

# THE ESSENTIAL ILIT PLAN

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*Prepared For*  
TY AND LACEY HUNTER

July 22, 2009

*Prepared by*  
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## FAMILY INFORMATION

<b>CLIENTS</b>	<b>AGE</b>
Ty Hunter	54
Lacey Hunter	57

<b>CHILDREN</b>	<b>AGE</b>
Joel	-
James	-
Barbara	-

## YOUR GOALS AND OBJECTIVES

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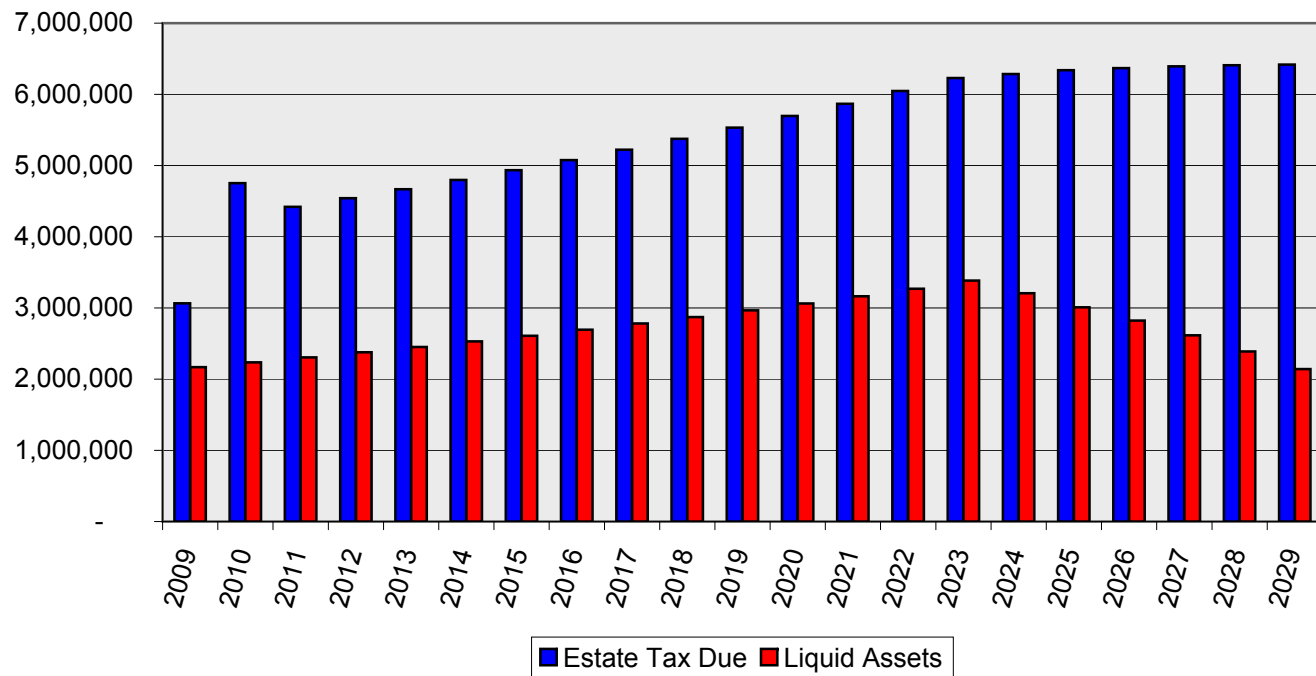
- Maintain our customary lifestyle, which should take about \$150,000 annually after taxes and gifts and adjusted for inflation.
- Provide for the financial security of the surviving spouse.
- Maintain adequate liquidity for emergencies and investment opportunities. We prefer to keep at least \$500,000 in cash and readily marketable securities.
- Assure we have sufficient liquid assets available at our deaths to reduce or eliminate the forced liquidation of our business, real estate or other non-liquid assets.
- Maximize the inheritance that we leave to our children and grandchildren.
- Provide for a charitable gift of at least 10% of our estate at death.
- Reduce estate taxes.

# YOUR LIQUIDITY

- Goal: Maintain liquidity to meet our estate obligations at death.

Our review shows your projected estate tax due within nine months of the second of you to die versus your projected liquidity over the next 20 years.

### Liquid Assets vs. Estate Taxes Projected 20 Years



**We believe there are approaches that would help you solve this liquidity crisis.**

# WHICH OF THE FOLLOWING ASSETS WOULD YOU LIKE YOUR HEIRS TO LIQUIDATE UPON YOUR DEMISE?

## Assets Available for Liquidation

### CLOSELY HELD BUSINESS

Webb Building Supply, Inc (50%)	3,000,000
Double W Assoc (50%)	2,500,000

### INVESTMENT REAL ESTATE

30 acres	150,000
Ranch (12.5%)	200,000
Ranch and Hunting Lease (25%)	150,000
Monroe Land (29 acres)	120,000
Fayette Farm (37.5 acres)	325,000
Fayette Farm & Ranch (69 acres)	390,000
Percy Farm (256 acres)	100,000

### RESIDENTIAL REAL ESTATE

123 Main St.	400,000
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### PERSONAL PROPERTY

Autos	50,000
Household Furnishings	50,000
Tractors, Mower, Farm Equip, ATVs	45,000

<b>Total Illiquid Assets</b>	<b>\$ 7,480,000</b>
<b>Total Liquid Assets in 2009 *</b>	<b>\$ 2,169,597</b>
* Including Life Insurance proceeds	
<b>Total Estate Tax Due in 2009</b>	<b>\$ 3,064,888</b>

**NOTE: Estate taxes are due within 9 months of the 2nd death.**

# INTRODUCTION TO ILITs

We have prepared this report for you to help you understand the advantage of using life insurance and life insurance trusts in your estate planning. As you will see, implementation of this recommended planning strategy should increase the amount of your assets passing to your heirs by \$3,586,115 if you both were to die today, and by \$2,120,323 if you both were to die in the year 2029.

Life insurance held in a life insurance trust is one of the most efficient estate planning tools available. It requires very little complication after the initial creation and set up. This strategy also has a relatively low cost of administration.

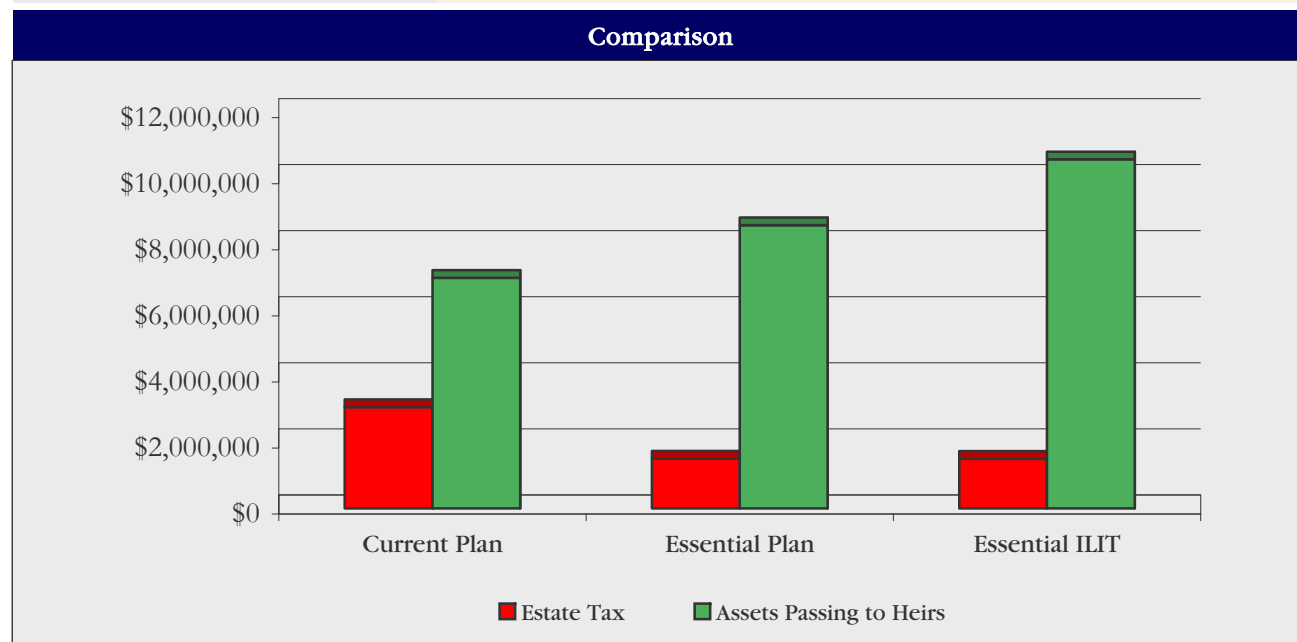
- ∞ You start by creating the Irrevocable Life Insurance Trust. (ILIT)
- ∞ The trustee opens an account for the ILIT.
- ∞ Make gifts of cash each year to the trust sufficient to pay the annual premiums and any maintenance fees.
- ∞ Your trustee sends out notices to the trust beneficiaries. These are commonly known as "Crummey" notices.
- ∞ Upon expiration of the notice period, the Trustee pays the insurance premium.
- ∞ At your death, the insurance death benefits pass to your heirs free of estate and income tax.



# COMPARISON OF PLANS TODAY - 2009

	Current Plan	Essential Plan	Benefit of Life Ins
Total Estate	\$ 9,739,830	\$ 9,739,830	\$ 9,724,830
Estate Tax	3,064,888	1,505,638	1,498,982
Assets Passing to Heirs	6,979,624	8,573,874	10,565,739

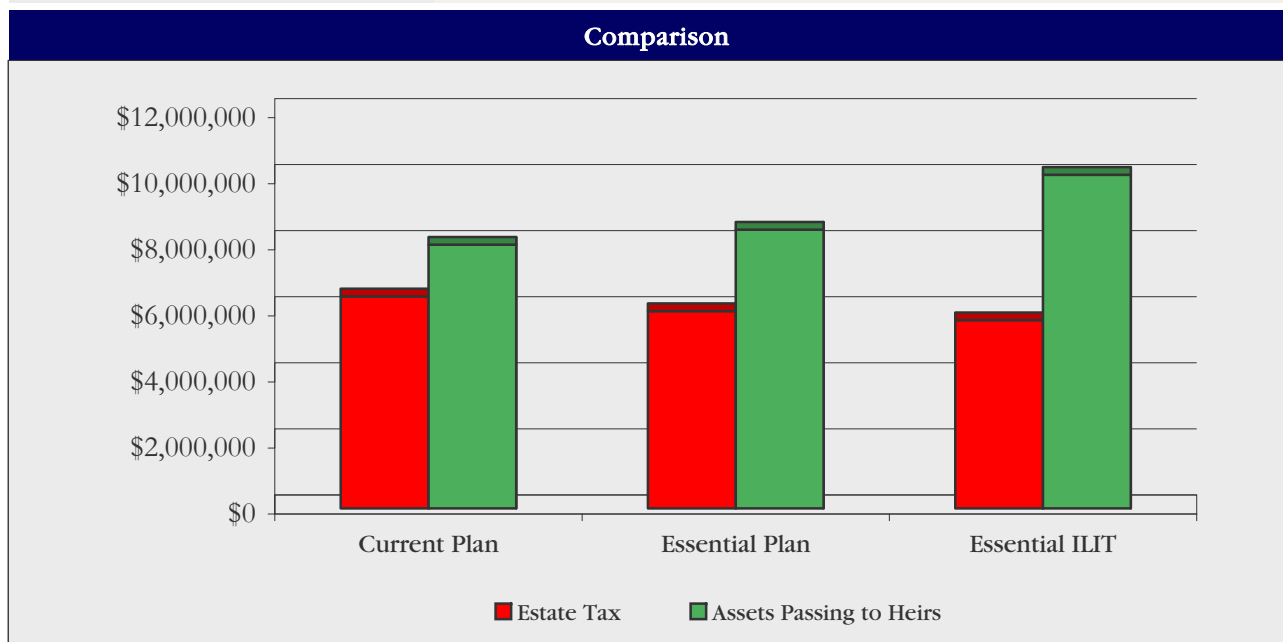
Increase to Heirs	Current Plan	Essential Plan	Benefit of Life Ins
	\$ -	\$ 1,594,250	\$ 3,586,115



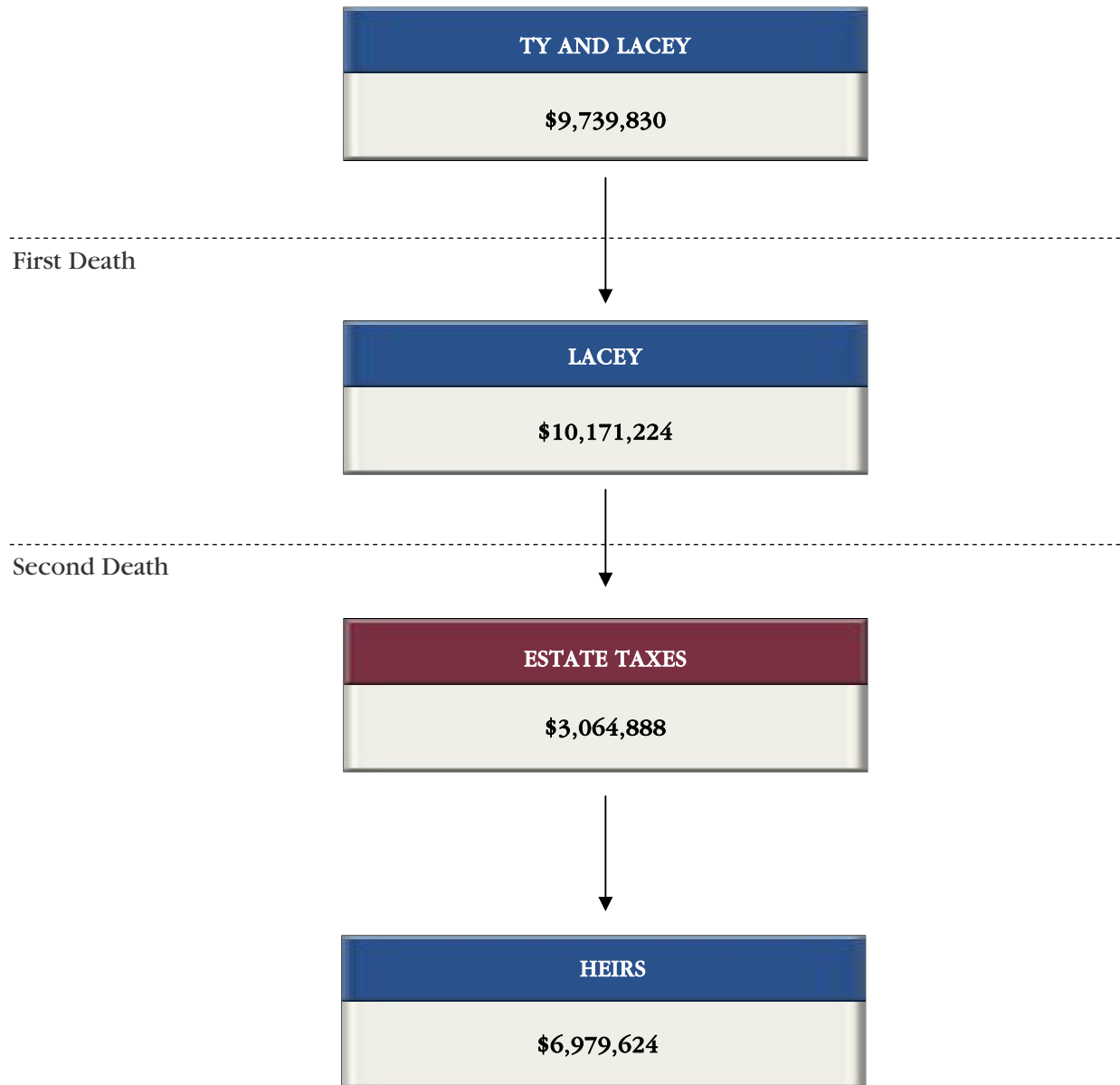
# COMPARISON OF PLANS - 2029

	Current Plan	Essential Plan	Benefit of Life Ins
Total Estate	\$ 14,154,154	\$ 14,154,154	\$ 13,536,103
Estate Tax	6,417,424	5,971,924	5,697,688
Assets Passing to Heirs	7,979,718	8,435,218	10,100,041

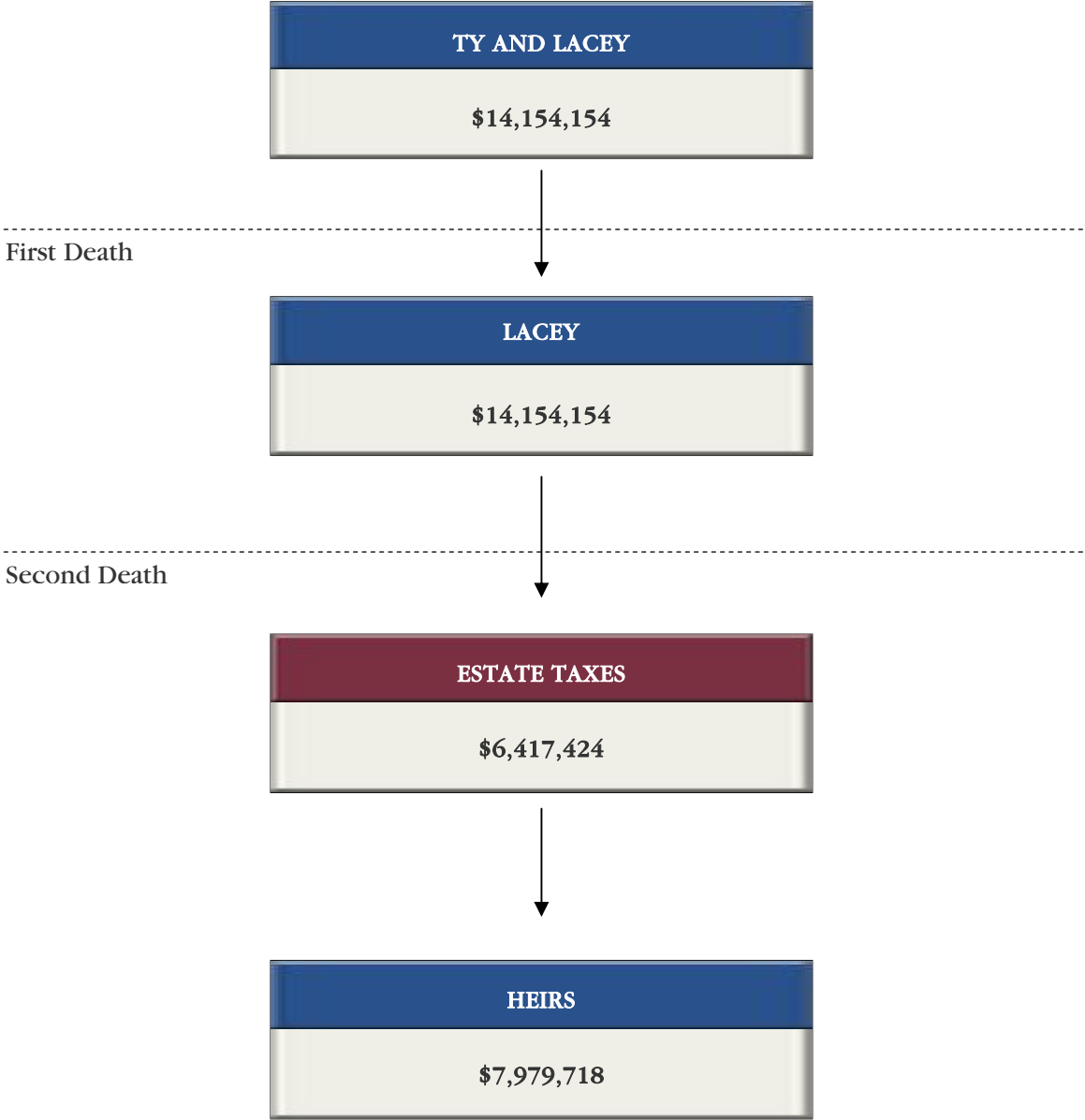
Increase to Heirs	Current Plan	Essential Plan	Benefit of Life Ins
	\$ -	\$ 455,500	\$ 2,120,323



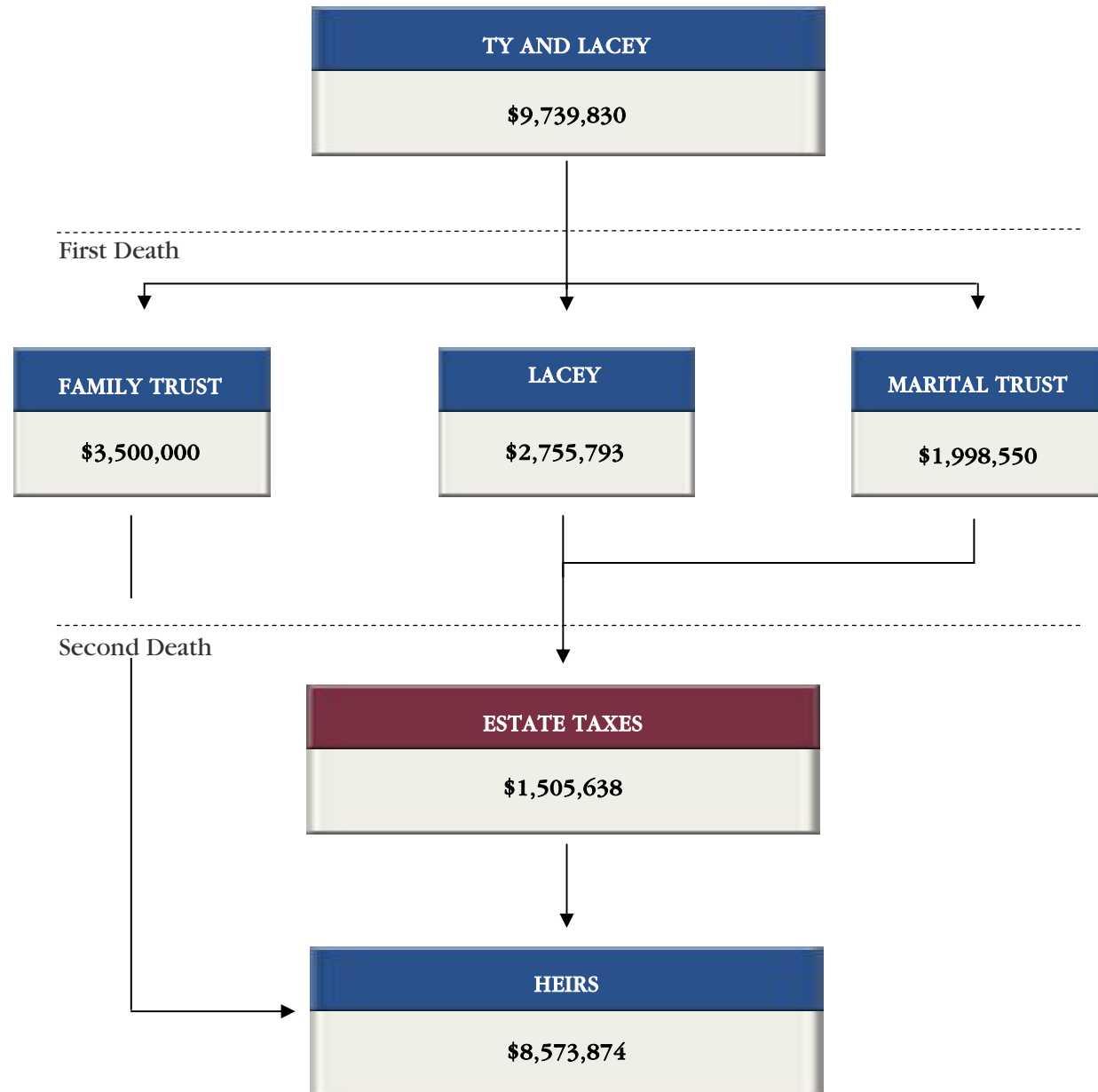
# CURRENT PLANNING TODAY - 2009



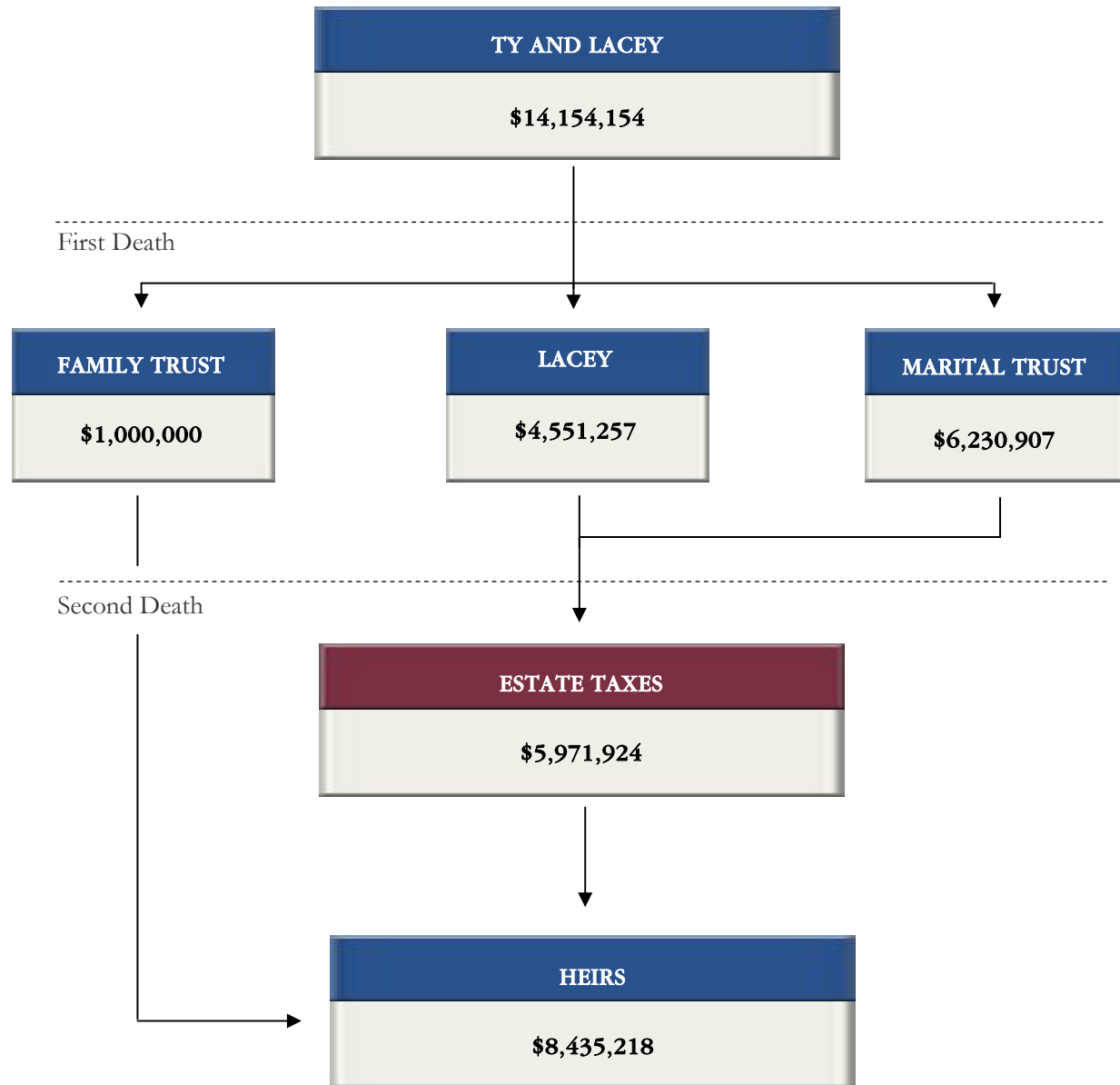
# CURRENT PLANNING - 2029



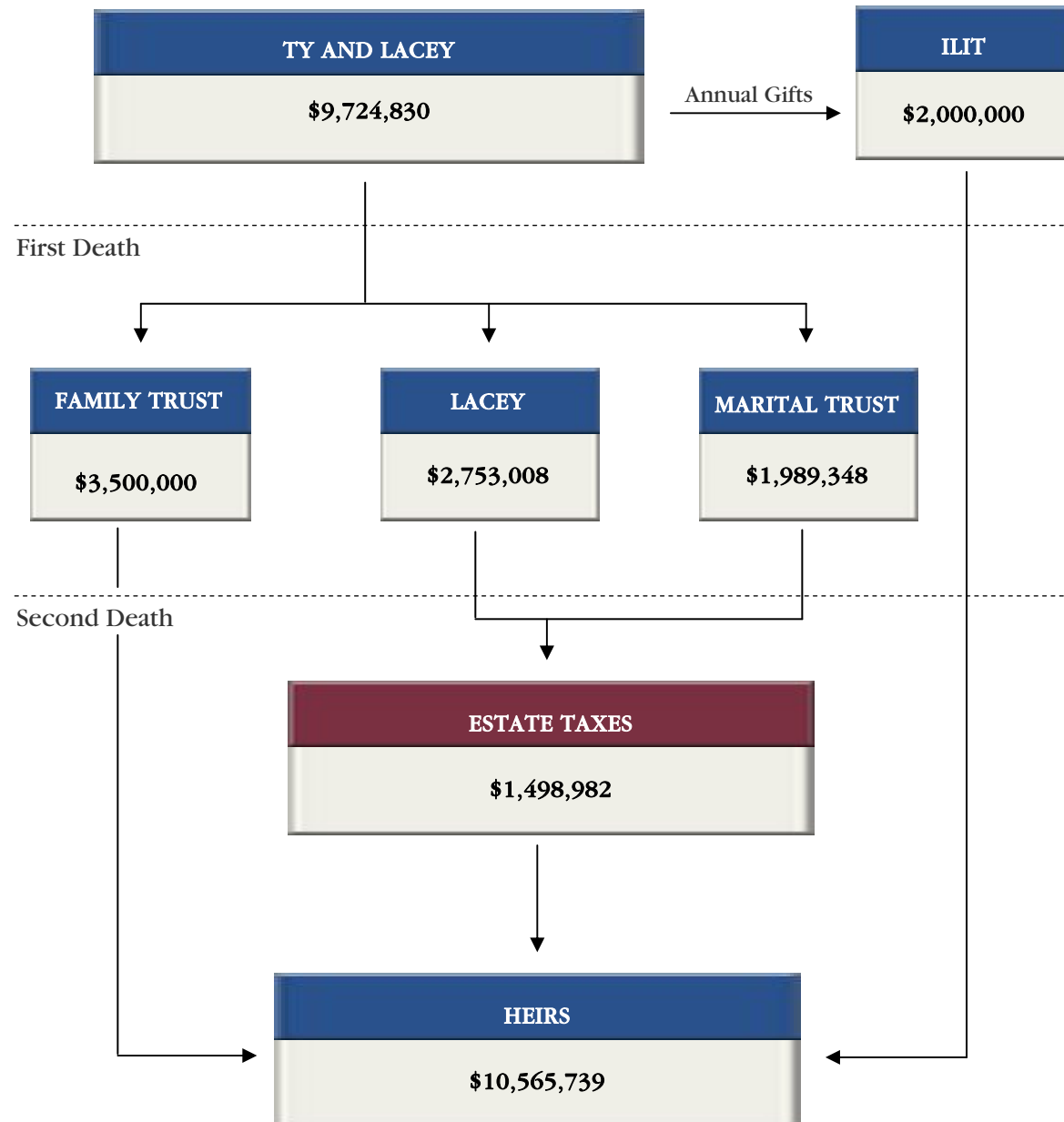
# ESSENTIAL PLANNING TODAY - 2009



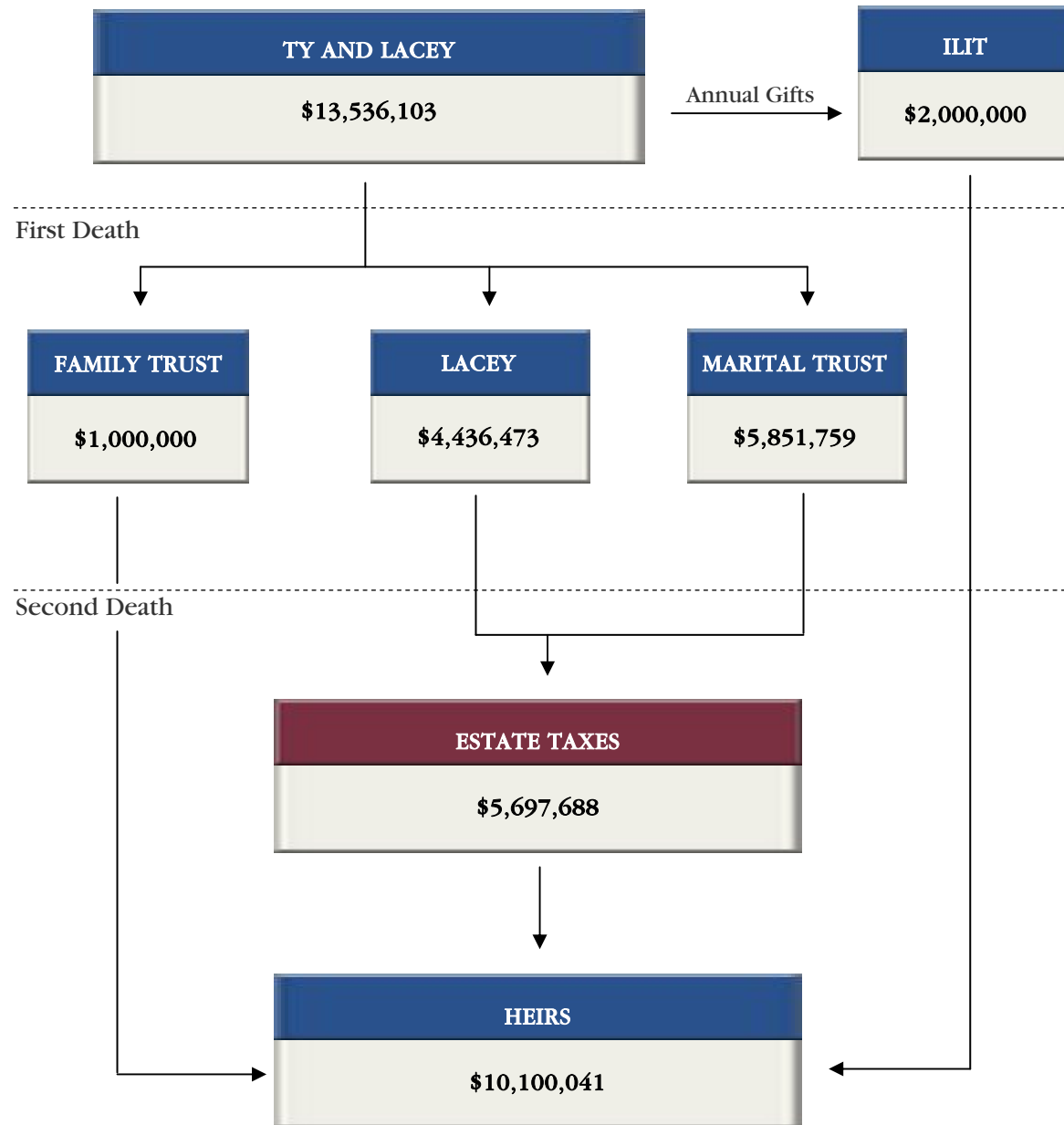
# ESSENTIAL PLANNING - 2029



# ESSENTIAL PLANNING WITH ILIT - 2009



# ESSENTIAL PLANNING WITH ILIT - 2029



# ESSENTIAL PLANNING DOCUMENTS

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The following documents should be considered as part of any essential estate plan.

## ☞ Revocable Living Trust

A living trust provides instructions that will allow you to:

- Control your property while you are alive
- Take care of you and your loved ones in the event of disability
- Pass your property to your heirs when and how you want while maintaining privacy
- Minimize costs and expenses of probate
- Provide a structure for reducing estate taxes

## ☞ General and Specific Durable Powers of Attorney

Powers of attorney will allow the person or persons of your choice to act for you when circumstances require. These documents can be particularly useful in the event that you become disabled.

## ☞ Pour Over Wills

In the event that you die with assets outside of your living trust, a pour over will acts to complete your estate plan, by providing that assets not transferred to your trust during life are to be transferred to trust after death.

## ☞ Affidavits of Trust

Used when dealing with financial institutions who may require details of the trust but who do not need to see the entire trust.

## ☞ Living Wills, Health Care Proxies and Durable Powers of Attorney for Health Care

Used to make health care decisions in the event that you are not able to make decisions for yourself.

## ☞ IRA / Qualified Plan Beneficiary Designation Forms

## ☞ Irrevocable Life Insurance Trust



# LIFE INSURANCE TRUSTS

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## General Overview

An Irrevocable Life Insurance Trust (ILIT) is one of the most popular wealth planning devices. It is a trust designed to own a life insurance policy, usually on the lives of you and your spouse. You gift funds to the trust periodically and the trustee uses the funds to pay premiums on the life insurance policy. The trust is designed to produce benefits for your family.

## Benefits

- Make current gifts to family members.
- Accumulate assets outside the client's taxable estate.
- Protect assets from claims of creditors.
- Avoid income tax on the accumulation of funds.
- Avoid estate tax upon the distribution of funds to the family.
- Create a source of liquidity to cover estate taxes or expenses.
- Replace assets that may have been given to charity.

## Qualified Prospect

Generally, qualified prospects include those who:

- Want to begin to transfer assets to family members.
  - Want to prevent family members from spending the money too soon.
  - Want to protect funds from potential creditors and/or ex-spouses.
  - Want to release future funds to family members in a systematic way.
  - Are insurable.
  - Have a taxable or illiquid estate and want to avoid selling assets to generate cash to pay estate tax.
- 
- Require insurance for other purposes (such as to ensure the expenses of their children) in amounts that create an estate tax liability.

## Income Tax Implications

An ILIT is a taxable trust. If it earned taxable income and did not distribute this income to beneficiaries, it would report taxable income and pay an income tax. If the only asset owned by the ILIT is a life insurance policy, the ILIT will not have any taxable income to report since the internal buildup of the cash value and the death benefits from a life insurance policy are not currently subject to income tax.

## LIFE INSURANCE TRUSTS (CONTINUED)

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### **Estate and Gift Tax Implications**

Assets in a properly drafted ILIT will be excluded from your estate.

Gifts to the ILIT during your life can qualify for the annual gift tax exclusion if the gifts qualify as gifts of “present interest.” To be sure that gifts qualify, the trustee must notify the beneficiaries each time a new gift has been made to inform them of their right to request a withdrawal of their share of these new funds within a 30-day period. This is the so-called Crummey Notice, named for a famous court case in the 1960’s. The court determined that the practice of giving the beneficiaries a limited right of withdrawal was tantamount to making the gift directly to the beneficiaries and the beneficiaries then contributing the funds to the trust.

### **Risks**

This is a well-tested strategy and risks are few as long as the trust is properly drafted and the arrangement is professionally administered over time. The trustee must send the Crummey notices upon receiving each contribution.

### **Suitable Assets**

Generally, most clients contribute cash to an ILIT since the trustee needs cash to pay the insurance premiums.

### **Trustee, Management and Administrative Issues**

Every ILIT needs a trustee. The client should never serve as trustee of the trust. Clients often choose a bank or trust company to serve since these organizations offer professional, reliable services. A client may also choose a trusted attorney or another professional advisor or even a competent family member. It is critical that the trustee carefully attend to all of the administrative and management requirements of the trust to insure that the trust will achieve its intended purpose.

# CASH FLOWS INTRODUCTION

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The following pages show detailed cash flow information. Contained in this data you will find projections of asset growth, income and expenses, income taxation and estate tax analysis.

The information can be used by you and your other advisors to help understand the recommendations that are being made in this proposal. The information might also be helpful to an understanding of your how your estate could be expected to grow over a given number of years.

Naturally, since the cash flows are based on assumptions which will likely change over time, it should be anticipated that the results will also change.

There are three sets of cash flows. The first shows cash flow for a client with no planning.

The second set assumes that the client has done or is doing marital/family trust planning.

The final set assumes both marital and family trust planning, and adds life insurance owned by an ILIT.

## **Cash Flow Surplus and Shortfalls**

On the 'Cash Flow Projections' pages of this report you will see a row at the bottom labeled "Shortage or Surplus". If any of the numbers in this row are negative, it means that you needed to go into your assets (marketable securities) to support your lifestyle. If the numbers are positive, this means that you did not use all of your income and the surplus is assumed to be re-invested into marketable securities.

If you have negative numbers and no marketable securities, then you will see negative numbers carried in the marketable securities row. This is an accounting entry only. Naturally, some other asset would need to be consumed in order to meet your lifestyle goal. This is not a bad thing. Many retirees plan on using some or all of their capital to support their lifestyles during retirement.

Finally, please know that the cash flows are abbreviated, meaning that you will not be able to see every year. This is done to help understand the general trends of your estate.

# PLAN ASSUMPTIONS

The plan is based on numerous assumptions. Important among these are the yield and growth assumptions contained on the Net Worth Statement beginning on the next page. Other assumptions are contained here.

## Tax Rate Assumptions

State Income Tax Rate	3.00%
Federal Income Tax Rate	35.00%
Federal Estate Tax Rate	45.00%
Federal Estate Tax Exemption Amount	Current Exemption Under Current Law

## Salary and Other Earned Income Assumptions

Annual increase in Ty's earned income	2.00%
Number of years Ty's income is expected to continue	15

## Lifestyle Need Assumptions

Net annual outlay for Ty and Lacey's lifestyle needs, not including gifts or income taxes	\$150,000
Annual cost of living increase used in the plan	3.00%

## Settlement and Administrative Expenses

Variable estate settlement costs, 1st death	0.50%
Variable estate settlement costs, 2nd death	1.00%
Fixed estate settlement costs, 1st death	\$25,000
Fixed estate settlement costs, 2nd death	\$25,000

## State Estate Taxes

We do not compute any state estate taxes for states which have decoupled.

## CURRENT NET WORTH STATEMENT

	TY	LACEY	JOINT	TOTAL	YIELD	GROWTH
<b>CASH, SAVINGS AND CDs</b>						
Valley Bank (sa)	-	-	1,977	1,977	2.0%	0.0%
Valley Bank - Demand	-	-	375,988	375,988	2.0%	0.0%
Checking Acct	-	-	53,307	53,307	2.0%	0.0%
Cash Value of Life Insurance	13,970	-	-	13,970	0.0%	0.0%
Total of Cash and Equivalents	13,970	-	431,272	445,242	1.9%	0.0%
<b>MARKETABLE SECURITIES - EQUITIES</b>						
Intermediate Fund Class A	-	-	123,902	123,902	2.0%	5.0%
Core Stock Fund Class A	-	-	147,881	147,881	2.0%	5.0%
International Fund Class A	-	-	106,758	106,758	2.0%	5.0%
National Bank (1000 sh)	-	-	31,000	31,000	2.0%	5.0%
Total of Equities	-	-	409,541	409,541	2.0%	5.0%
<b>NON-TAXABLE MARKETABLE SECURITIES</b>						
Muni Bonds	-	-	750,000	750,000	4.0%	0.0%
Total of Non-Taxable Marketable Securities	-	-	750,000	750,000	4.0%	0.0%

## CURRENT NET WORTH STATEMENT (PAGE 2)

	TY	LACEY	JOINT	TOTAL	YIELD	GROWTH
<b>CLOSELY HELD BUSINESS</b>						
Webb Building Supply, Inc (50%)	3,000,000	-	-	3,000,000	0.0%	0.0%
Double W Assoc (50%)	2,500,000	-	-	2,500,000	0.0%	3.0%
Total Closely Held Business	5,500,000	-	-	5,500,000	0.0%	1.4%
<b>RETIREMENT PLANS</b>						
IRA Annuity	68,031	-	-	68,031	0.0%	7.0%
IRA Annuity	-	44,550	-	44,550	0.0%	7.0%
American Funds IRA	9,963	-	-	9,963	0.0%	7.0%
American Funds IRA	-	10,082	-	10,082	0.0%	7.0%
Webb Building 401(k)	344,090	-	-	344,090	0.0%	7.0%
Webb Building 401(k)	-	51,974	-	51,974	0.0%	7.0%
Total Qualified Retirement Plans	422,084	106,606	-	528,690	0.0%	7.0%

## CURRENT NET WORTH STATEMENT (PAGE 3)

	TY	LACEY	JOINT	TOTAL	YIELD	GROWTH
<b>INVESTMENT REAL ESTATE</b>						
30 acres	-	-	150,000	150,000	0.0%	3.0%
Ranch (12.5%)	-	-	200,000	200,000	0.0%	3.0%
Ranch and Hunting Lease (25%)	-	-	150,000	150,000	0.0%	3.0%
Monroe Land (29 acres)	-	-	120,000	120,000	0.0%	3.0%
Fayette Farm (37.5 acres)	-	-	325,000	325,000	0.0%	3.0%
Fayette Farm & Ranch (69 acres)	-	-	390,000	390,000	0.0%	3.0%
Percy Farm (256 acres)	-	-	100,000	100,000	0.0%	3.0%
Total of Real Estate Holdings	-	-	1,435,000	1,435,000	0.0%	3.0%
<b>RESIDENTIAL REAL ESTATE</b>						
123 Main St.	-	-	400,000	400,000	0.0%	3.0%
Total of Personal Residences	-	-	400,000	400,000	0.0%	3.0%
<b>PERSONAL PROPERTY</b>						
Autos	-	-	50,000	50,000	0.0%	0.0%
Household Furnishings	-	-	50,000	50,000	0.0%	0.0%
Tractors, Mower, Farm Equip, ATVs	-	-	45,000	45,000	0.0%	0.0%
Total of Personal Property	-	-	145,000	145,000	0.0%	0.0%
<b>TOTAL ASSETS</b>	<b>5,936,054</b>	<b>106,606</b>	<b>3,570,813</b>	<b>9,613,473</b>		
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>NET WORTH</b>	<b>\$ 5,936,054</b>	<b>\$ 106,606</b>	<b>\$ 3,570,813</b>	<b>\$ 9,613,473</b>		

SCHEDULE OF LIFE INSURANCE - CURRENT PLAN

COMPANY	INSURED	POLICY #	BENEFICIARY	PREMIUM	CASH VALUE	DEATH BENEFIT
<b>Policies owned by Ty</b>						
M.O.N.Y (whole)	Ty	#	Lacey	55	7,723	11,969
ING	Ty	#	Lacey	1,500	6,247	500,000
<b>Totals</b>				1,555	13,970	511,969
<b>New Proposed Insurance</b>						
Policy 1			ILIT	15,000	-	2,000,000
<b>Totals</b>				15,000	-	2,000,000

## ASSET VALUE PROJECTIONS - EXISTING PLAN

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Asset Values</b>								
Cash, Savings and CDs	445,242	445,242	445,242	445,242	445,242	445,242	445,242	445,242
Marketable Securities - Equities	409,541	462,386	528,708	597,754	669,606	744,348	822,064	434,408
Non-Taxable Marketable Securities	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Closely Held Business	5,500,000	5,533,162	5,608,615	5,685,096	5,762,620	5,841,201	5,920,854	7,254,660
Retirement Plans	528,690	544,807	582,943	623,750	667,412	714,131	764,120	1,766,864
Investment Real Estate	1,435,000	1,453,950	1,497,569	1,542,496	1,588,771	1,636,434	1,685,527	2,625,996
Residential Real Estate	400,000	405,282	417,441	429,964	442,863	456,149	469,833	731,985
Personal Property	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Total assets in estate	9,613,473	9,739,830	9,975,517	10,219,301	10,471,513	10,732,504	11,002,640	14,154,154
<b>Combined net worth</b>	<b>\$ 9,613,473</b>	<b>\$ 9,739,830</b>	<b>\$ 9,975,517</b>	<b>\$ 10,219,301</b>	<b>\$ 10,471,513</b>	<b>\$ 10,732,504</b>	<b>\$ 11,002,640</b>	<b>\$ 14,154,154</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

## TAXABLE INCOME PROJECTIONS - EXISTING PLAN

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Sources of taxable income</b>								
Cash, Savings and CDs		8,625	8,625	8,625	8,625	8,625	8,625	8,625
Marketable Securities - Equities		8,191	9,248	10,574	11,955	13,392	14,887	13,639
Retirement Plans		-	-	-	-	-	-	73,899
Client earned income	350,000	350,000	357,000	364,140	371,423	378,851	386,428	-
Social security income	-	25,000	25,750	26,523	27,318	28,138	28,982	45,153
Pension income		5,000	5,100	5,202	5,306	5,412	5,520	7,430
<b>Gross income</b>	<b>\$</b>	<b>\$ 396,816</b>	<b>\$ 405,723</b>	<b>\$ 415,064</b>	<b>\$ 424,628</b>	<b>\$ 434,419</b>	<b>\$ 444,443</b>	<b>\$ 148,745</b>

## INCOME TAX PROJECTIONS - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Income tax Estimation</b>								
<b>Adjusted gross income:</b>								
Dividend income (marketable sec.)		8,191	9,248	10,574	11,955	13,392	14,887	13,639
Earned and other income		388,625	396,475	404,490	412,672	421,027	429,556	135,107
<b>Adjusted gross income</b>		396,816	405,723	415,064	424,628	434,419	444,443	148,745
<b>Deductions</b>								
Real estate tax	4,977	4,977	5,126	5,280	5,439	5,602	5,770	8,989
Illinois state income taxes		11,904	12,172	12,452	12,739	13,033	13,333	4,462
Interest	10,000	10,000	10,300	10,609	10,927	11,255	11,593	18,061
Charitable gifts	100,000	100,000	103,000	106,090	109,273	112,551	115,927	180,611
Total deductions		126,881	130,598	134,431	138,377	142,440	146,623	212,124
Deductions allowed		126,881	130,598	134,431	138,377	142,440	146,623	212,124
<b>Taxable income</b>		269,935	275,125	280,633	286,250	291,979	297,820	(63,378)
<b>Federal and State income tax</b>	<b>\$</b>	<b>106,382</b>	<b>\$ 108,465</b>	<b>\$ 110,673</b>	<b>\$ 112,926</b>	<b>\$ 115,225</b>	<b>\$ 117,570</b>	<b>\$ (17,720)</b>

All dividend income is treated as qualified dividend income.

State tax is computed at one rate, although actual rates may be graduated.

Reductions equal the applicable reduction in schedule A deductions for high income earners.

## CASH FLOW PROJECTIONS - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Sources of income for Lifestyle</b>								
Consumable income (taxable)		396,816	405,723	415,064	424,628	434,419	444,443	148,745
Consumable income (tax exempt)		30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total income available for lifestyle		426,816	435,723	445,064	454,628	464,419	474,443	178,745
<b>Uses of Cash</b>								
Living expenses		150,000	154,500	159,135	163,909	168,826	173,891	270,917
Income tax		106,382	108,465	110,673	112,926	115,225	117,570	(17,720)
Personally held insurance premiums		1,555	1,555	1,555	1,555	1,555	1,555	1,555
Cash gifts to family		25,000	25,000	25,000	25,000	25,000	25,000	25,000
Cash gifts to charity		100,000	103,000	106,090	109,273	112,551	115,927	180,611
Total uses of cash		382,937	392,520	402,453	412,663	423,157	433,944	460,363
<b>Surplus/ (Shortage)</b>	<b>\$</b>	<b>43,880</b>	<b>\$ 43,203</b>	<b>\$ 42,611</b>	<b>\$ 41,964</b>	<b>\$ 41,261</b>	<b>\$ 40,499</b>	<b>\$ (281,617)</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

## FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION - EXISTING PLAN

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Tax calculation on Ty's death</b>								
Combined net worth	9,613,473	9,739,830	9,975,517	10,219,301	10,471,513	10,732,504	11,002,640	14,154,154
Ty's estimated estate	7,721,461	7,822,949	8,012,251	8,208,056	8,410,631	8,620,257	8,837,227	11,368,497
Death benefit exceeding CV	497,999	497,999	497,999	497,999	497,999	497,999	497,999	497,999
Total gross estate	8,219,460	8,320,948	8,510,250	8,706,055	8,908,630	9,118,256	9,335,226	11,866,496
Settlement expenses	(66,097)	(66,605)	(67,551)	(68,530)	(69,543)	(70,591)	(71,676)	(84,332)
Joint, personal and IRA to Lacey	(2,207,491)	(2,243,824)	(2,318,043)	(2,395,896)	(2,477,595)	(2,563,364)	(2,653,443)	(4,039,288)
Insurance passing to Lacey	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)
Outright or in trust to Lacey	(5,433,903)	(5,498,550)	(5,612,687)	(5,729,660)	(5,849,523)	(5,972,331)	(6,098,138)	(7,230,907)
<b>Federal Estate Tax</b>	-	-	-	-	-	-	-	-
<b>Distribution of Ty's estate</b>								
Settlement expenses	66,097	66,605	67,551	68,530	69,543	70,591	71,676	84,332
Joint, personal and IRA to Lacey	2,207,491	2,243,824	2,318,043	2,395,896	2,477,595	2,563,364	2,653,443	4,039,288
Insurance passing to Lacey	511,969	511,969	511,969	511,969	511,969	511,969	511,969	511,969
Outright or in trust to Lacey	5,433,903	5,498,550	5,612,687	5,729,660	5,849,523	5,972,331	6,098,138	7,230,907
<b>Total</b>	<b>\$ 8,219,460</b>	<b>\$ 8,320,948</b>	<b>\$ 8,510,250</b>	<b>\$ 8,706,055</b>	<b>\$ 8,908,630</b>	<b>\$ 9,118,256</b>	<b>\$ 9,335,226</b>	<b>\$ 11,866,496</b>

### **Assumptions**

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of First Estate" include estate and income taxes.

## SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Tax Calculation on Lacey's death</b>								
Lacey's assets	1,892,013	1,916,881	1,963,266	2,011,244	2,060,882	2,112,247	2,165,412	2,785,657
Plus assets from Ty's estate	8,153,362	8,254,343	8,442,699	8,637,525	8,839,087	9,047,664	9,263,550	11,782,164
Lacey's estimated estate	10,045,375	10,171,224	10,405,965	10,648,769	10,899,969	11,159,911	11,428,963	14,567,821
Settlement expenses	(125,454)	(126,712)	(129,060)	(131,488)	(134,000)	(136,599)	(139,290)	(170,678)
Lacey's taxable estate	9,919,921	10,044,512	10,276,905	10,517,282	10,765,969	11,023,312	11,289,673	14,397,142
Tax base	9,919,921	10,044,512	10,276,905	10,517,282	10,765,969	11,023,312	11,289,673	14,397,142
Tentative estate tax	2,888,964	2,945,030	4,624,607	4,282,777	4,394,686	4,510,491	4,630,353	6,028,714
Tax on IRD	116,312	119,858	128,248	137,225	146,831	157,109	168,106	388,710
<b>Total tax due</b>	<b>3,005,276</b>	<b>3,064,888</b>	<b>4,752,855</b>	<b>4,420,002</b>	<b>4,541,517</b>	<b>4,667,599</b>	<b>4,798,459</b>	<b>6,417,424</b>
<b>Distribution of Lacey's estate</b>								
Settlement expenses	125,454	126,712	129,060	131,488	134,000	136,599	139,290	170,678
Taxes	3,005,276	3,064,888	4,752,855	4,420,002	4,541,517	4,667,599	4,798,459	6,417,424
Residual estate to heirs	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
<b>Total</b>	<b>\$ 10,045,375</b>	<b>\$ 10,171,224</b>	<b>\$ 10,405,965</b>	<b>\$ 10,648,769</b>	<b>\$ 10,899,969</b>	<b>\$ 11,159,911</b>	<b>\$ 11,428,963</b>	<b>\$ 14,567,821</b>

### Assumptions

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of Second Estate" include estate and income taxes.

## SUMMARY OF AFTER TAX BENEFITS TO FAMILY - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Residual estate	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
<b>Total assets to heirs</b>	<b>\$ 6,914,645</b>	<b>\$ 6,979,624</b>	<b>\$ 5,524,050</b>	<b>\$ 6,097,280</b>	<b>\$ 6,224,452</b>	<b>\$ 6,355,713</b>	<b>\$ 6,491,214</b>	<b>\$ 7,979,718</b>

## DETAILS OF TY'S QUALIFIED PLAN - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Ty's Qualified Plans								
Ty's Age		54	55	56	57	58	59	74
Lacey's Age		57	58	59	60	61	62	77
Minimum distribution factor		42.6	41.6	40.7	39.7	38.7	37.8	23.8
Plan contributions		-	-	-	-	-	-	-
Plan balance	422,084	434,951	465,398	497,976	532,834	570,132	610,041	1,446,180
Minimum distribution		-	-	-	-	-	-	59,110
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	59,110

## DETAILS OF LACEY'S QUALIFIED PLAN - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Lacey's Qualified Plans								
Lacey's Age		57	58	59	60	61	62	77
Ty's Age		54	55	56	57	58	59	74
Minimum distribution factor		39.7	38.7	37.8	36.8	35.8	34.9	21
Plan contributions		-	-	-	-	-	-	-
Plan balance	106,606	109,856	117,546	125,774	134,578	143,999	154,079	320,683
Minimum distribution		-	-	-	-	-	-	14,789
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	14,789

## ASSET VALUE PROJECTIONS - ESSENTIAL PLAN

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Asset Values</b>								
Cash, Savings and CDs	445,242	445,242	445,242	445,242	445,242	445,242	445,242	445,242
Marketable Securities - Equities	409,541	462,386	528,708	597,754	669,606	744,348	822,064	434,408
Non-Taxable Marketable Securities	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Closely Held Business	5,500,000	5,533,162	5,608,615	5,685,096	5,762,620	5,841,201	5,920,854	7,254,660
Retirement Plans	528,690	544,807	582,943	623,750	667,412	714,131	764,120	1,766,864
Investment Real Estate	1,435,000	1,453,950	1,497,569	1,542,496	1,588,771	1,636,434	1,685,527	2,625,996
Residential Real Estate	400,000	405,282	417,441	429,964	442,863	456,149	469,833	731,985
Personal Property	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Total assets in estate	9,613,473	9,739,830	9,975,517	10,219,301	10,471,513	10,732,504	11,002,640	14,154,154
<b>Combined net worth</b>	<b>\$ 9,613,473</b>	<b>\$ 9,739,830</b>	<b>\$ 9,975,517</b>	<b>\$ 10,219,301</b>	<b>\$ 10,471,513</b>	<b>\$ 10,732,504</b>	<b>\$ 11,002,640</b>	<b>\$ 14,154,154</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

## TAXABLE INCOME PROJECTIONS - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Sources of taxable income</b>								
Cash, Savings and CDs		8,625	8,625	8,625	8,625	8,625	8,625	8,625
Marketable Securities - Equities		8,191	9,248	10,574	11,955	13,392	14,887	13,639
Retirement Plans		-	-	-	-	-	-	73,899
Client earned income	350,000	350,000	357,000	364,140	371,423	378,851	386,428	-
Social security income	-	25,000	25,750	26,523	27,318	28,138	28,982	45,153
Pension income		5,000	5,100	5,202	5,306	5,412	5,520	7,430
<b>Gross income</b>	<b>\$</b>	<b>\$ 396,816</b>	<b>\$ 405,723</b>	<b>\$ 415,064</b>	<b>\$ 424,628</b>	<b>\$ 434,419</b>	<b>\$ 444,443</b>	<b>\$ 148,745</b>

## INCOME TAX PROJECTIONS - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029						
<b>Income tax Estimation</b>														
<b>Adjusted gross income:</b>														
Dividend income (marketable sec.)		8,191	9,248	10,574	11,955	13,392	14,887	13,639						
Earned and other income		388,625	396,475	404,490	412,672	421,027	429,556	135,107						
<b>Adjusted gross income</b>		396,816	405,723	415,064	424,628	434,419	444,443	148,745						
<b>Deductions</b>														
Real estate tax	4,977	4,977	5,126	5,280	5,439	5,602	5,770	8,989						
Illinois state income taxes		11,904	12,172	12,452	12,739	13,033	13,333	4,462						
Interest	10,000	10,000	10,300	10,609	10,927	11,255	11,593	18,061						
Charitable gifts	100,000	100,000	103,000	106,090	109,273	112,551	115,927	180,611						
Total deductions		126,881	130,598	134,431	138,377	142,440	146,623	212,124						
Deductions allowed		126,881	130,598	134,431	138,377	142,440	146,623	212,124						
<b>Taxable income</b>		269,935	275,125	280,633	286,250	291,979	297,820	(63,378)						
<b>Federal and State income tax</b>	<b>\$</b>	<b>106,382</b>	<b>\$</b>	<b>108,465</b>	<b>\$</b>	<b>110,673</b>	<b>\$</b>	<b>112,926</b>	<b>\$</b>	<b>115,225</b>	<b>\$</b>	<b>117,570</b>	<b>\$</b>	<b>(17,720)</b>

All dividend income is treated as qualified dividend income.

State tax is computed at one rate, although actual rates may be graduated.

Reductions equal the applicable reduction in schedule A deductions for high income earners.

## CASH FLOW PROJECTIONS - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Sources of income for Lifestyle</b>								
Consumable income (taxable)		396,816	405,723	415,064	424,628	434,419	444,443	148,745
Consumable income (tax exempt)		30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total income available for lifestyle		426,816	435,723	445,064	454,628	464,419	474,443	178,745
<b>Uses of Cash</b>								
Living expenses		150,000	154,500	159,135	163,909	168,826	173,891	270,917
Income tax		106,382	108,465	110,673	112,926	115,225	117,570	(17,720)
Personally held insurance premiums		1,555	1,555	1,555	1,555	1,555	1,555	1,555
Cash gifts to family		25,000	25,000	25,000	25,000	25,000	25,000	25,000
Cash gifts to charity		100,000	103,000	106,090	109,273	112,551	115,927	180,611
Total uses of cash		382,937	392,520	402,453	412,663	423,157	433,944	460,363
<b>Surplus/ (Shortage)</b>	<b>\$</b>	<b>43,880</b>	<b>\$ 43,203</b>	<b>\$ 42,611</b>	<b>\$ 41,964</b>	<b>\$ 41,261</b>	<b>\$ 40,499</b>	<b>\$ (281,617)</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

## FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Tax calculation on Ty's death</b>								
Combined net worth	9,613,473	9,739,830	9,975,517	10,219,301	10,471,513	10,732,504	11,002,640	14,154,154
Ty's estimated estate	7,721,461	7,822,949	8,012,251	8,208,056	8,410,631	8,620,257	8,837,227	11,368,497
Death benefit exceeding CV	497,999	497,999	497,999	497,999	497,999	497,999	497,999	497,999
Total gross estate	8,219,460	8,320,948	8,510,250	8,706,055	8,908,630	9,118,256	9,335,226	11,866,496
Settlement expenses	(66,097)	(66,605)	(67,551)	(68,530)	(69,543)	(70,591)	(71,676)	(84,332)
Joint, personal and IRA to Lacey	(2,207,491)	(2,243,824)	(2,318,043)	(2,395,896)	(2,477,595)	(2,563,364)	(2,653,443)	(4,039,288)
Insurance passing to Lacey	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)
Family Trust	(3,500,000)	(3,500,000)	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Outright or in trust to Lacey	(1,933,903)	(1,998,550)	(5,612,687)	(4,729,660)	(4,849,523)	(4,972,331)	(5,098,138)	(6,230,907)
Taxable estate	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Tax base	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Federal Estate Tax</b>	-	-	-	-	-	-	-	-
<b>Distribution of Ty's estate</b>								
Settlement expenses	66,097	66,605	67,551	68,530	69,543	70,591	71,676	84,332
To family trust	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Joint, personal and IRA to Lacey	2,207,491	2,243,824	2,318,043	2,395,896	2,477,595	2,563,364	2,653,443	4,039,288
Insurance passing to Lacey	511,969	511,969	511,969	511,969	511,969	511,969	511,969	511,969
Outright or in trust to Lacey	1,933,903	1,998,550	5,612,687	4,729,660	4,849,523	4,972,331	5,098,138	6,230,907
<b>Total</b>	<b>\$ 8,219,460</b>	<b>\$ 8,320,948</b>	<b>\$ 8,510,250</b>	<b>\$ 8,706,055</b>	<b>\$ 8,908,630</b>	<b>\$ 9,118,256</b>	<b>\$ 9,335,226</b>	<b>\$ 11,866,496</b>

### Assumptions

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of First Estate" include estate and income taxes.

## SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Tax Calculation on Lacey's death</b>								
Lacey's assets	1,892,013	1,916,881	1,963,266	2,011,244	2,060,882	2,112,247	2,165,412	2,785,657
Plus assets from Ty's estate	4,653,362	4,754,343	8,442,699	7,637,525	7,839,087	8,047,664	8,263,550	10,782,164
Lacey's estimated estate	6,545,375	6,671,224	10,405,965	9,648,769	9,899,969	10,159,911	10,428,963	13,567,821
Settlement expenses	(90,454)	(91,712)	(129,060)	(121,488)	(124,000)	(126,599)	(129,290)	(160,678)
Lacey's taxable estate	6,454,921	6,579,512	10,276,905	9,527,282	9,775,969	10,033,312	10,299,673	13,407,142
Tax base	6,454,921	6,579,512	10,276,905	9,527,282	9,775,969	10,033,312	10,299,673	13,407,142
Tentative estate tax	1,329,714	1,385,780	4,624,607	3,837,277	3,949,186	4,064,991	4,184,853	5,583,214
Tax on IRD	116,312	119,858	128,248	137,225	146,831	157,109	168,106	388,710
<b>Total tax due</b>	<b>1,446,026</b>	<b>1,505,638</b>	<b>4,752,855</b>	<b>3,974,502</b>	<b>4,096,017</b>	<b>4,222,099</b>	<b>4,352,959</b>	<b>5,971,924</b>
<b>Distribution of Lacey's estate</b>								
Settlement expenses	90,454	91,712	129,060	121,488	124,000	126,599	129,290	160,678
Taxes	1,446,026	1,505,638	4,752,855	3,974,502	4,096,017	4,222,099	4,352,959	5,971,924
Residual estate to heirs	5,008,895	5,073,874	5,524,050	5,552,780	5,679,952	5,811,213	5,946,714	7,435,218
<b>Total</b>	<b>\$ 6,545,375</b>	<b>\$ 6,671,224</b>	<b>\$ 10,405,965</b>	<b>\$ 9,648,769</b>	<b>\$ 9,899,969</b>	<b>\$ 10,159,911</b>	<b>\$ 10,428,963</b>	<b>\$ 13,567,821</b>

### Assumptions

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of Second Estate" include estate and income taxes.

## SUMMARY OF AFTER TAX BENEFITS TO FAMILY - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Residual estate	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
<b>Total assets to heirs</b>	<b>\$ 6,914,645</b>	<b>\$ 6,979,624</b>	<b>\$ 5,524,050</b>	<b>\$ 6,097,280</b>	<b>\$ 6,224,452</b>	<b>\$ 6,355,713</b>	<b>\$ 6,491,214</b>	<b>\$ 7,979,718</b>

## SUMMARY OF AFTER TAX BENEFITS TO FAMILY - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Family trust	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Residual estate	5,008,895	5,073,874	5,524,050	5,552,780	5,679,952	5,811,213	5,946,714	7,435,218
<b>Total assets to heirs</b>	<b>\$ 8,508,895</b>	<b>\$ 8,573,874</b>	<b>\$ 5,524,050</b>	<b>\$ 6,552,780</b>	<b>\$ 6,679,952</b>	<b>\$ 6,811,213</b>	<b>\$ 6,946,714</b>	<b>\$ 8,435,218</b>

## ADVANTAGE OF AFTER TAX BENEFITS TO FAMILY WITH ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Existing Plan	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
Essential Plan	8,508,895	8,573,874	5,524,050	6,552,780	6,679,952	6,811,213	6,946,714	8,435,218
<b>Advantage</b>	<b>\$ 1,594,250</b>	<b>\$ 1,594,250</b>	<b>\$ -</b>	<b>\$ 455,500</b>	<b>\$ 455,500</b>	<b>\$ 455,500</b>	<b>\$ 455,500</b>	<b>\$ 455,500</b>

## DETAILS OF TY'S QUALIFIED PLAN - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Ty's Qualified Plans								
Ty's Age		54	55	56	57	58	59	74
Lacey's Age		57	58	59	60	61	62	77
Minimum distribution factor		42.6	41.6	40.7	39.7	38.7	37.8	23.8
Plan contributions		-	-	-	-	-	-	-
Plan balance	422,084	434,951	465,398	497,976	532,834	570,132	610,041	1,446,180
Minimum distribution		-	-	-	-	-	-	59,110
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	59,110

## DETAILS OF LACEY'S QUALIFIED PLAN - ESSENTIAL PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Lacey's Qualified Plans								
Lacey's Age		57	58	59	60	61	62	77
Ty's Age		54	55	56	57	58	59	74
Minimum distribution factor		39.7	38.7	37.8	36.8	35.8	34.9	21
Plan contributions		-	-	-	-	-	-	-
Plan balance	106,606	109,856	117,546	125,774	134,578	143,999	154,079	320,683
Minimum distribution		-	-	-	-	-	-	14,789
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	14,789

## ASSET VALUE PROJECTIONS - ESSENTIAL PLAN W/ ILIT

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Asset Values</b>								
Cash, Savings and CDs	445,242	445,242	445,242	445,242	445,242	445,242	445,242	445,242
Marketable Securities - Equities	409,541	447,386	497,769	549,878	603,732	659,349	716,744	(183,643)
Non-Taxable Marketable Securities	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Closely Held Business	5,500,000	5,533,162	5,608,615	5,685,096	5,762,620	5,841,201	5,920,854	7,254,660
Retirement Plans	528,690	544,807	582,943	623,750	667,412	714,131	764,120	1,766,864
Investment Real Estate	1,435,000	1,453,950	1,497,569	1,542,496	1,588,771	1,636,434	1,685,527	2,625,996
Residential Real Estate	400,000	405,282	417,441	429,964	442,863	456,149	469,833	731,985
Personal Property	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Total assets in estate	9,613,473	9,724,830	9,944,578	10,171,424	10,405,639	10,647,506	10,897,320	13,536,103
<b>Combined net worth</b>	<b>\$ 9,613,473</b>	<b>\$ 9,724,830</b>	<b>\$ 9,944,578</b>	<b>\$ 10,171,424</b>	<b>\$ 10,405,639</b>	<b>\$ 10,647,506</b>	<b>\$ 10,897,320</b>	<b>\$ 13,536,103</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

## TAXABLE INCOME PROJECTIONS - ESSENTIAL PLAN W/ ILIT

<b>YEAR</b>	<b>Current</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2029</b>
<b>Sources of taxable income</b>								
Cash, Savings and CDs		8,625	8,625	8,625	8,625	8,625	8,625	8,625
Marketable Securities - Equities		8,191	8,948	9,955	10,998	12,075	13,187	2,288
Retirement Plans		-	-	-	-	-	-	73,899
Client earned income	350,000	350,000	357,000	364,140	371,423	378,851	386,428	-
Social security income	-	25,000	25,750	26,523	27,318	28,138	28,982	45,153
Pension income		5,000	5,100	5,202	5,306	5,412	5,520	7,430
<b>Gross income</b>	<b>\$</b>	<b>\$ 396,816</b>	<b>\$ 405,423</b>	<b>\$ 414,445</b>	<b>\$ 423,670</b>	<b>\$ 433,101</b>	<b>\$ 442,743</b>	<b>\$ 137,395</b>

## INCOME TAX PROJECTIONS - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Income tax Estimation</b>								
<b>Adjusted gross income:</b>								
Dividend income (marketable sec.)		8,191	8,948	9,955	10,998	12,075	13,187	2,288
Earned and other income		388,625	396,475	404,490	412,672	421,027	429,556	135,107
<b>Adjusted gross income</b>		396,816	405,423	414,445	423,670	433,101	442,743	137,395
<b>Deductions</b>								
Real estate tax	4,977	4,977	5,126	5,280	5,439	5,602	5,770	8,989
Illinois state income taxes		11,904	12,163	12,433	12,710	12,993	13,282	4,122
Interest	10,000	10,000	10,300	10,609	10,927	11,255	11,593	18,061
Charitable gifts	100,000	100,000	103,000	106,090	109,273	112,551	115,927	180,611
Total deductions		126,881	130,589	134,412	138,349	142,401	146,572	211,783
Deductions allowed		126,881	130,589	134,412	138,349	142,401	146,572	211,783
<b>Taxable income</b>		269,935	274,834	280,033	285,321	290,701	296,171	(74,388)
<b>Federal and State income tax</b>	<b>\$</b>	<b>106,382</b>	<b>\$ 108,355</b>	<b>\$ 110,445</b>	<b>\$ 112,573</b>	<b>\$ 114,738</b>	<b>\$ 116,942</b>	<b>\$ (21,914)</b>

All dividend income is treated as qualified dividend income.

State tax is computed at one rate, although actual rates may be graduated.

Reductions equal the applicable reduction in schedule A deductions for high income earners.

## CASH FLOW PROJECTIONS - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Sources of income for Lifestyle</b>								
Consumable income (taxable)		396,816	405,423	414,445	423,670	433,101	442,743	137,395
Consumable income (tax exempt)		30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total income available for lifestyle		426,816	435,423	444,445	453,670	463,101	472,743	167,395
<b>Uses of Cash</b>								
Living expenses		150,000	154,500	159,135	163,909	168,826	173,891	270,917
Income tax		106,382	108,355	110,445	112,573	114,738	116,942	(21,914)
Personally held insurance premiums		1,555	1,555	1,555	1,555	1,555	1,555	1,555
Cash gifts to new ILIT		15,000	15,000	15,000	15,000	15,000	15,000	15,000
Cash gifts to family		25,000	25,000	25,000	25,000	25,000	25,000	25,000
Cash gifts to charity		100,000	103,000	106,090	109,273	112,551	115,927	180,611
Total uses of cash		397,937	407,410	417,225	427,309	437,670	448,316	471,169
<b>Surplus/ (Shortage)</b>	<b>\$</b>	<b>28,880</b>	<b>\$ 28,014</b>	<b>\$ 27,220</b>	<b>\$ 26,361</b>	<b>\$ 25,431</b>	<b>\$ 24,427</b>	<b>\$ (303,774)</b>

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

## FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Tax calculation on Ty's death</b>								
Combined net worth	9,613,473	9,724,830	9,944,578	10,171,424	10,405,639	10,647,506	10,897,320	13,536,103
Ty's estimated estate	7,721,461	7,810,901	7,987,401	8,169,602	8,357,722	8,551,987	8,752,635	10,872,084
Death benefit exceeding CV	497,999	497,999	497,999	497,999	497,999	497,999	497,999	497,999
Total gross estate	8,219,460	8,308,900	8,485,400	8,667,601	8,855,721	9,049,986	9,250,634	11,370,083
Settlement expenses	(66,097)	(66,545)	(67,427)	(68,338)	(69,279)	(70,250)	(71,253)	(81,850)
Joint, personal and IRA to Lacey	(2,207,491)	(2,241,039)	(2,312,297)	(2,387,004)	(2,465,361)	(2,547,578)	(2,633,883)	(3,924,504)
Insurance passing to Lacey	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)	(511,969)
Family Trust	(3,500,000)	(3,500,000)	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Outright or in trust to Lacey	(1,933,903)	(1,989,348)	(5,593,708)	(4,700,290)	(4,809,112)	(4,920,188)	(5,033,529)	(5,851,759)
Taxable estate	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Tax base	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Federal Estate Tax</b>	-	-	-	-	-	-	-	-
<b>Distribution of Ty's estate</b>								
Settlement expenses	66,097	66,545	67,427	68,338	69,279	70,250	71,253	81,850
To family trust	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Joint, personal and IRA to Lacey	2,207,491	2,241,039	2,312,297	2,387,004	2,465,361	2,547,578	2,633,883	3,924,504
Insurance passing to Lacey	511,969	511,969	511,969	511,969	511,969	511,969	511,969	511,969
Outright or in trust to Lacey	1,933,903	1,989,348	5,593,708	4,700,290	4,809,112	4,920,188	5,033,529	5,851,759
<b>Total</b>	<b>\$ 8,219,460</b>	<b>\$ 8,308,900</b>	<b>\$ 8,485,400</b>	<b>\$ 8,667,601</b>	<b>\$ 8,855,721</b>	<b>\$ 9,049,986</b>	<b>\$ 9,250,634</b>	<b>\$ 11,370,083</b>

### Assumptions

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of First Estate" include estate and income taxes.

## SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Tax Calculation on Lacey's death</b>								
Lacey's assets	1,892,013	1,913,928	1,957,177	2,001,822	2,047,917	2,095,519	2,144,684	2,664,019
Plus assets from Ty's estate	4,653,362	4,742,356	8,417,973	7,599,263	7,786,442	7,979,736	8,179,381	10,288,233
Lacey's estimated estate	6,545,375	6,656,284	10,375,150	9,601,085	9,834,360	10,075,255	10,324,066	12,952,252
Settlement expenses	(90,454)	(91,563)	(128,752)	(121,011)	(123,344)	(125,753)	(128,241)	(154,523)
Lacey's taxable estate	6,454,921	6,564,721	10,246,399	9,480,075	9,711,016	9,949,502	10,195,825	12,797,729
Tax base	6,454,921	6,564,721	10,246,399	9,480,075	9,711,016	9,949,502	10,195,825	12,797,729
Tentative estate tax	1,329,714	1,379,125	4,610,879	3,816,034	3,919,957	4,027,276	4,138,121	5,308,978
Tax on IRD	116,312	119,858	128,248	137,225	146,831	157,109	168,106	388,710
<b>Total tax due</b>	<b>1,446,026</b>	<b>1,498,982</b>	<b>4,739,127</b>	<b>3,953,258</b>	<b>4,066,788</b>	<b>4,184,385</b>	<b>4,306,228</b>	<b>5,697,688</b>
<b>Distribution of Lacey's estate</b>								
Settlement expenses	90,454	91,563	128,752	121,011	123,344	125,753	128,241	154,523
Taxes	1,446,026	1,498,982	4,739,127	3,953,258	4,066,788	4,184,385	4,306,228	5,697,688
Residual estate to heirs	5,008,895	5,065,739	5,507,272	5,526,816	5,644,228	5,765,117	5,889,597	7,100,041
<b>Total</b>	<b>\$ 6,545,375</b>	<b>\$ 6,656,284</b>	<b>\$ 10,375,150</b>	<b>\$ 9,601,085</b>	<b>\$ 9,834,360</b>	<b>\$ 10,075,255</b>	<b>\$ 10,324,066</b>	<b>\$ 12,952,252</b>

### Assumptions

We assume that Ty dies first, followed immediately by Lacey.

Taxes under "Distribution of Second Estate" include estate and income taxes.

## SUMMARY OF AFTER TAX BENEFITS TO FAMILY - EXISTING PLAN

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Residual estate	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
<b>Total assets to heirs</b>	<b>\$ 6,914,645</b>	<b>\$ 6,979,624</b>	<b>\$ 5,524,050</b>	<b>\$ 6,097,280</b>	<b>\$ 6,224,452</b>	<b>\$ 6,355,713</b>	<b>\$ 6,491,214</b>	<b>\$ 7,979,718</b>

## SUMMARY OF AFTER TAX BENEFITS TO FAMILY - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Family trust	3,500,000	3,500,000	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Residual estate	5,008,895	5,065,739	5,507,272	5,526,816	5,644,228	5,765,117	5,889,597	7,100,041
Proceeds from new proposed ILIT	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total assets to heirs</b>	<b>\$ 10,508,895</b>	<b>\$ 10,565,739</b>	<b>\$ 7,507,272</b>	<b>\$ 8,526,816</b>	<b>\$ 8,644,228</b>	<b>\$ 8,765,117</b>	<b>\$ 8,889,597</b>	<b>\$ 10,100,041</b>

## ADVANTAGE OF AFTER TAX BENEFITS TO FAMILY WITH ESSENTIAL PLAN & ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
<b>Benefits to Family</b>								
Existing Plan	6,914,645	6,979,624	5,524,050	6,097,280	6,224,452	6,355,713	6,491,214	7,979,718
Essential Planning w/ ILIT	10,508,895	10,565,739	7,507,272	8,526,816	8,644,228	8,765,117	8,889,597	10,100,041
<b>Advantage</b>	<b>\$ 3,594,250</b>	<b>\$ 3,586,115</b>	<b>\$ 1,983,221</b>	<b>\$ 2,429,536</b>	<b>\$ 2,419,776</b>	<b>\$ 2,409,404</b>	<b>\$ 2,398,384</b>	<b>\$ 2,120,323</b>

DETAILS OF 'S QUALIFIED PLAN - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Ty's Qualified Plans								
Ty's Age		54	55	56	57	58	59	74
Lacey's Age		57	58	59	60	61	62	77
Minimum distribution factor		42.6	41.6	40.7	39.7	38.7	37.8	23.8
Plan contributions		-	-	-	-	-	-	-
Plan balance	422,084	434,951	465,398	497,976	532,834	570,132	610,041	1,446,180
Minimum distribution		-	-	-	-	-	-	59,110
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	59,110

DETAILS OF 'S QUALIFIED PLAN - ESSENTIAL PLAN W/ ILIT

YEAR	Current	2009	2010	2011	2012	2013	2014	2029
Lacey's Qualified Plans								
Lacey's Age		57	58	59	60	61	62	77
Ty's Age		54	55	56	57	58	59	74
Minimum distribution factor		39.7	38.7	37.8	36.8	35.8	34.9	21
Plan contributions		-	-	-	-	-	-	-
Plan balance	106,606	109,856	117,546	125,774	134,578	143,999	154,079	320,683
Minimum distribution		-	-	-	-	-	-	14,789
Preferred/Early distribution		-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	14,789

# DISCLAIMER

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InKnowVision, LLC does not give tax, accounting or legal advice to its clients. The effectiveness of any strategy described will depend on your individual situation and on a number of complex factors.

Any discussion in this presentation relating to tax, accounting, investments, regulatory, or legal matters is based on our understanding as of the date of this presentation. Rules in these areas are constantly changing and are open to varying interpretations.

**ASSUMPTIONS** The plan involves numerous assumptions. While we believe that these assumptions are reasonable, it is important to understand that it is a virtual certainty that the actual results will differ from those illustrated. Returns on investment and performance of financial products can cause the results to vary. Changes in tax, trust or property laws can cause plan results to vary. Plan implementation that differs from that described in the plan will cause the results to vary. Provision of state law may cause the plan results to vary.

**TAX OPINIONS** The IRS has recently issued new rules for tax practitioners regarding covered opinions, reliance opinions and marketed opinions. While this is an arcane area, suffice it to say that these opinions are often obtained by taxpayers for purposes of avoiding penalties. These opinions are obtained at substantial cost and after substantial legal analysis. If you believe that such an opinion would be helpful to you prior to entering into any of the transactions outlined in this plan, you should feel free do so.

Be advised that nothing in this analysis should be construed by you, your advisors or any one else as a covered opinion, reliance opinion, marketed opinion or any other type of opinion regarding any of the transactions or outcomes outlined in this plan.

