	-	19,453,775
Year 9	19,453,775	116,723	466,891	855,966	3,981,842	(2,997,327)	-	21,877,870
Year 10	21,877,870	131,267	525,069	962,626	4,157,043	(3,137,579)	-	24,516,296
Year 11	24,516,296	147,098	588,391	1,078,717	4,339,953	(3,280,873)	-	27,389,582
Year 12	27,389,582	164,337	657,350	1,205,142	4,530,911	(3,428,589)	-	30,518,734
Year 13	30,518,734	183,112	732,450	1,342,824	4,730,271	(3,581,832)	-	33,925,560
Year 14	33,925,560	203,553	814,213	1,492,725	4,938,403	(3,741,518)	-	37,632,936
Year 15	37,632,936	225,798	903,190	1,655,849	5,155,693	(3,908,442)	-	41,665,024
Year 16	41,665,024	249,990	999,961	1,833,261	5,382,543	(4,083,318)	-	46,047,461
Year 17	46,047,461	276,285	1,105,139	2,026,088	5,619,375	(4,266,814)	-	50,807,535
Year 18	50,807,535	304,845	1,219,381	2,235,532	5,866,628	(4,459,577)	-	55,974,343
Year 19	55,974,343	335,846	1,343,384	2,462,871	6,124,759	(4,662,245)	-	61,578,959
Year 20	61,578,959	369,474	1,477,895	2,709,474	6,394,249	(4,875,467)	-	67,654,583
Year 21	67,654,583	405,927	1,623,710	2,976,802	6,675,596	(5,099,906)	-	74,236,712
Year 22	74,236,712	445,420	1,781,681	3,266,415	6,969,322	(5,336,251)	-	81,363,299
Year 23	81,363,299	488,180	1,952,719	3,579,985	7,275,972	(5,585,221)	-	89,074,935
Year 24	89,074,935	534,450	2,137,798	3,919,297	7,596,115	(4,448,853)	(4,571,277)	94,242,465
Year 25	94,242,465	565,455	2,261,819	4,146,668	7,930,344	-	(4,809,860)	104,336,892

<b>Ownership</b>		
Grant Gratuitous	GST Tax Exempt Grantor Trust	GRAT & Grantor Trust
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%
0.01%	0.99%	99.00%

## Grant Gratuitous

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Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, FLP Valuation Discount	35.00%
Holdco, FLLC Valuation Discount	20.00%
IRS §7520 Rate	2.20%
Intra-Family Interest Rate (short-term)	1.87%

### New GST Tax Exempt Grantor Trusts Created by Grant Gratuitous for the Benefit of Nancy Gratuitous and their Descendants

	<b>Financial &amp; Other Assets</b>								
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Financial Assets Distributions</b>	<b>Holdco, FLLC Distributions</b>	<b>Beneficiary Distributions</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	-	-	-	-	28,215	18,233	-	-	46,448
Year 2	46,448	279	1,115	2,044	29,456	18,233	-	-	97,574
Year 3	97,574	585	2,342	4,293	30,753	18,233	-	-	153,780
Year 4	153,780	923	3,691	6,766	32,106	-	-	-	197,265
Year 5	197,265	1,184	4,734	8,680	33,518	-	-	-	245,381
Year 6	245,381	1,472	5,889	10,797	34,993	-	-	-	298,532
Year 7	298,532	1,791	7,165	13,135	36,533	-	-	-	357,156
Year 8	357,156	2,143	8,572	15,715	38,140	-	-	-	421,726
Year 9	421,726	2,530	10,121	18,556	39,818	-	-	-	492,752
Year 10	492,752	2,957	11,826	21,681	41,570	-	-	-	570,786
Year 11	570,786	3,425	13,699	25,115	43,400	-	-	-	656,424
Year 12	656,424	3,939	15,754	28,883	45,309	-	-	-	750,309
Year 13	750,309	4,502	18,007	33,014	47,303	-	-	-	853,134
Year 14	853,134	5,119	20,475	37,538	49,384	-	-	-	965,650
Year 15	965,650	5,794	23,176	42,489	51,557	-	-	-	1,088,665
Year 16	1,088,665	6,532	26,128	47,901	53,825	-	-	-	1,223,052
Year 17	1,223,052	7,338	29,353	53,814	56,194	-	-	-	1,369,751
Year 18	1,369,751	8,219	32,874	60,269	58,666	-	-	-	1,529,779
Year 19	1,529,779	9,179	36,715	67,310	61,248	-	-	-	1,704,230
Year 20	1,704,230	10,225	40,902	74,986	63,942	-	-	-	1,894,286
Year 21	1,894,286	11,366	45,463	83,349	66,756	-	-	-	2,101,219
Year 22	2,101,219	12,607	50,429	92,454	69,693	-	-	-	2,326,403
Year 23	2,326,403	13,958	55,834	102,362	72,760	-	-	-	2,571,316
Year 24	2,571,316	15,428	61,712	113,138	75,961	45,256	-	-	2,882,810
Year 25	2,882,810	17,297	69,187	126,844	79,303	47,618	-	-	3,223,059

**Grant Gratuitous**

**Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT**

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<b>Assumptions (continued):</b>	
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**Three Year Grantor Retained Annuity Trust & Non-GST Tax Exempt Grantor Trust (GRAT Remaindermen)**

	<b>Financial &amp; Other Assets</b>							
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Holdco, FLLC Distributions</b>	<b>Annuity Payments</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	-	-	-	-	1,823,265	(1,823,265)	-	-
Year 2	-	-	-	-	1,823,265	(1,823,265)	-	-
Year 3	-	-	-	-	1,823,265	(1,823,265)	-	-
Year 4	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	-	-	-	-
Year 19	-	-	-	-	-	-	-	-
Year 20	-	-	-	-	-	-	-	-
Year 21	-	-	-	-	-	-	-	-
Year 22	-	-	-	-	-	-	-	-
Year 23	-	-	-	-	-	-	-	-
Year 24	-	-	-	-	4,525,564	-	(3,984,604)	540,960
Year 25	540,960	3,246	12,983	23,802	4,761,761	-	(4,195,899)	1,146,854

## Grant Gratuitous

### Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT

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<b>Assumptions:</b>	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long Term Capital Gain Tax Rate	23.80%
Ordinary Income Tax Rate	40.80%
Consumption from these Sources (+2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, FLP Valuation Discount	35.00%
Holdco, FLLC Valuation Discount	20.00%
IRS §7520 Rate	2.20%
Intra-Family Interest Rate (short-term)	1.87%

### Note #1 Between Grant Gratuitous and Holdco, LLC

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 2	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 3	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 4	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 5	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 6	59,519,250	1,113,010	(1,113,010)	59,519,250
Year 7	59,519,250	1,113,010	(2,358,029)	58,274,231
Year 8	58,274,231	1,089,728	(2,858,333)	56,505,626
Year 9	56,505,626	1,056,655	(2,997,327)	54,564,955
Year 10	54,564,955	1,020,365	(3,137,579)	52,447,740
Year 11	52,447,740	980,773	(3,280,873)	50,147,640
Year 12	50,147,640	937,761	(3,428,589)	47,656,812
Year 13	47,656,812	891,182	(3,581,832)	44,966,163
Year 14	44,966,163	840,867	(3,741,518)	42,065,512
Year 15	42,065,512	786,625	(3,908,442)	38,943,695
Year 16	38,943,695	728,247	(4,083,318)	35,588,625
Year 17	35,588,625	665,507	(4,266,814)	31,987,318
Year 18	31,987,318	598,163	(4,459,577)	28,125,904
Year 19	28,125,904	525,954	(4,662,245)	23,989,613
Year 20	23,989,613	448,606	(4,875,467)	19,562,751
Year 21	19,562,751	365,823	(5,099,906)	14,828,669
Year 22	14,828,669	277,296	(5,336,251)	9,769,714
Year 23	9,769,714	182,694	(5,585,221)	4,367,186
Year 24	4,367,186	81,666	(4,448,853)	-
Year 25	-	-	-	-

<b>Note, Gift &amp; GRAT Calculations</b>		
Financial Assets LP	99.0%	94,050,000
Valuation Discount		(32,917,500)
Holdco, LLC Financial Assets		5,000,000
Holdco, LLC Value (undiscounted)		66,132,500
Note	90.0%	(59,519,250)
Holdco, LLC Net Value		6,613,250
Holdco, LLC Valuation Discount		(1,322,650)
Holdco, LLC Discounted Value		5,290,600
Contributed to GRAT	99.0%	5,237,694
GRAT Payout & Annual Annuity	34.81045%	1,823,265
<b>Gift to GST Trust</b>		
Financial Assets, LP	0.99%	940,500
Valuation Discount		(329,175)
Holdco, LLC (discounted)	0.99%	52,377
		663,702

## Grant Gratuitous Estate Tax and Embedded Long Term Capital Gain Tax Liability

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	Assuming Grant Gratuitous Dies in 25 years					
	15 Years		20 Years		25 Years	
	Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)	Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)	Embedded Long Term Capital Gain Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)
	TOTAL		TOTAL		TOTAL	
No Further Planning	\$0	\$86,333,642	\$0	\$114,042,561	\$0	\$152,527,011
	\$86,333,642		\$114,042,561		\$152,527,011	
Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs	\$2,135,771	\$35,416,935	\$3,811,941	\$29,481,714	\$6,129,337	\$20,374,558
	\$37,552,706		\$33,293,655		\$26,503,895	
Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT	\$0	\$12,597,494	\$1,399,279	\$4,426,397	\$7,952,835	\$0
	\$12,597,494		\$5,825,675		\$7,952,835	

(1) Embedded capital gains tax liability of assets that pass to the family that are not subject to estate tax. This capital gains tax is only paid when those assets are sold.

(2) For purposes of these calculation, it is assumed that the increased estate tax exemption sunsets in 2025.

## Grant Gratuitous

### Summary of Hypothetical Results for \$100,000,000 of Assets

#### Post Death Scenarios (assuming Grant Gratuitous has a life expectancy of 25 years)

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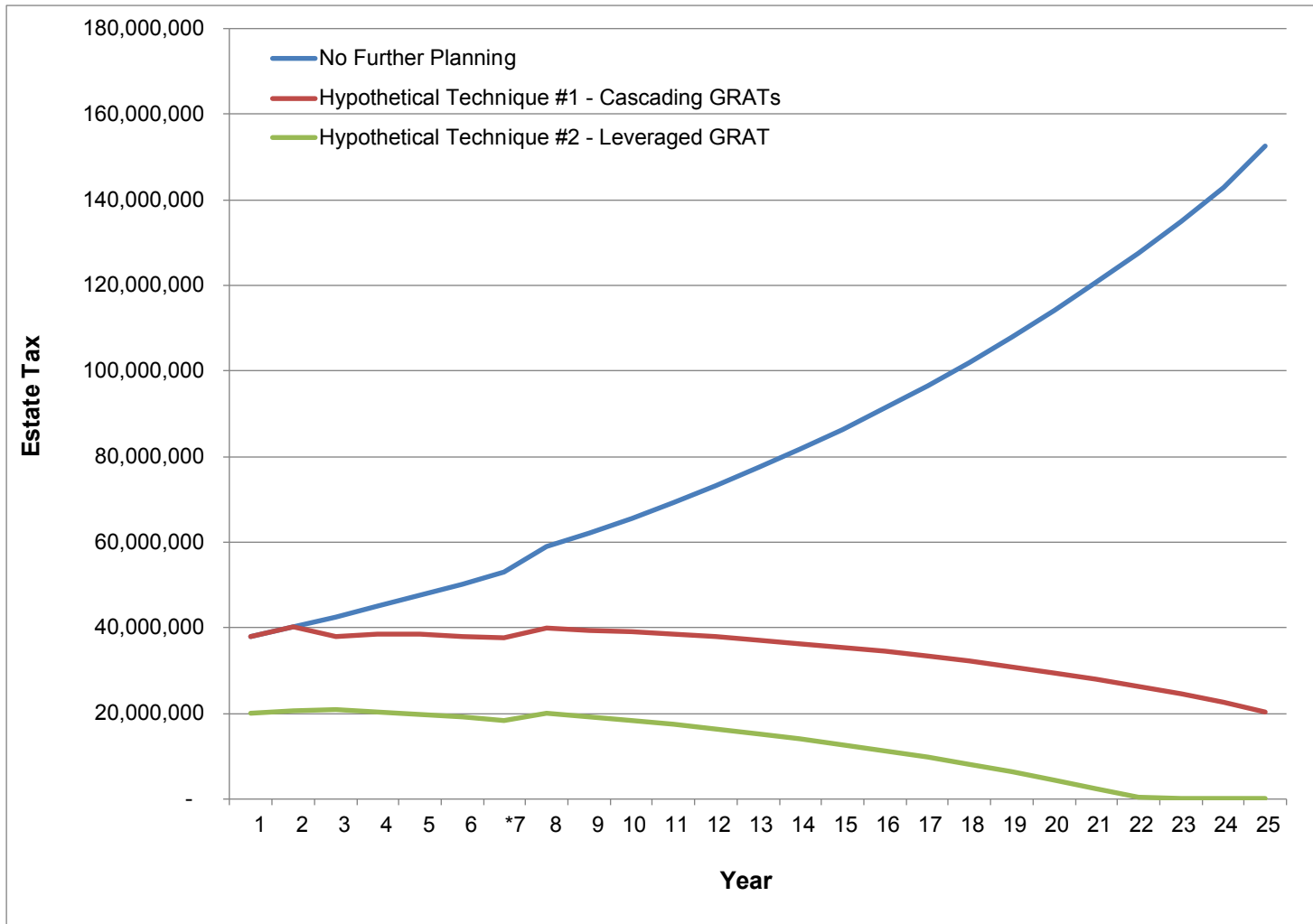
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	Grant Gratuitous'		Consumption		IRS Income Tax		Tax Liability of Estate		Total
	Children	Children and Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Embedded Capital Gains Tax Liability	IRS Estate Tax (at 40%)	
<b>25-Year Future Values</b>									
No Further Planning	\$228,790,516	\$10,420,000	\$34,157,764	\$49,600,309	\$55,135,606	\$65,177,761	\$0	\$152,527,011	\$595,808,966
	\$239,210,516		\$83,758,073		\$120,313,367		\$152,527,011		
Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs	\$351,487,932	\$10,420,000	\$34,157,764	\$49,600,309	\$58,461,306	\$65,177,761	\$6,129,337	\$20,374,558	\$595,808,966
	\$361,907,932		\$83,758,073		\$123,639,066		\$26,503,895		
Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT	\$369,703,751	\$10,671,993	\$34,157,764	\$49,600,309	\$58,544,554	\$65,177,761	\$7,952,835	\$0	\$595,808,966
	\$380,375,744		\$83,758,073		\$123,722,315		\$7,952,835		
<b>Present Values (discounted by 2.5%)</b>									
No Further Planning	\$123,407,451	\$5,620,450	\$18,424,376	\$26,753,940	\$29,739,627	\$35,156,271	\$0	\$82,271,634	\$321,373,749
	\$129,027,901		\$45,178,316		\$64,895,898		\$82,271,634		
Hypothetical Technique #1: Contribution of Assets that are not in Entities to Cascading GRATs	\$189,589,283	\$5,620,450	\$18,424,376	\$26,753,940	\$31,533,478	\$35,156,271	\$3,306,107	\$10,989,845	\$321,373,749
	\$195,209,733		\$45,178,316		\$66,689,749		\$14,295,951		
Hypothetical Technique #2: Leveraged FLLC Asset Contributed to a GRAT	\$199,414,724	\$5,756,372	\$18,424,376	\$26,753,940	\$31,578,381	\$35,156,271	\$4,289,684	\$0	\$321,373,749
	\$205,171,097		\$45,178,316		\$66,734,652		\$4,289,684		

## Grant Gratuitous Hypothetical Estate Taxes\*

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\*For purposes of these calculations, it is assumed that the increased estate tax exemption sunsets in 2025 (year 7).



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Private Wealth Management

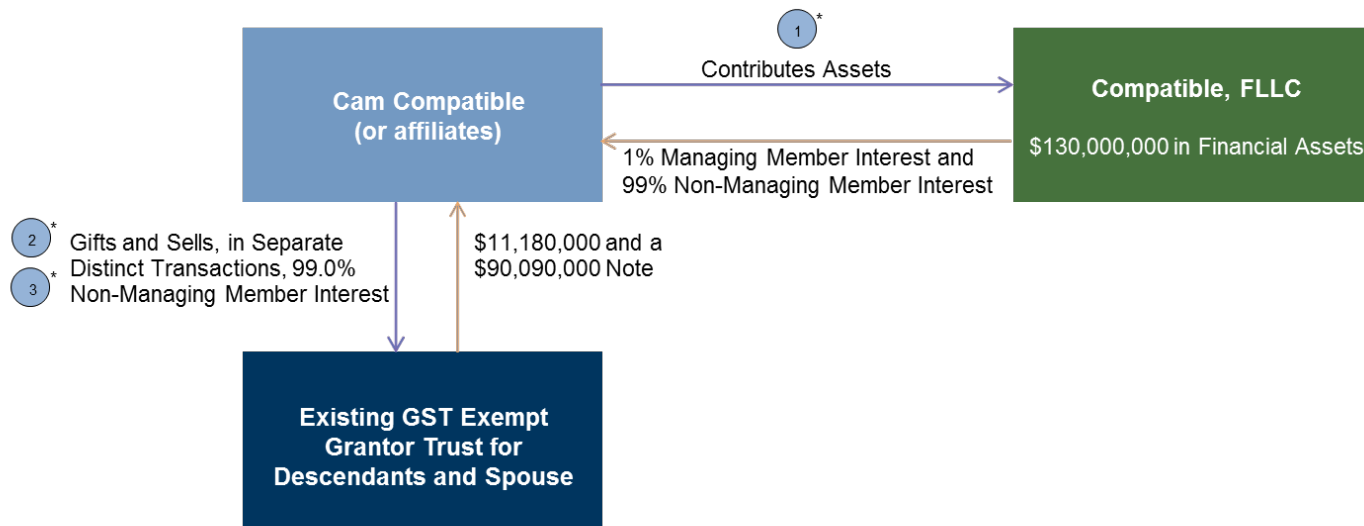
Brief Discussion of the Sale to an Intentionally Defective Grantor Trust  
("SIDGT") Technique

# Use of an Intentionally Defective Grantor Trust and a Sale to an Intentionally Defective Grantor Trust (“SIDGT”)

- Consider the following example:

## Cam Compatible Creates an Intentionally Defective Grantor Trust for the Benefit of His Spouse and Family and Makes Certain Sales to That Trust (“SIDGT”) Technique

Cam Compatible owns \$150,000,000 in financial assets. Cam and affiliates contribute \$130,000,000 to a family limited liability company (“FLLC”) (Transaction 1). In a separate and distinct transaction (Transaction 2) Cam contributes \$11,180,000 to a trust that is a grantor trust for income tax purposes. The trust treats his wife, Carolyn, as the discretionary beneficiary and gives her certain powers of appointment over the trust. Cam, at a much later time (Transaction 3), sells non-managing member interests to that trust, pursuant to a defined value allocation formula, in consideration for cash and notes. Assuming a 30% valuation discount, the technique is illustrated below.



\* These transactions need to be separate, distinct and independent.

## Income Tax and Basis Enhancing Advantages of the SIDGT

- The Advantage of Locating Income Tax Inefficient Asset Classes Inside a Grantor Trust That is Not Subject to Estate Taxes.
  - The technique of asset class location in order to improve the after-tax, after-risk adjusted rate of return for an investment portfolio.
  - Location of tax inefficient investment classes in a grantor trust significantly ameliorates the income tax inefficiencies of those classes, because transfer taxes are saved when the grantor pays the income taxes of the trust.

# Income Tax and Basis Enhancing Advantages of the SIDGT (Continued)

Annual Growth Rate Required on a \$1mm Equity Fund Which Has a 2% Dividend Rate to Achieve \$2mm (After Tax) for Investor's Beneficiaries for an Investor Who Dies in 10 Years<sup>(1)</sup>, Depending Upon How a Fund is Located, and Percentage Improvement to Equal Equity Fund with 5% Turnover<sup>(2)</sup>, 20% Turnover<sup>(3)</sup> or 50% Turnover<sup>(4)</sup>

Equity Fund's Annual Turnover of Assets	No Estate Planning Fund Owned by Investor				Estate Planning Techniques Fund is Not Subject to Estate Taxes but Grantor's Estate is Subject to Estate Taxes												Fund Owned by Charity											
	Fund is Owned by Investor and Investor's Estate is Not Subject to Estate Tax Because of Existing Exemptions and/or Charitable Bequests				Fund is Owned by Investor and is Fully Taxable in the Investor's Estate				Fund is in a Grantor Trust and Grantor Buys the Assets from the Grantor Trust for Cash Shortly Before Grantor's Death				Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years Before Grantor's Death				Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years After Grantor's Death				Fund is Held in a Non-Grantor Trust and Remaining Unrealized Income is Taxed in 10 Years				Fund is Not Subject to Income Taxes or Estate Taxes Because Fund is Owned by a Charity			
	A				B				C				D				E				F				G			
	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)	(2)	(3)	(4)				
Indexed Fund with 5% Annual Turnover <sup>(5)</sup>	5.98%	N/A	N/A	N/A	11.83%	N/A	N/A	N/A	5.65%	N/A	N/A	N/A	6.21%	N/A	N/A	N/A	6.66%	N/A	N/A	N/A	7.08%	N/A	N/A	N/A	5.18%	N/A	N/A	N/A
Active Beta Indexed Fund with 20% Annual Turnover <sup>(6)</sup>	6.73%	12.58%	N/A	N/A	13.21%	11.66%	N/A	N/A	6.05%	7.03%	N/A	N/A	6.39%	2.78%	N/A	N/A	6.59%	-1.06%	N/A	N/A	7.45%	5.18%	N/A	N/A	5.18%	0.00%	N/A	N/A
Managed Fund with 50% Annual Turnover <sup>(7)</sup>	7.70%	28.80%	14.41%	N/A	15.15%	28.04%	14.66%	N/A	6.50%	15.12%	7.56%	N/A	6.64%	6.78%	3.89%	N/A	6.69%	0.41%	1.48%	N/A	8.01%	13.11%	7.54%	N/A	5.18%	0.00%	0.00%	N/A
Hedge Fund with 100% Annual Turnover <sup>(8)</sup>	10.25%	71.33%	52.18%	33.01%	20.39%	72.29%	54.29%	34.56%	7.48%	32.37%	23.68%	14.98%	7.48%	20.34%	17.08%	12.69%	7.48%	12.24%	13.45%	11.79%	10.25%	44.75%	37.63%	27.97%	5.18%	0.00%	0.00%	0.00%

(1) These calculations ignore the effect of investment management fees, state income taxes and investment friction costs. These calculations assume the estate planning vehicles are created without paying gift taxes. An equity fund owned by a tax exempt entity would need 5.18% annual growth rate of return over 10 years, assuming a 2% dividend rate, to achieve \$2mm.

(2) % annual improvement necessary to equal fund with 5% annual turnover.

(3) % annual improvement necessary to equal fund with 20% annual turnover.

(4) % annual improvement necessary to equal fund with 50% annual turnover.

(5) 100% short-term realized gains in year 1; 0% short-term realized gains and 100% long-term realized gains in years 2-10.

(6) 100% short-term realized gains in year 1; 10% short-term realized gains and 90% long-term realized gains in years 2-10.

(7) 100% short-term realized gains in year 1; 25% short-term realized gains and 75% long-term realized gains in years 2-10.

(8) 100% short-term realized gains in years 1-10.

## Considerations of the SIDGT

- There may need to be substantive equity in the trust from prior gifts (is 10% equity enough?) before the sale is made.
- State income tax considerations.
- The IRS could be successful in the argument, that because of the step transaction doctrine, a valuation discount is not appropriate in valuing the transferred entity interest.
- If the assets decrease in value, the gift tax exemption equivalent may not be recoverable.
- There may be capital gains consequences with respect to the note receivables and/or note payables that may exist at death.
- On the death of the grantor there will be no step-up in basis in the assets owned by the grantor trust.
- The IRS may contest the valuation of any assets that are hard to value that are donated to a grantor trust or are sold to such a trust.
  - The problem and a probable solution: defined allocation transfers.
  - A second probable solution: a defined dollar.
  - A third probable solution: defined value allocation clauses involving both a defined dollar transfer by the donor and a parallel formula qualified disclaimer by the donee.

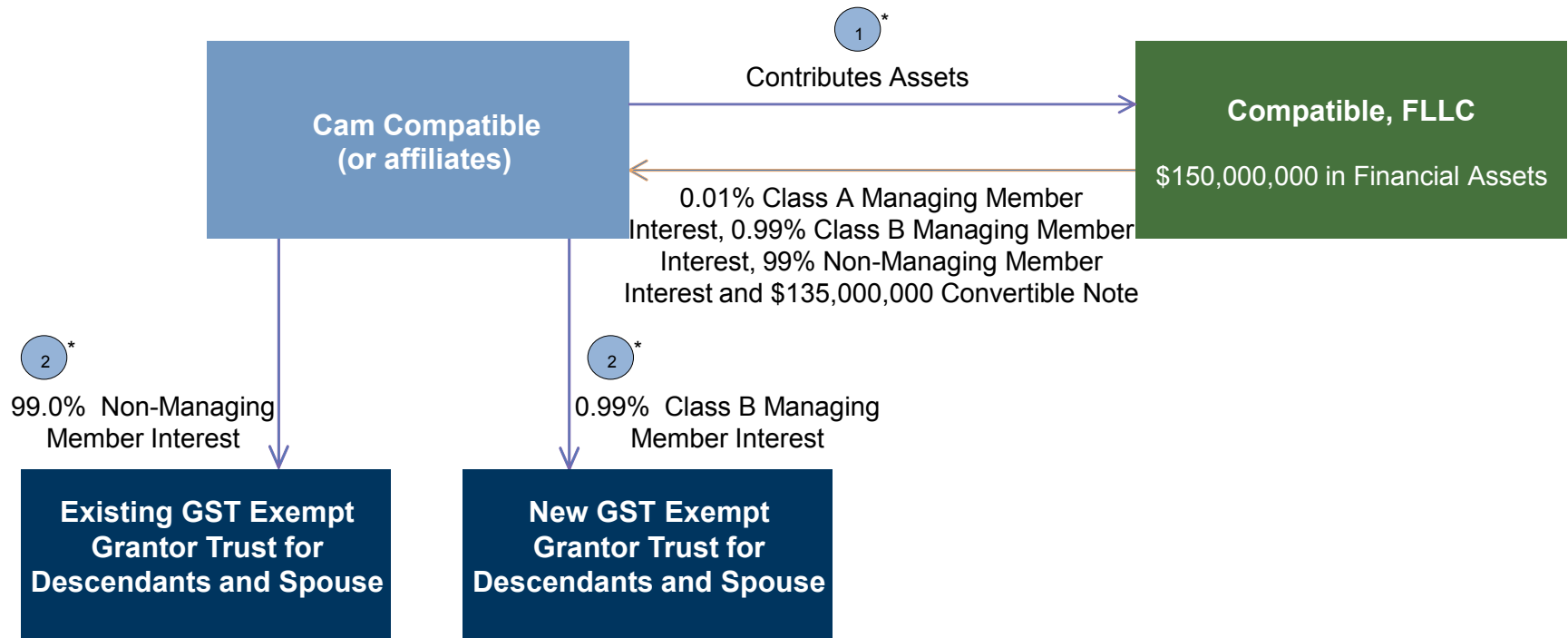
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## Private Wealth Management

Brief Discussion of a Contribution of an Interest in a Leveraged Single Member LLC to an Intentionally Defective Grantor Trust (“LAIDGT”) Technique

# Contribution of a Leveraged Asset to an Intentionally Defective Grantor Trust (“LAIDGT”)

- Consider the following example:



\* These transactions need to be separate, distinct and independent.

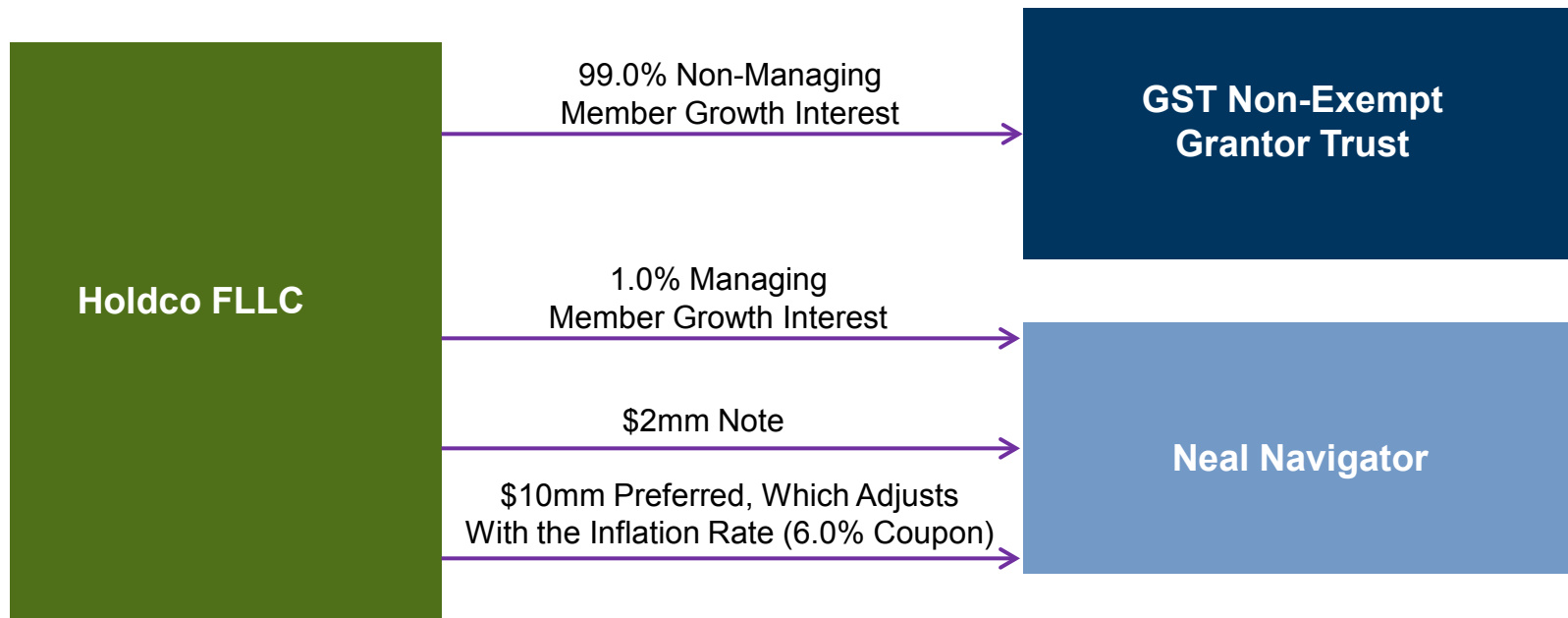
## Income Tax and Basis Enhancing Advantages of the LAIDGT Technique

- There is greater authority that a sale to a single member FLLC in the LAIDGT technique will be treated as a nontaxable sale to a disregarded entity for income tax purposes than there is for a sale to an intentionally defective grantor trust or the “SIDGT” technique.
- This technique has all of the same income tax and basis enhancing advantages of the SIDGT technique.
- The advantage of locating income tax inefficient asset classes inside a disregarded entity for income taxes (e.g., intentionally defective grantor trust or a single member limited liability company) that is also not subject to estate taxes.
- The potential basis enhancing advantages of the donor swapping his high basis assets for the income tax disregarded entity’s low basis assets.
  - The low basis assets, if retained by the grantor, will receive a basis step-up on the grantor’s death.
  - If the low basis assets are sold by the grantor before his or her death the cost of the capital gains taxes will be borne by the grantor (just as they would have been if the assets had been sold by the grantor trust or a disregarded single member FLLC.)
  - The principal and interest of the donor’s retained note may be paid with either cash or in kind. There will not be any income tax consequences with in kind payments, if the grantor trust or single member FLLC remains a disregarded entity.



# Income Tax and Basis Enhancing Advantages of the LAIDGT Technique (Continued)

- Another basis enhancing strategy opportunity with the LAGRAT technique is to convert part or all of the retained note at some point to a preferred member interest in the FLLC. In that manner an IRC Sec. 754 election could be made on the death of Neal Navigator and a partial basis step up of the assets of Holdco FLLC could be achieved.
- This example, after the conversion of \$10,000,000 of the \$12,000,000 note, is illustrated below:



- Another basis enhancing strategy is to make the note that the taxpayer receives in the LAIDGT technique convertible into that amount of FLLC or limited partnership units that is equal, at the time of the conversion, to the then principal value of the note.
  - The conversion could happen anytime at the election of the holder of the note, or the payor of the note.
  - The note could also be designed with a mandatory conversion to equity equal to the principal value of the note at the death of the holder of the note.
  - An IRC Sec. 754 election could be made when the FLLC or limited partnership units are transferred or sold to pay for transfer taxes.
  - The act of conversion is not subject to income taxes. See Revenue Ruling 72-265
- The convertibility feature of the retained note helps support the value of the note being equal to the outstanding principal of the note.
- The convertibility feature of the retained note also gives the donor added flexibility to receive a greater return in the future.

## Transfer Tax Advantages of the LAIDGT Technique

- This technique has all of the same transfer tax advantages of the sale to an intentionally defective grantor trust or “SIDGT” technique and certain additional transfer tax advantages.
  - Transfer tax advantage of transferring a non-managing interest.
  - The near term death of the grantor of a grantor trust on a single member FLLC generally does not affect the technique like the death of a grantor of a GRAT.
  - The appreciation of the assets of the trust above the interest of the note used in any sale to a grantor trust or a single member FLLC will not be taxable in the grantor/seller’s estate.
  - Flexibility advantages of the LAIDGT.
    - Flexibility could be achieved by naming a spouse as a beneficiary of the grantor trust and giving a grantor’s spouse a special power of appointment.
    - Flexibility could also be achieved by converting the note to a note with a different interest rate, a private annuity, purchasing assets owned by the trust and/or renouncing the powers that make the trust a grantor trust.
  - If under tax equitable principles, because of too much leverage, or some other cause, part of the donor retained debt is deemed to be a retained equity interest, it will be a retained equity in the FLLC, and not a retained interest in the existing GST exempt grantor trust.

## Transfer Tax Advantages of the LAIDGT Technique (Continued)

- A donor, under the LAIDGT technique, may retain investment control of the family's assets and may also retain limited control of any distributions from the transferred entity interests to family members, if that limited control is compliant with IRC Sec. 2036(a)(2) and IRC Sec. 2038. The holding of *Powell v. Comm'r*, 148 TC 18 (2017) needs to be considered. That case held, if there is not a substantive nontax reason for the creation of the partnership, that a decedent's right to amend a limited liability agreement and/or terminate the agreement, with the consent of all other partners, was a retained interest within the meaning of IRC Sec. 2036(a)(2). It should be noted that many commentators have criticized that holding. The Supreme Court held in *Helvering v. Helmholz*, 295 U.S. 93 (1935), that a joint power to alter beneficial enjoyment, amend an agreement or terminate an agreement is not sufficient to produce inclusion in the gross estate if it merely reproduces rights already available under applicable state law. Therefore, the *Powell* holding that the partners collective right to terminate the partnership agreement by unanimous agreement resulted in estate taxation under IRC Secs. 2036 or 2038 may be in error because under state law partners always have that right. See also *Tully Estate v. Comm'r*, 528 F.2d 1401 (Ct. Cl. 1976).
- However, the cautious taxpayer could adopt one or more of the following safe harbor strategies from application of IRC Secs 2036(a)(2) and 2038 that the IRS, through its revenue ruling process, or Congress, through its legislative history, has provided:
  - If a donor is a general partner of a partnership, or is a managing member of a FLLC, he or she may retain a distribution power if that distribution power is subject to a standard in the organizing documents that could be enforced by a court (see Revenue Ruling 73-143, 1973-1 C.B. 407); and/or
  - There could be two different classes of managing member interests with the donor retaining a Class A managing member interest that has all management powers (including investment management powers) that are not delegated to the Class B managing member interest with the Class B managing member interest having distribution, amendment and liquidation powers. The Class B managing member interest could be contributed by the donor to a trust in which a family member (other than the donor) or family advisor is the trustee. The donor could have the right to remove and replace the trustee, as long as the replacement is not related or subordinate (see Revenue Ruling 95-98, 1995 C.B. 191); and/or

## Transfer Tax Advantages of the LAIDGT Technique (Continued)

- The general partnership interest or managing member interest, that has the distribution power, the liquidation power and the amendment power, could be contributed by the donor to a corporation. The corporation's organizational documents should have normal fiduciary duties for management and the stockowners. Under those circumstances, the donor could own the voting stock and his transferees could own the nonvoting stock (see Revenue Ruling 81-15, 1981-1 C.B. 457); and/or
  - The donor recapitalizes an entity in which the only retained interest of the donor in the entity is a voting preferred interest that entitles the donor to a majority vote. Strong Congressional legislative history in 1990, when it repealed IRC Sec. 2036(c), indicates that under those circumstances the donor should be able to give away, or sell, all other interests in the entity and IRC Secs. 2036(a)(1) or 2036(a)(2) should not apply.
- If a taxpayer sells all of her FLP or FLLC interests for full consideration during her lifetime, or gives away all of her FLP or FLLC interests at least three years before her death, IRC Sec. 2036 does not apply to bring the assets of the FLP or FLLC into her estate. Furthermore, the gift tax equivalent of IRC Sec. 2036 does not exist (i.e., there is no IRC Sec. 2536 under Chapter 12 of the Code).
- Numerous substantive non-transfer tax reasons exist for a taxpayer to create a FLP or FLLC. The courts have found that IRC Secs. 2036 or 2038 will not apply to a taxpayer who has substantive non-transfer tax reasons for the creation of a FLP or FLLC. Among the non-transfer tax reasons that a taxpayer may wish to create a FLP or FLLC include the following:
- By using the partnership vehicle, the pooling of partnership assets will lower operating costs, increase diversity, and may solve the accredited investor rule problem for investors with limited assets (including smaller trusts).
  - The partnership vehicle simplifies annual giving for private equity investments.
  - Partnership vehicle facilitates assets that are important to be kept in the family.
  - Partnership vehicle provides some protection against a taxpayer's future unforeseeable creditors, which cannot be provided to that taxpayer under most states law by using trusts.

## Transfer Tax Advantages of the LAIDGT Technique (Continued)

- The partnership vehicle provides greater protection of gifted assets against failed marriages.
- Unlike irrevocable, non amendable trust agreements, partnership agreements are comparatively flexible to meet unanticipated circumstances.
- Business judgment rule of partnership law offers greater flexibility in investment management than trust law.
- Partnership agreements could be drafted to mandate arbitration of family disputes and avoid court litigation, which is generally not possible under most state laws with respect to trusts.
- Partnership agreements could be drafted to mandate the “English” rule to disputes (loser pays) that are arbitrated; that is generally not possible under most state laws with respect to trusts.
- Partnership arrangements facilitate and institutionalize family communication and education on financial matters.
- Partnerships eliminate or lower out-of-state probate costs for real estate investments.
- The partnership vehicle indirectly facilitates those trust partners, in which the terms of the trust agreement provides only income may be paid to a current beneficiary, to be able to follow modern portfolio theory.
- A FLP or FLLC is advantageous to a “C” corporation because it has one level of income tax and is advantageous to an “S” corporation because it allows a greater variety of ownership structures.
- A partnership is advantageous to the corporate structure because in many jurisdictions there is no franchise tax or intangibles tax to pay with the use of partnerships.
- A partnership structure facilitates tax efficient asset diversification. When a FLP or FLLC structure becomes seven years old (or older) it provides an unique structure in which “mixing bowl” transactions could be utilized to diversify out of low basis single stock, or other low basis asset positions, in a manner which defers, or eliminates, capital gains taxes.

## Transfer Tax Advantages of the LAIDGT Technique (Continued)

- Perhaps the best unexplored argument that IRC Sec. 2036 should not apply to any retained partnership interest is as follows: if both the estate tax power and the interest inclusion section (IRC Sec. 2033) and one or more of the estate tax power inclusion sections (IRC Secs. 2036, 2038 or 2042) apply to include in a decedent's estate an interest in a family partnership, the estate tax power and the interest inclusion section (i.e., IRC Sec. 2033) should apply to the exclusion to the estate tax power inclusion (i.e., IRC Secs. 2036, 2038 or 2042).

- State income tax considerations.
- The IRS could be successful in the argument, that because of the step transaction doctrine, a valuation discount is not appropriate in valuing the transferred entity interest.
- If the assets decrease in value, the gift tax exemption equivalent may not be recoverable.
- The IRS may contest the valuation of any assets that are hard to value that are donated to a grantor trust or are sold to such a trust.
  - The problem and probable solution: defined allocation transfers.
  - A second probable solution: a defined dollar transfer.
  - A third probable solution: defined value allocation clauses involving both a defined dollar transfer by the donor and a parallel formula qualified disclaimer by the donee.



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## Private Wealth Management

Sample Modeling Comparing No Further Planning, the SIGDG Technique and the LAIDGT Technique

## Neal Navigator

### Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Neal Navigator has a life expectancy of 25 years)

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	25-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
<b>No Further Planning</b>				
Neal Navigator	391,737,526	-	-	0.00%
Navigator Children	-	228,790,516	123,407,451	38.40%
Navigator Children and Grandchildren	-	10,420,000	5,620,450	1.75%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Cost	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	55,135,606	55,135,606	29,739,627	9.25%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Capital Gain Tax Liability <sup>(1)</sup>	-	-	-	0.00%
IRS Estate Tax (at 40.0%) <sup>(2)</sup>	-	152,527,011	82,271,634	25.60%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>
<b>Hypothetical Technique #1: Asset Sale to an Intentionally Defective Grantor Trust</b>				
Neal Navigator	48,190,255	-	-	0.00%
Navigator Children	-	-	-	0.00%
Navigator Children and Grandchildren	340,182,526	363,412,085	196,021,059	60.99%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Cost	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	58,500,352	58,500,352	31,554,539	9.82%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Capital Gain Tax Liability <sup>(1)</sup>	-	7,851,073	4,234,795	1.32%
IRS Estate Tax (at 40.0%) <sup>(2)</sup>	-	17,109,622	9,228,769	2.87%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>
<b>Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust</b>				
Neal Navigator	7,670,354	-	-	0.00%
Navigator Children	1,807,249	3,928,602	2,119,051	0.66%
Navigator Children and Grandchildren	378,890,229	376,564,932	203,115,581	63.20%
Consumption - Direct Cost	34,157,764	34,157,764	18,424,376	5.73%
Consumption - Investment Opportunity Cost	49,600,309	49,600,309	26,753,940	8.32%
IRS Income Tax - Direct Cost	58,505,301	58,505,301	31,557,209	9.82%
IRS Income Tax - Investment Opportunity Cost	65,177,761	65,177,761	35,156,271	10.94%
IRS Income Tax - Embedded Capital Gain Tax Liability <sup>(1)</sup>	-	7,741,497	4,175,690	1.30%
IRS Estate Tax (at 40.0%) <sup>(2)</sup>	-	132,800	71,631	0.02%
<b>Total</b>	<b>\$595,808,966</b>	<b>\$595,808,966</b>	<b>\$321,373,749</b>	<b>100.00%</b>
	<b>No Further Planning</b>	<b>Hypothetical Techniques</b>		
<b>Calculations of Remaining Estate Tax Exemption<sup>(2)</sup></b>				
Current Gift and Estate Exemption	11,400,000	11,400,000		
Assumed Prior Gifts Made	-	5,003,800		
Future Estate Tax Exemption Available in 25 years (assumes 2.5% inflation)	10,420,000	5,416,200		

(1) Post death amounts to children and grandchildren are reduced by the embedded capital gain tax liability. This capital gains tax is only paid when those assets are sold.

(2) For purposes of these calculations, it is assumed that the increased estate tax exemption sunsets in 2025. Assumes valuation discounts (if any) apply at death.

## Neal Navigator No Further Planning

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<b>Assumptions:</b>	
Total Estimated Pre-Tax Rate of Return Over Next 25 Years	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

## Neal Navigator

	<b>Financial Assets</b>						
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Consumption from these Sources</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	100,000,000	600,000	2,400,000	4,400,000	(1,000,000)	(558,960)	105,841,040
Year 2	105,841,040	635,046	2,540,185	4,657,006	(1,025,000)	(811,521)	111,836,756
Year 3	111,836,756	671,021	2,684,082	4,920,817	(1,050,625)	(1,011,818)	118,050,233
Year 4	118,050,233	708,301	2,833,206	5,194,210	(1,076,891)	(1,176,483)	124,532,576
Year 5	124,532,576	747,195	2,988,782	5,479,433	(1,103,813)	(1,317,334)	131,326,840
Year 6	131,326,840	787,961	3,151,844	5,778,381	(1,131,408)	(1,442,800)	138,470,818
Year 7	138,470,818	830,825	3,323,300	6,092,716	(1,159,693)	(1,558,915)	145,999,050
Year 8	145,999,050	875,994	3,503,977	6,423,958	(1,188,686)	(1,670,033)	153,944,262
Year 9	153,944,262	923,666	3,694,662	6,773,548	(1,218,403)	(1,779,326)	162,338,408
Year 10	162,338,408	974,030	3,896,122	7,142,890	(1,248,863)	(1,889,136)	171,213,451
Year 11	171,213,451	1,027,281	4,109,123	7,533,392	(1,280,085)	(2,001,227)	180,601,935
Year 12	180,601,935	1,083,612	4,334,446	7,946,485	(1,312,087)	(2,116,960)	190,537,432
Year 13	190,537,432	1,143,225	4,572,898	8,383,647	(1,344,889)	(2,237,421)	201,054,893
Year 14	201,054,893	1,206,329	4,825,317	8,846,415	(1,378,511)	(2,363,506)	212,190,938
Year 15	212,190,938	1,273,146	5,092,583	9,336,401	(1,412,974)	(2,495,989)	223,984,104
Year 16	223,984,104	1,343,905	5,375,619	9,855,301	(1,448,298)	(2,635,563)	236,475,067
Year 17	236,475,067	1,418,850	5,675,402	10,404,903	(1,484,506)	(2,782,876)	249,706,840
Year 18	249,706,840	1,498,241	5,992,964	10,987,101	(1,521,618)	(2,938,551)	263,724,976
Year 19	263,724,976	1,582,350	6,329,399	11,603,899	(1,559,659)	(3,103,205)	278,577,761
Year 20	278,577,761	1,671,467	6,685,866	12,257,421	(1,598,650)	(3,277,463)	294,316,402
Year 21	294,316,402	1,765,898	7,063,594	12,949,922	(1,638,616)	(3,461,964)	310,995,235
Year 22	310,995,235	1,865,971	7,463,886	13,683,790	(1,679,582)	(3,657,373)	328,671,928
Year 23	328,671,928	1,972,032	7,888,126	14,461,565	(1,721,571)	(3,864,384)	347,407,694
Year 24	347,407,694	2,084,446	8,337,785	15,285,939	(1,764,611)	(4,083,727)	367,267,526
Year 25	367,267,526	2,203,605	8,814,421	16,159,771	(1,808,726)	(899,071)	391,737,526

## Neal Navigator

### Hypothetical Technique #1: Asset Sale to an Intentionally Defective Grantor Trust

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<b>Assumptions:</b>	
Total Estimated Pre-Tax Rate of Return Over Next 25 Years	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
IRS Applicable Federal Rate (mid-term)	1.87%

## Neal Navigator

	<b>Financial Assets</b>								
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Note Payments</b>	<b>Trust Distributions</b>	<b>Consumption from these Sources</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	5,000,000	30,000	120,000	220,000	1,188,960	-	(1,000,000)	(558,960)	5,000,000
Year 2	5,000,000	30,000	120,000	220,000	1,466,521	-	(1,025,000)	(811,521)	5,000,000
Year 3	5,000,000	30,000	120,000	220,000	1,692,443	-	(1,050,625)	(1,011,818)	5,000,000
Year 4	5,000,000	30,000	120,000	220,000	1,883,374	-	(1,076,891)	(1,176,483)	5,000,000
Year 5	5,000,000	30,000	120,000	220,000	2,051,147	-	(1,103,813)	(1,317,334)	5,000,000
Year 6	5,000,000	30,000	120,000	220,000	2,204,208	-	(1,131,408)	(1,442,800)	5,000,000
Year 7	5,000,000	30,000	120,000	220,000	2,348,608	-	(1,159,693)	(1,558,915)	5,000,000
Year 8	5,000,000	30,000	120,000	220,000	2,488,719	-	(1,188,686)	(1,670,033)	5,000,000
Year 9	5,000,000	30,000	120,000	220,000	2,627,729	-	(1,218,403)	(1,779,326)	5,000,000
Year 10	5,000,000	30,000	120,000	220,000	2,767,999	-	(1,248,863)	(1,889,136)	5,000,000
Year 11	5,000,000	30,000	120,000	220,000	2,911,311	-	(1,280,085)	(2,001,227)	5,000,000
Year 12	5,000,000	30,000	120,000	220,000	3,059,047	-	(1,312,087)	(2,116,960)	5,000,000
Year 13	5,000,000	30,000	120,000	220,000	3,212,309	-	(1,344,889)	(2,237,421)	5,000,000
Year 14	5,000,000	30,000	120,000	220,000	3,372,017	-	(1,378,511)	(2,363,506)	5,000,000
Year 15	5,000,000	30,000	120,000	220,000	3,538,963	-	(1,412,974)	(2,495,989)	5,000,000
Year 16	5,000,000	30,000	120,000	220,000	3,713,862	-	(1,448,298)	(2,635,563)	5,000,000
Year 17	5,000,000	30,000	120,000	220,000	3,897,382	-	(1,484,506)	(2,782,876)	5,000,000
Year 18	5,000,000	30,000	120,000	220,000	4,090,169	-	(1,521,618)	(2,938,551)	5,000,000
Year 19	5,000,000	30,000	120,000	220,000	4,292,864	-	(1,559,659)	(3,103,205)	5,000,000
Year 20	5,000,000	30,000	120,000	220,000	4,506,113	-	(1,598,650)	(3,277,463)	5,000,000
Year 21	5,000,000	30,000	120,000	220,000	4,730,581	-	(1,638,616)	(3,461,964)	5,000,000
Year 22	5,000,000	30,000	120,000	220,000	4,966,955	-	(1,679,582)	(3,657,373)	5,000,000
Year 23	5,000,000	30,000	120,000	220,000	5,215,956	-	(1,721,571)	(3,864,384)	5,000,000
Year 24	5,000,000	30,000	120,000	220,000	5,478,338	-	(1,764,611)	(4,083,727)	5,000,000
Year 25	5,000,000	30,000	120,000	220,000	48,892,797	-	(1,808,726)	(4,263,817)	48,190,255

## Neal Navigator

### Hypothetical Technique #1: Asset Sale to an Intentionally Defective Grantor Trust

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<b>Assumptions:</b>	
Total Estimated Pre-Tax Rate of Return Over Next 25 Years	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
IRS Applicable Federal Rate (mid-term)	1.87%

### GST Tax Exempt Grantor Trust

	<b>Financial Assets</b>							
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Note Payments</b>	<b>Beneficiary Distributions</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	95,000,000	570,000	2,280,000	4,180,000	(1,188,960)	-	-	100,841,040
Year 2	100,841,040	605,046	2,420,185	4,437,006	(1,466,521)	-	-	106,836,756
Year 3	106,836,756	641,021	2,564,082	4,700,817	(1,692,443)	-	-	113,050,233
Year 4	113,050,233	678,301	2,713,206	4,974,210	(1,883,374)	-	-	119,532,576
Year 5	119,532,576	717,195	2,868,782	5,259,433	(2,051,147)	-	-	126,326,840
Year 6	126,326,840	757,961	3,031,844	5,558,381	(2,204,208)	-	-	133,470,818
Year 7	133,470,818	800,825	3,203,300	5,872,716	(2,348,608)	-	-	140,999,050
Year 8	140,999,050	845,994	3,383,977	6,203,958	(2,488,719)	-	-	148,944,262
Year 9	148,944,262	893,666	3,574,662	6,553,548	(2,627,729)	-	-	157,338,408
Year 10	157,338,408	944,030	3,776,122	6,922,890	(2,767,999)	-	-	166,213,451
Year 11	166,213,451	997,281	3,989,123	7,313,392	(2,911,311)	-	-	175,601,935
Year 12	175,601,935	1,053,612	4,214,446	7,726,485	(3,059,047)	-	-	185,537,432
Year 13	185,537,432	1,113,225	4,452,898	8,163,647	(3,212,309)	-	-	196,054,893
Year 14	196,054,893	1,176,329	4,705,317	8,626,415	(3,372,017)	-	-	207,190,938
Year 15	207,190,938	1,243,146	4,972,583	9,116,401	(3,538,963)	-	-	218,984,104
Year 16	218,984,104	1,313,905	5,255,619	9,635,301	(3,713,862)	-	-	231,475,067
Year 17	231,475,067	1,388,850	5,555,402	10,184,903	(3,897,382)	-	-	244,706,840
Year 18	244,706,840	1,468,241	5,872,964	10,767,101	(4,090,169)	-	-	258,724,976
Year 19	258,724,976	1,552,350	6,209,399	11,383,899	(4,292,864)	-	-	273,577,761
Year 20	273,577,761	1,641,467	6,565,866	12,037,421	(4,506,113)	-	-	289,316,402
Year 21	289,316,402	1,735,898	6,943,594	12,729,922	(4,730,581)	-	-	305,995,235
Year 22	305,995,235	1,835,971	7,343,886	13,463,790	(4,966,955)	-	-	323,671,928
Year 23	323,671,928	1,942,032	7,768,126	14,241,565	(5,215,956)	-	-	342,407,694
Year 24	342,407,694	2,054,446	8,217,785	15,065,939	(5,478,338)	-	-	362,267,526
Year 25	362,267,526	2,173,605	8,694,421	15,939,771	(48,892,797)	-	-	340,182,526

## Neal Navigator

### Hypothetical Technique #1: Asset Sale to an Intentionally Defective Grantor Trust

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<b>Assumptions:</b>	
Total Estimated Pre-Tax Rate of Return Over Next 25 Years	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
IRS Applicable Federal Rate (mid-term)	1.87%

### Note Between Neal Navigator and GST Tax Exempt Grantor Trust

	<b>Beginning of Year Principal</b>	<b>Interest @ 1.87%</b>	<b>Note Payment</b>	<b>End of Year Principal</b>
Year 1	89,996,200	1,682,929	(1,188,960)	90,490,169
Year 2	90,490,169	1,692,166	(1,466,521)	90,715,814
Year 3	90,715,814	1,696,386	(1,692,443)	90,719,756
Year 4	90,719,756	1,696,459	(1,883,374)	90,532,842
Year 5	90,532,842	1,692,964	(2,051,147)	90,174,659
Year 6	90,174,659	1,686,266	(2,204,208)	89,656,718
Year 7	89,656,718	1,676,581	(2,348,608)	88,984,690
Year 8	88,984,690	1,664,014	(2,488,719)	88,159,985
Year 9	88,159,985	1,648,592	(2,627,729)	87,180,848
Year 10	87,180,848	1,630,282	(2,767,999)	86,043,131
Year 11	86,043,131	1,609,007	(2,911,311)	84,740,826
Year 12	84,740,826	1,584,653	(3,059,047)	83,266,433
Year 13	83,266,433	1,557,082	(3,212,309)	81,611,206
Year 14	81,611,206	1,526,130	(3,372,017)	79,765,319
Year 15	79,765,319	1,491,611	(3,538,963)	77,717,967
Year 16	77,717,967	1,453,326	(3,713,862)	75,457,432
Year 17	75,457,432	1,411,054	(3,897,382)	72,971,104
Year 18	72,971,104	1,364,560	(4,090,169)	70,245,494
Year 19	70,245,494	1,313,591	(4,292,864)	67,266,221
Year 20	67,266,221	1,257,878	(4,506,113)	64,017,987
Year 21	64,017,987	1,197,136	(4,730,581)	60,484,542
Year 22	60,484,542	1,131,061	(4,966,955)	56,648,648
Year 23	56,648,648	1,059,330	(5,215,956)	52,492,022
Year 24	52,492,022	981,601	(5,478,338)	47,995,285
Year 25	47,995,285	897,512	(48,892,797)	-

**Neal Navigator**

**Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust**

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<b>Assumptions:</b>	<b>Financial Assets</b>
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

**Neal Navigator**

	<b>Financial Assets</b>											
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Financial Assets, LLC Distributions</b>	<b>Holdco, LLC Distributions</b>	<b>Note Payments</b>	<b>GRAT Annual Annuities</b>	<b>Trust Distributions</b>	<b>Consumption from these Sources</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	5,000,000	30,000	120,000	220,000	38,880	17,684	1,123,554	8,842	-	(1,000,000)	(558,960)	5,000,000
Year 2	5,000,000	30,000	120,000	220,000	38,880	17,684	1,401,116	8,842	-	(1,025,000)	(811,521)	5,000,000
Year 3	5,000,000	30,000	120,000	220,000	38,880	17,684	1,627,038	8,842	-	(1,050,625)	(1,011,818)	5,000,000
Year 4	5,000,000	30,000	120,000	220,000	29,684	2,545	1,851,145	-	-	(1,076,891)	(1,176,483)	5,000,000
Year 5	5,000,000	30,000	120,000	220,000	30,990	2,983	2,017,174	-	-	(1,103,813)	(1,317,334)	5,000,000
Year 6	5,000,000	30,000	120,000	220,000	32,354	3,429	2,168,425	-	-	(1,131,408)	(1,442,800)	5,000,000
Year 7	5,000,000	30,000	120,000	220,000	33,777	3,891	2,310,940	-	-	(1,159,693)	(1,558,915)	5,000,000
Year 8	5,000,000	30,000	120,000	220,000	35,263	4,372	2,449,084	-	-	(1,188,686)	(1,670,033)	5,000,000
Year 9	5,000,000	30,000	120,000	220,000	36,815	4,877	2,586,037	-	-	(1,218,403)	(1,779,326)	5,000,000
Year 10	5,000,000	30,000	120,000	220,000	38,435	5,409	2,724,155	-	-	(1,248,863)	(1,889,136)	5,000,000
Year 11	5,000,000	30,000	120,000	220,000	40,126	5,971	2,865,214	-	-	(1,280,085)	(2,001,227)	5,000,000
Year 12	5,000,000	30,000	120,000	220,000	41,892	6,566	3,010,589	-	-	(1,312,087)	(2,116,960)	5,000,000
Year 13	5,000,000	30,000	120,000	220,000	43,735	7,196	3,161,379	-	-	(1,344,889)	(2,237,421)	5,000,000
Year 14	5,000,000	30,000	120,000	220,000	45,659	7,863	3,318,495	-	-	(1,378,511)	(2,363,506)	5,000,000
Year 15	5,000,000	30,000	120,000	220,000	47,668	8,569	3,482,725	-	-	(1,412,974)	(2,495,989)	5,000,000
Year 16	5,000,000	30,000	120,000	220,000	49,765	9,317	3,654,779	-	-	(1,448,298)	(2,635,563)	5,000,000
Year 17	5,000,000	30,000	120,000	220,000	51,955	10,109	3,835,318	-	-	(1,484,506)	(2,782,876)	5,000,000
Year 18	5,000,000	30,000	120,000	220,000	54,241	10,946	4,024,982	-	-	(1,521,618)	(2,938,551)	5,000,000
Year 19	5,000,000	30,000	120,000	220,000	56,628	11,831	4,224,405	-	-	(1,559,659)	(3,103,205)	5,000,000
Year 20	5,000,000	30,000	120,000	220,000	59,119	12,766	4,434,227	-	-	(1,598,650)	(3,277,463)	5,000,000
Year 21	5,000,000	30,000	120,000	220,000	61,721	13,754	4,655,106	-	-	(1,638,616)	(3,461,964)	5,000,000
Year 22	5,000,000	30,000	120,000	220,000	64,436	14,795	4,887,723	-	-	(1,679,582)	(3,657,373)	5,000,000
Year 23	5,000,000	30,000	120,000	220,000	67,272	15,894	5,132,790	-	-	(1,721,571)	(3,864,384)	5,000,000
Year 24	5,000,000	30,000	120,000	220,000	70,231	17,051	3,815,599	-	-	(1,764,611)	(4,083,727)	3,424,544
Year 25	3,424,544	20,547	82,189	150,680	73,322	18,743	-	-	-	(1,808,726)	(93,459)	1,867,840

## Neal Navigator

### Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust

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<b>Assumptions:</b>	<b>Financial Assets</b>
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

### Financial Assets, LLC

	Financial Assets					End of Year
	Beginning of Year	Income	Tax Free Income	Growth	Owner Distributions	
Year 1	90,000,000	540,000	2,160,000	3,960,000	(3,888,000)	92,772,000
Year 2	92,772,000	556,632	2,226,528	4,081,968	(3,888,000)	95,749,128
Year 3	95,749,128	574,495	2,297,979	4,212,962	(3,888,000)	98,946,563
Year 4	98,946,563	593,679	2,374,718	4,353,649	(2,968,397)	103,300,212
Year 5	103,300,212	619,801	2,479,205	4,545,209	(3,099,006)	107,845,422
Year 6	107,845,422	647,073	2,588,290	4,745,199	(3,235,363)	112,590,620
Year 7	112,590,620	675,544	2,702,175	4,953,987	(3,377,719)	117,544,607
Year 8	117,544,607	705,268	2,821,071	5,171,963	(3,526,338)	122,716,570
Year 9	122,716,570	736,299	2,945,198	5,399,529	(3,681,497)	128,116,099
Year 10	128,116,099	768,697	3,074,786	5,637,108	(3,843,483)	133,753,208
Year 11	133,753,208	802,519	3,210,077	5,885,141	(4,012,596)	139,638,349
Year 12	139,638,349	837,830	3,351,320	6,144,087	(4,189,150)	145,782,436
Year 13	145,782,436	874,695	3,498,778	6,414,427	(4,373,473)	152,196,863
Year 14	152,196,863	913,181	3,652,725	6,696,662	(4,565,906)	158,893,525
Year 15	158,893,525	953,361	3,813,445	6,991,315	(4,766,806)	165,884,840
Year 16	165,884,840	995,309	3,981,236	7,298,933	(4,976,545)	173,183,773
Year 17	173,183,773	1,039,103	4,156,411	7,620,086	(5,195,513)	180,803,859
Year 18	180,803,859	1,084,823	4,339,293	7,955,370	(5,424,116)	188,759,229
Year 19	188,759,229	1,132,555	4,530,222	8,305,406	(5,662,777)	197,064,635
Year 20	197,064,635	1,182,388	4,729,551	8,670,844	(5,911,939)	205,735,479
Year 21	205,735,479	1,234,413	4,937,652	9,052,361	(6,172,064)	214,787,840
Year 22	214,787,840	1,288,727	5,154,908	9,450,665	(6,443,635)	224,238,505
Year 23	224,238,505	1,345,431	5,381,724	9,866,494	(6,727,155)	234,105,000
Year 24	234,105,000	1,404,630	5,618,520	10,300,620	(7,023,150)	244,405,620
Year 25	244,405,620	1,466,434	5,865,735	10,753,847	(7,332,169)	255,159,467

Ownership	
Neal Navigator	Holdco, LLC
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
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1.0%	99.0%
1.0%	99.0%
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1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%
1.0%	99.0%



**Neal Navigator**

**Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust**

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<b>Assumptions:</b>	<b>Financial Assets</b>
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

**Holdco, LLC**

	<b>Financial Assets</b>							
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Financial Assets, LLC Distributions</b>	<b>Note Payments</b>	<b>Owner Distributions</b>	<b>End of Year</b>
Year 1	5,000,000	30,000	120,000	220,000	3,849,120	(1,123,554)	(1,768,371)	6,327,195
Year 2	6,327,195	37,963	151,853	278,397	3,849,120	(1,401,116)	(1,768,371)	7,475,041
Year 3	7,475,041	44,850	179,401	328,902	3,849,120	(1,627,038)	(1,768,371)	8,481,905
Year 4	8,481,905	50,891	203,566	373,204	2,938,713	(1,851,145)	(254,457)	9,942,677
Year 5	9,942,677	59,656	238,624	437,478	3,068,016	(2,017,174)	(298,280)	11,430,997
Year 6	11,430,997	68,586	274,344	502,964	3,203,009	(2,168,425)	(342,930)	12,968,545
Year 7	12,968,545	77,811	311,245	570,616	3,343,941	(2,310,940)	(389,056)	14,572,162
Year 8	14,572,162	87,433	349,732	641,175	3,491,075	(2,449,084)	(437,165)	16,255,328
Year 9	16,255,328	97,532	390,128	715,234	3,644,682	(2,586,037)	(487,660)	18,029,207
Year 10	18,029,207	108,175	432,701	793,285	3,805,048	(2,724,155)	(540,876)	19,903,385
Year 11	19,903,385	119,420	477,681	875,749	3,972,470	(2,865,214)	(597,102)	21,886,390
Year 12	21,886,390	131,318	525,273	963,001	4,147,259	(3,010,589)	(656,592)	23,986,061
Year 13	23,986,061	143,916	575,665	1,055,387	4,329,738	(3,161,379)	(719,582)	26,209,807
Year 14	26,209,807	157,259	629,035	1,153,232	4,520,247	(3,318,495)	(786,294)	28,564,791
Year 15	28,564,791	171,389	685,555	1,256,851	4,719,138	(3,482,725)	(856,944)	31,058,054
Year 16	31,058,054	186,348	745,393	1,366,554	4,926,780	(3,654,779)	(931,742)	33,696,610
Year 17	33,696,610	202,180	808,719	1,482,651	5,143,558	(3,835,318)	(1,010,898)	36,487,501
Year 18	36,487,501	218,925	875,700	1,605,450	5,369,875	(4,024,982)	(1,094,625)	39,437,843
Year 19	39,437,843	236,627	946,508	1,735,265	5,606,149	(4,224,405)	(1,183,135)	42,554,853
Year 20	42,554,853	255,329	1,021,316	1,872,414	5,852,820	(4,434,227)	(1,276,646)	45,845,859
Year 21	45,845,859	275,075	1,100,301	2,017,218	6,110,344	(4,655,106)	(1,375,376)	49,318,314
Year 22	49,318,314	295,910	1,183,640	2,170,006	6,379,199	(4,887,723)	(1,479,549)	52,979,796
Year 23	52,979,796	317,879	1,271,515	2,331,111	6,659,884	(5,132,790)	(1,589,394)	56,838,000
Year 24	56,838,000	341,028	1,364,112	2,500,872	6,952,918	(3,815,599)	(1,705,140)	62,476,192
Year 25	62,476,192	374,857	1,499,429	2,748,952	7,258,847	-	(1,874,286)	72,483,991

<b>Ownership</b>		
<b>Neal Navigator</b>	<b>GST Tax Exempt Grantor Trust</b>	<b>GRAT &amp; Non-GST Grantor Trust</b>
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%
1.0%	98.5%	0.5%

## Neal Navigator

### Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust

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<b>Assumptions:</b>	<b>Financial Assets</b>
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

### 3-Year GRAT and Non-GST Tax Exempt Grantor Trust

	Financial Assets								
	Beginning of Year	Income	Tax Free Income	Growth	Holdco, LLC Distributions	GRAT Annual Annuity	Beneficiary Distributions	Income Taxes	End of Year
Year 1	-	-	-	-	8,842	(8,842)	-	-	-
Year 2	-	-	-	-	8,842	(8,842)	-	-	-
Year 3	-	-	-	-	8,842	(8,842)	-	-	-
Year 4	-	-	-	-	1,272	-	-	-	1,272
Year 5	1,272	8	31	56	1,491	-	-	-	2,858
Year 6	2,858	17	69	126	1,715	-	-	-	4,784
Year 7	4,784	29	115	210	1,945	-	-	-	7,083
Year 8	7,083	42	170	312	2,186	-	-	-	9,793
Year 9	9,793	59	235	431	2,438	-	-	-	12,956
Year 10	12,956	78	311	570	2,704	-	-	-	16,619
Year 11	16,619	100	399	731	2,986	-	-	-	20,835
Year 12	20,835	125	500	917	3,283	-	-	-	25,659
Year 13	25,659	154	616	1,129	3,598	-	-	-	31,156
Year 14	31,156	187	748	1,371	3,931	-	-	-	37,393
Year 15	37,393	224	897	1,645	4,285	-	-	-	44,445
Year 16	44,445	267	1,067	1,956	4,659	-	-	-	52,393
Year 17	52,393	314	1,257	2,305	5,054	-	-	-	61,324
Year 18	61,324	368	1,472	2,698	5,473	-	-	-	71,335
Year 19	71,335	428	1,712	3,139	5,916	-	-	-	82,530
Year 20	82,530	495	1,981	3,631	6,383	-	-	-	95,020
Year 21	95,020	570	2,280	4,181	6,877	-	-	-	108,929
Year 22	108,929	654	2,614	4,793	7,398	-	-	-	124,387
Year 23	124,387	746	2,985	5,473	7,947	-	-	-	141,539
Year 24	141,539	849	3,397	6,228	8,526	-	-	-	160,538
Year 25	160,538	963	3,853	7,064	9,371	-	-	-	181,790

## Neal Navigator

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<b>Assumptions:</b>	<b>Financial Assets</b>
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Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<b>Assumptions (continued):</b>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

### GST Tax Exempt Grantor Trust

	<b>Financial Assets</b>							
	<b>Beginning of Year</b>	<b>Income</b>	<b>Tax Free Income</b>	<b>Growth</b>	<b>Holdco, LLC Distributions</b>	<b>Beneficiary Distributions</b>	<b>Income Taxes</b>	<b>End of Year</b>
Year 1	-	-	-	-	1,741,845	-	-	1,741,845
Year 2	1,741,845	10,451	41,804	76,641	1,741,845	-	-	3,612,587
Year 3	3,612,587	21,676	86,702	158,954	1,741,845	-	-	5,621,764
Year 4	5,621,764	33,731	134,922	247,358	250,640	-	-	6,288,415
Year 5	6,288,415	37,730	150,922	276,690	293,806	-	-	7,047,564
Year 6	7,047,564	42,285	169,142	310,093	337,786	-	-	7,906,869
Year 7	7,906,869	47,441	189,765	347,902	383,220	-	-	8,875,198
Year 8	8,875,198	53,251	213,005	390,509	430,607	-	-	9,962,570
Year 9	9,962,570	59,775	239,102	438,353	480,345	-	-	11,180,145
Year 10	11,180,145	67,081	268,323	491,926	532,763	-	-	12,540,239
Year 11	12,540,239	75,241	300,966	551,771	588,145	-	-	14,056,362
Year 12	14,056,362	84,338	337,353	618,480	646,743	-	-	15,743,275
Year 13	15,743,275	94,460	377,839	692,704	708,788	-	-	17,617,066
Year 14	17,617,066	105,702	422,810	775,151	774,500	-	-	19,695,228
Year 15	19,695,228	118,171	472,685	866,590	844,090	-	-	21,996,765
Year 16	21,996,765	131,981	527,922	967,858	917,765	-	-	24,542,291
Year 17	24,542,291	147,254	589,015	1,079,861	995,735	-	-	27,354,155
Year 18	27,354,155	164,125	656,500	1,203,583	1,078,206	-	-	30,456,568
Year 19	30,456,568	182,739	730,958	1,340,089	1,165,388	-	-	33,875,743
Year 20	33,875,743	203,254	813,018	1,490,533	1,257,496	-	-	37,640,044
Year 21	37,640,044	225,840	903,361	1,656,162	1,354,745	-	-	41,780,152
Year 22	41,780,152	250,681	1,002,724	1,838,327	1,457,356	-	-	46,329,239
Year 23	46,329,239	277,975	1,111,902	2,038,487	1,565,553	-	-	51,323,156
Year 24	51,323,156	307,939	1,231,756	2,258,219	1,679,563	-	-	56,800,633
Year 25	56,800,633	340,804	1,363,215	2,499,228	1,846,171	-	(4,175,307)	58,674,744

## Neal Navigator

### Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust

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<u>Assumptions:</u>	<b>Financial Assets</b>
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Income Rate	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gain Rate	4.40%
Annual Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ordinary Income Rate	40.80%
Long Term Capital Gain Rate	23.80%
Consumption from these sources (increases 2.5% per year)	\$1,000,000

<u>Assumptions (continued):</u>	
Financial Assets, LLC Valuation Discount	35.00%
Holdco, LLC Valuation Discount	20.00%
IRS Applicable Federal Rate (mid-term)	1.87%
IRS §7520 Rate	2.20%

### Note Between Neal Navigator and Holdco, LLC

	Beginning of Year Principal	Interest @ 1.87%	Note Payment	End of Year Principal
Year 1	57,150,000	1,068,705	(1,123,554)	57,095,151
Year 2	57,095,151	1,067,679	(1,401,116)	56,761,714
Year 3	56,761,714	1,061,444	(1,627,038)	56,196,121
Year 4	56,196,121	1,050,867	(1,851,145)	55,395,843
Year 5	55,395,843	1,035,902	(2,017,174)	54,414,571
Year 6	54,414,571	1,017,552	(2,168,425)	53,263,699
Year 7	53,263,699	996,031	(2,310,940)	51,948,790
Year 8	51,948,790	971,442	(2,449,084)	50,471,148
Year 9	50,471,148	943,810	(2,586,037)	48,828,922
Year 10	48,828,922	913,101	(2,724,155)	47,017,867
Year 11	47,017,867	879,234	(2,865,214)	45,031,887
Year 12	45,031,887	842,096	(3,010,589)	42,863,394
Year 13	42,863,394	801,545	(3,161,379)	40,503,561
Year 14	40,503,561	757,417	(3,318,495)	37,942,482
Year 15	37,942,482	709,524	(3,482,725)	35,169,281
Year 16	35,169,281	657,666	(3,654,779)	32,172,168
Year 17	32,172,168	601,620	(3,835,318)	28,938,470
Year 18	28,938,470	541,149	(4,024,982)	25,454,638
Year 19	25,454,638	476,002	(4,224,405)	21,706,234
Year 20	21,706,234	405,907	(4,434,227)	17,677,914
Year 21	17,677,914	330,577	(4,655,106)	13,353,385
Year 22	13,353,385	249,708	(4,887,723)	8,715,370
Year 23	8,715,370	162,977	(5,132,790)	3,745,557
Year 24	3,745,557	70,042	(3,815,599)	-
Year 25	-	-	-	-

<b>Note, Gift and GRAT Calculations</b>		
Financial Assets, LLC	100.0%	90,000,000
Financial Assets, LLC Valuation Discount		(31,500,000)
Holdco, LLC Other Assets		5,000,000
Holdco, LLC Undiscounted Value		63,500,000
Note	90.0%	(57,150,000)
Holdco, LLC Net Value		6,350,000
Holdco, LLC Valuation Discount		(1,270,000)
Holdco, LLC Discounted Value		5,080,000
Non-Managing Member Interest - Gift to GST Tax Exempt Grantor Trust	98.5%	5,003,800
Non-Managing Member Interest - Contributed to GRAT	0.50%	25,400
GRAT Payout Percent and Annuity Payment	34.81045%	8,842

## Neal Navigator

### Estate Tax and Embedded Long Term Capital Gain Tax Liability

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	Assuming Neal Navigator Dies in:					
	15 Years		20 Years		25 Years	
	Embedded Capital Gains Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)	Embedded Capital Gains Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)	Embedded Capital Gains Tax Liability <sup>(1)</sup>	Estate Tax <sup>(2)</sup> (@ 40%)
	TOTAL		TOTAL		TOTAL	
No Further Planning	\$0	\$86,333,642	\$0	\$114,042,561	\$0	\$152,527,011
	\$86,333,642		\$114,042,561		\$152,527,011	
Hypothetical Technique #1: Asset Sale to an Intentionally Defective Grantor Trust	\$0	\$31,828,707	\$0	\$25,924,715	\$7,851,073	\$17,109,622
	\$31,828,707		\$25,924,715		\$24,960,695	
Hypothetical Technique #2: Leveraged Asset Sale to an Intentionally Defective Grantor Trust	\$0	\$15,766,906	\$1,672,796	\$8,599,868	\$7,741,497	\$132,800
	\$15,766,906		\$10,272,663		\$7,874,296	

(1) Embedded capital gains tax liability of assets that pass to the family that are not subject to estate taxes. This capital gains tax is only paid when those assets are sold.

(2) Assumes remaining estate tax exemption available at applicable times. It is assumed that the increased estate tax exemption sunsets in 2025.

## Neal Navigator

### Summary of Hypothetical Results for \$100,000,000 of Assets

#### Post Death Scenarios (assuming Neal Navigator has a life expectancy of 25 years)

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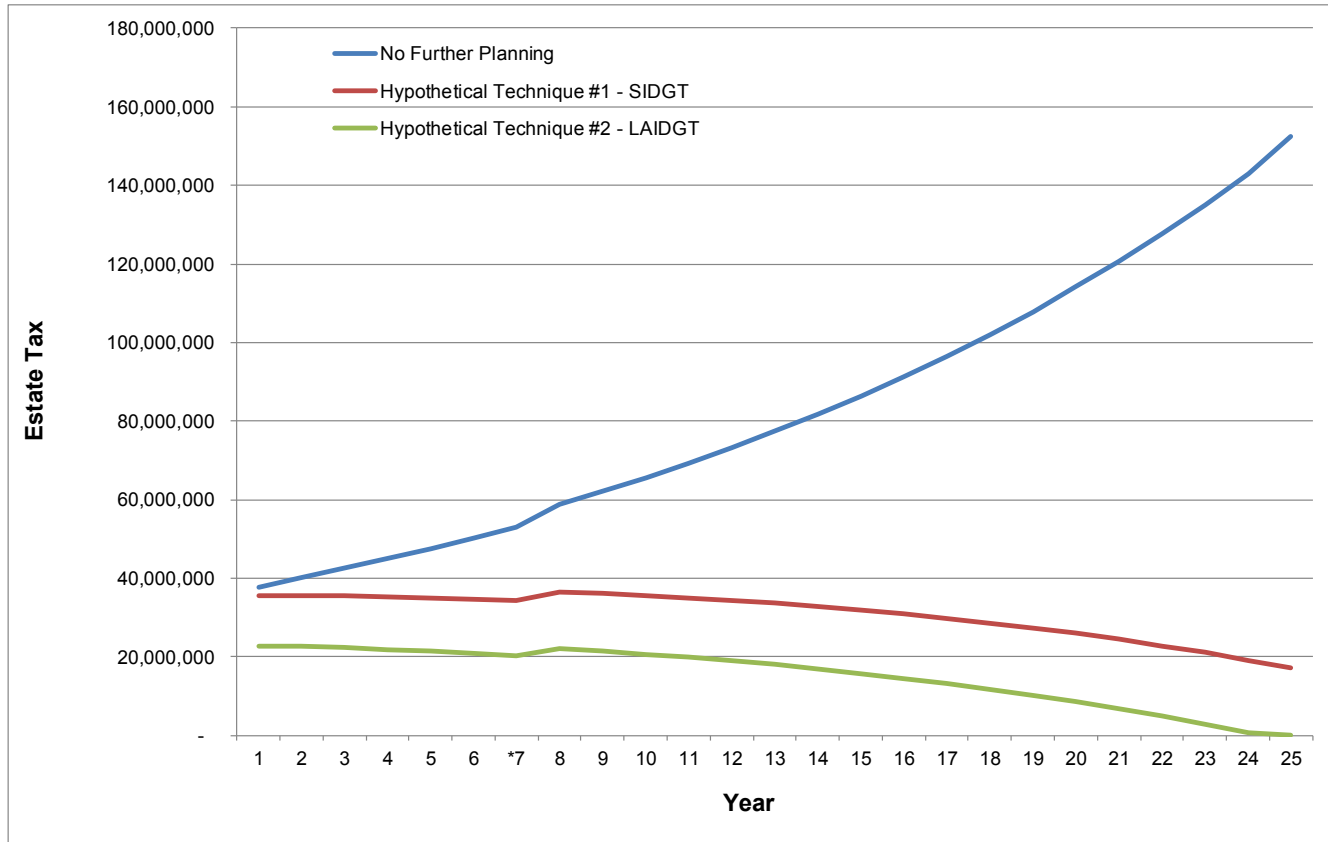
	Neal Navigator's		Consumption		IRS Income Tax		Tax Liability of Estate		Total
	Children	Children and Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Embedded Capital Gains Tax Liability	IRS Estate Tax (at 40%)	
<b>25-Year Future Values</b>									
No Further Planning	\$228,790,516	\$10,420,000	\$34,157,764	\$49,600,309	\$55,135,606	\$65,177,761	\$0	\$152,527,011	\$595,808,966
	\$239,210,516		\$83,758,073		\$120,313,367		\$152,527,011		
Hypothetical Technique #1 SIDGT	\$0	\$363,412,085	\$34,157,764	\$49,600,309	\$58,500,352	\$65,177,761	\$7,851,073	\$17,109,622	\$595,808,966
	\$363,412,085		\$83,758,073		\$123,678,112		\$24,960,695		
Hypothetical Technique #2 LAIDGT	\$3,928,602	\$376,564,932	\$34,157,764	\$49,600,309	\$58,505,301	\$65,177,761	\$7,741,497	\$132,800	\$595,808,966
	\$380,493,535		\$83,758,073		\$123,683,062		\$7,874,296		
<b>Present Values (Discounted at 2.5%)</b>									
No Further Planning	\$123,407,451	\$5,620,450	\$18,424,376	\$26,753,940	\$29,739,627	\$35,156,271	\$0	\$82,271,634	\$321,373,749
	\$129,027,901		\$45,178,316		\$64,895,898		\$82,271,634		
Hypothetical Technique #1 SIDGT	\$0	\$196,021,059	\$18,424,376	\$26,753,940	\$31,554,539	\$35,156,271	\$4,234,795	\$9,228,769	\$321,373,749
	\$196,021,059		\$45,178,316		\$66,710,810		\$13,463,564		
Hypothetical Technique #2 LAIDGT	\$2,119,051	\$203,115,581	\$18,424,376	\$26,753,940	\$31,557,209	\$35,156,271	\$4,175,690	\$71,631	\$321,373,749
	\$205,234,632		\$45,178,316		\$66,713,480		\$4,247,321		

## Neal Navigator

### Hypothetical Estate Taxes\*

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\*For purposes of these calculations, it is assumed that the increased estate tax exemption sunsets in 2025 (year 7).

## Stacy Eastland – Managing Director

Houston

Tel: (713) 654 – 8484

Stacy joined the firm to expand the advisory team working with Private Wealth Management clients. He currently works with private clients and their own advisors with their strategic wealth management plans, combining a variety of income tax, estate planning and gifting techniques. Prior to joining Goldman Sachs in October 2000, Stacy was a senior partner with Baker Botts, L.L.P. in Houston, Texas. Stacy received his B.S. (with Honors) from Washington and Lee and his J.D. from The University of Texas (with Honors). Stacy's professional associations include: Member of the International Academy of Estate and Trust Law; Fellow of the American College of Trust and Estate Counsel (Regent for 1992/1998 term); Member of the American Bar Association (Supervisory Council Member of the Real Property, Probate and Trust Law Section from 1990-1998); Member of the Texas Bar Association (Texas Bar Foundation Fellow); Member of the Houston Bar Association (Houston Bar Foundation Fellow). Stacy is listed in Who's Who in America and was selected to receive the Marquis Who's Who Lifetime Achievement award in 2017. Stacy is also listed in The Best Lawyers in America (Woodward/White). He has been listed in Town & Country and in Bloomberg Personal Finance as one of the top trust and estate lawyers in the U.S. Stacy was selected as one of the ten initial recipients of the Accredited Estate Planner® award of the Estate Planning Hall of Fame® of the National Association of Estate Planners and Councils (2004). He was chosen as the 2018 Hartman Axley Lifetime Service Award recipient of the National Association of Estate Planners and Councils. He was recently named one of the "Top 100 Wealth Advisors" to ultra-high net worth individual clients in the United States by Citywealth magazine. Articles about Stacy's estate planning ideas have also been featured in Forbes and Fortune magazines. Stacy is a prominent lecturer throughout the country.



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