AGENCY ONE

Creating Leverage & Flexibility in Estate Planning

Client Profile:

Married couple (ages 65 & 60) with 2 children

Financial Profile:

Net worth of approximately $20MM, comprised mostly of Investment Real Estate LLCs & closely held business

Goals:

1 Fund irrevocable trust while minimizing gift tax exposure and maximizing use of estate tax exemption
2 Create additional cashflow inside the trust to address other needs

Estate\Grantor(s)

Personal Assets	
Personal property & Primary residence	$1.5MM
Second home	$1.0MM
Qualified plans	$1.0MM
Liquid assets	$1.5MM
Closely Held Business Interests	
	$5.0MM
Commercial Real Estate (LLCs)	
Gross value	$15MM
Mortgages	($5MM)
	$20.0MM

1. Client sells $10MM LLC interests at a 25% discount and makes gift of $750,000 (10% of loan amount)

2. Take back $7.5MM note at 1.01% (June long term AFR)

3. $75,750 Annual grantor interest payment

4. $99,915 Survivorship UL premium

Grantor Trust (with Spousal Access Provisions)

Assets:

$750,000 Liquid Assets
$7.5MM LLC interests

Liabilities:

$7.5MM Grantor note

Life Insurance Coverage:	Death Benefit	Annual Premium
Survivorship current assumption UL	$10MM	$ 99,915

Income	
3.0% Free cashflow from LLC after mortgage, interest & other expenses (taxes, maintenance, prepairs etc..)	$ 225,000
Annual Exclusion Gifts	$ 60,000
	$ 285,000
Expenses	
Note Interest (to Grantor)	$ (75,750)
Survivorship UL Premium	$ (99,915)
	$ (175,665)

Excess Cash Flow Generated in Trust $ 109,335

Life Insurance Company

$10MM Survivorship UL Policy

Lifetime Exemption*

2020	$11.58 MM
2021	$11.81 MM
2022	$12.05 MM
2023	$12.29 MM
2024	$12.53 MM
2025	$12.79 MM
2026	$6.52 MM

*Assuming 2% annual adjustment

Flexibility to forgive note and complete gift prior to 2026