LION STREET™

Out of the Estate; Not Out of Reach

Flexible Trust-Funding Techniques Providing Indirect Future Access

LION STREET
515 Congress Ave., Suite 2500
Austin, TX 78701
www.lionstreet.com

Platinum (For Now) Age of Estate Planning

Historically High Transfer Tax Exemption(s)

Low Tax Rates and Interest Rates

Valuation Discounts on Family-Controlled Entities

Perpetual Dynasty Trusts

Disregarded Transactions for Income Tax Purposes with Grantor Trusts

Grantor Trust Substitution and Borrowing Powers

Non-Reciprocal Trusts f/b/o Each Spouse

Short Term and Zeroed-Out GRATs

Economic Benefit Split Dollar with Survivorship Life Insurance

Domestic Asset Protection Trusts

Not an exhaustive list of all estate planning techniques or opportunities

LION STREET™

2020 Updates

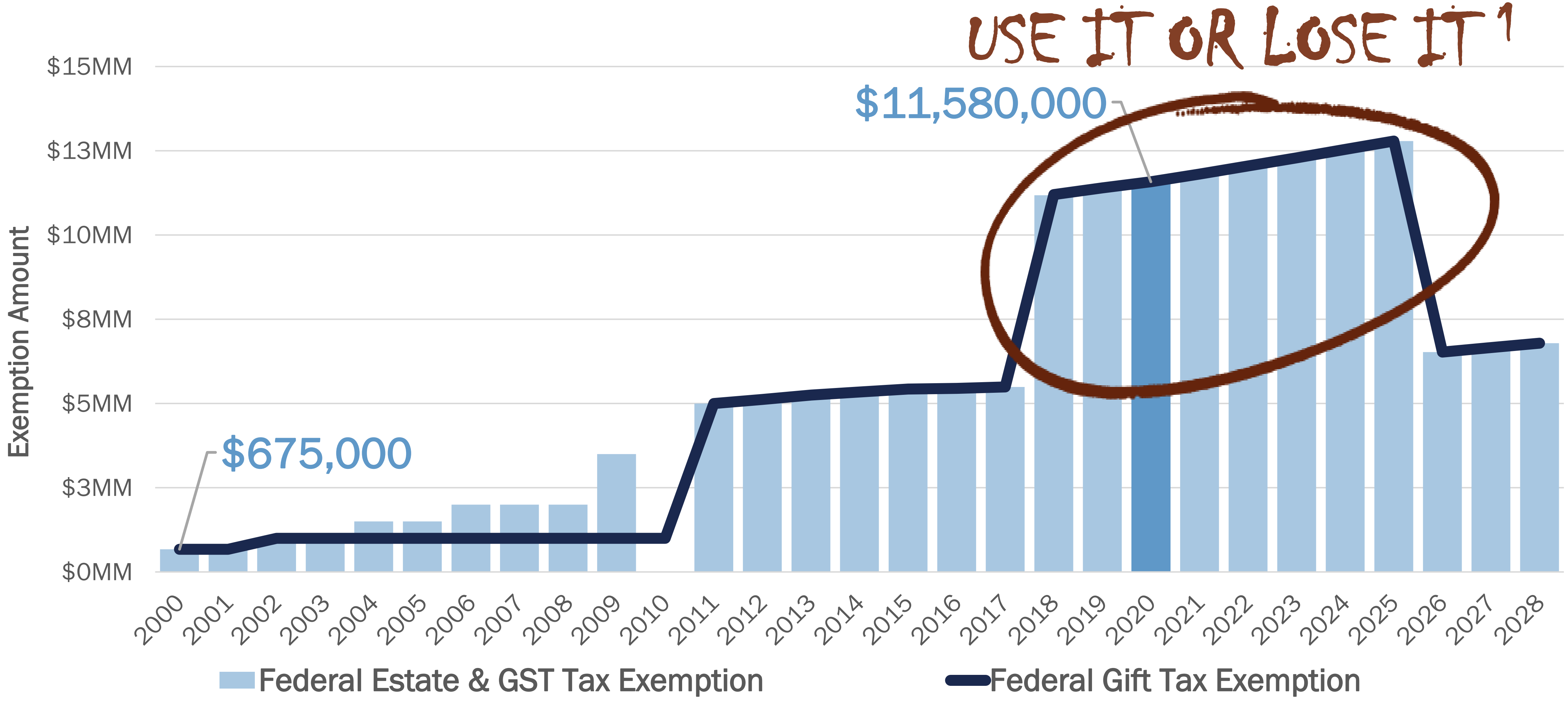
All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

Transfer Tax Exclusions for 2020[1]

Annual Exclusion Amount for Gifts	$15,000
Annual Exclusion Amount for Gifts to Non-Citizen Spouse	$157,000
Lifetime Basic Exclusion Amount (BEA)[2] *$10,000,000 as Indexed for Inflation*	$11,580,000 *up $180,000 from 2019*
BEA Sunset Date *After which it Reverts to $5,000,000 as Indexed for Inflation*	12/31/2025

[1]Revenue Procedure 2019-44
[2]The BEA is unified for gift, estate and generation skipping transfer taxes

It's De Ja Vu (2012) All Over Again



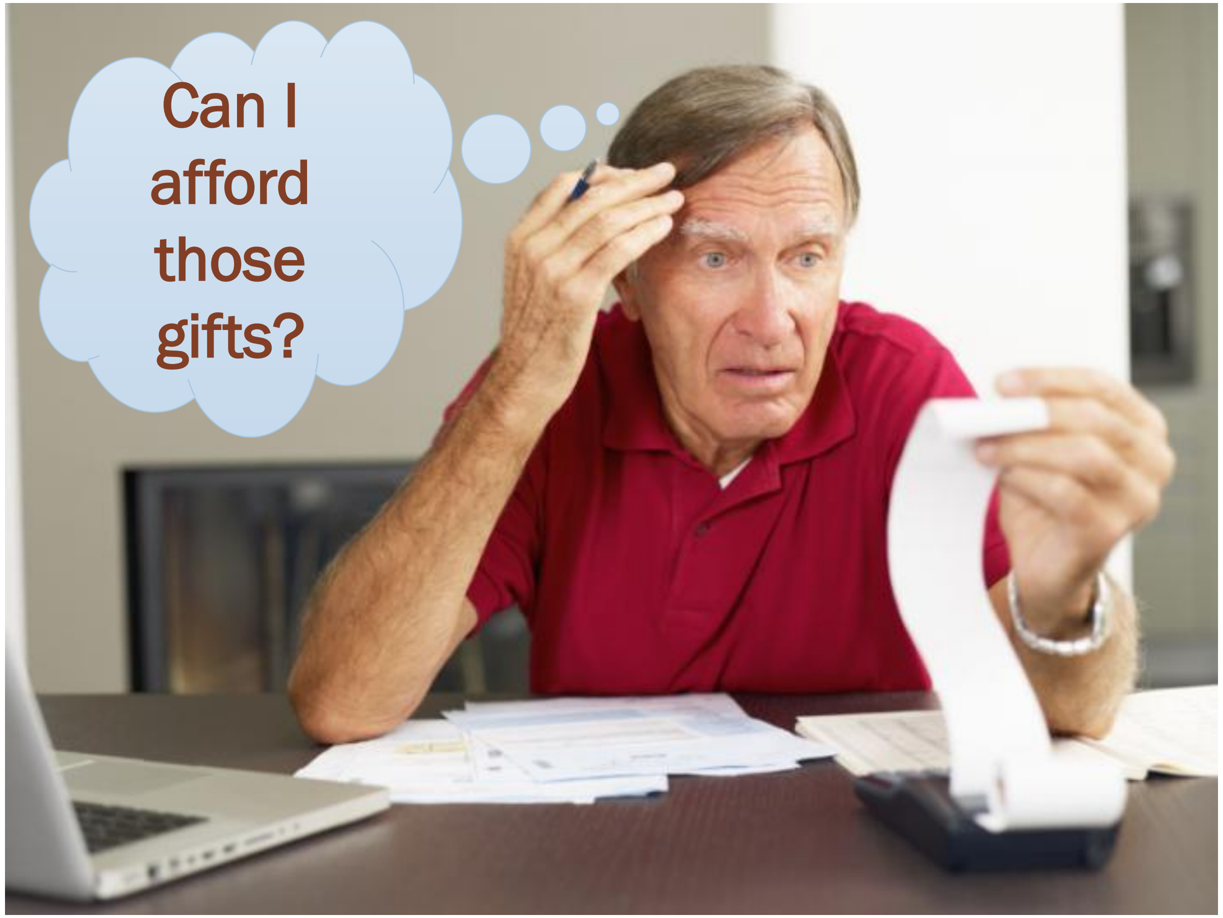
[1]Increased BEA is available only if used during the increased BEA period (Treas. Reg. 20.2010-1); i.e. gift amounts must exceed $5.79MM in 2020 (bottom-up allocation). Projected exemption in years 2021+ assumes a 2% inflation adjustment.

LION STREET™

Convincing Ultra High Net Worth (UHNW) Individuals to Make Gifts May First Require Running A Lifestyle vs. Legacy Capital Analysis

All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

Why? Even UHNW Clients May Fear Running Out of Money



59%

of Ultra-Hight-Net-Worth ($25MM+) Individuals of all generations say their **biggest anxiety** is running out of money or being unable to maintain their current lifestyle

Source: Investment Management Consultants Association, Inc. (IMCA). "The Ultra-High-Net-Worth Investor by the Generations" by Cam Marston. *Focus on Ultra-High-Net-Worth Clients, Part 1* (2016). Statistic cited on this page and referenced in this article is from a 2015 report by SEI and Scorpio Partnership.

Lifestyle vs. Legacy Capital Analysis Example

Current Assets

Liquid Assets:	Liquid Assets (Taxable Interest)	$ 23,000,000	
	Liquid Assets (Tax Exempt Interest)	0	
	Equity Assets	0	
	Tax Deferred Assets	0	
	Retirement Plan Assets	2,000,000	
	Total Liquid Assets		25,000,000
Illiquid Assets:	Principal Residence	1,000,000	
	Investment Real Estate	5,000,000	
	Closely-held Stock	9,000,000	
	Total Illiquid Assets		15,000,000
Other Assets:	Total Other Assets Inside the Estate		0
	Total Estate Assets		$40,000,000
	Total Other Assets Outside the Estate		0

Funding Options for Required Cash Flow

Retirement Plan Assets: Minimum Distribution, Unless More Is Needed
Cash Flow Funding: Sequential Use of Liquid Assets --
Investable Assets, Retirement Plan Assets

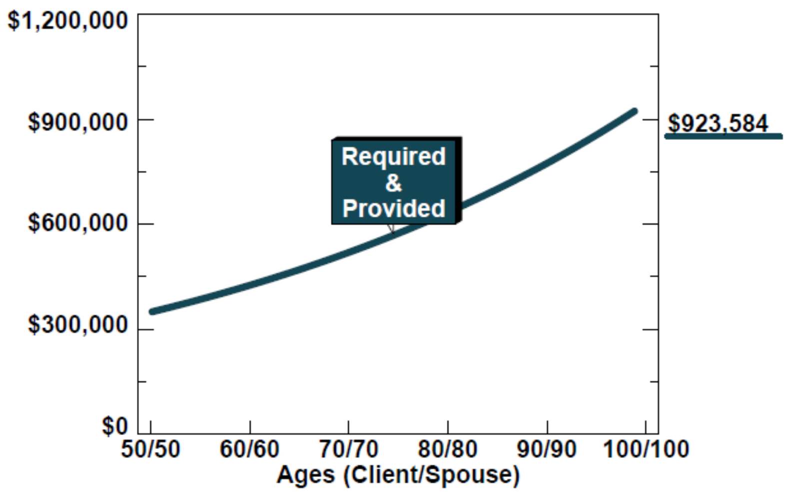
Assumptions Used

Income Tax Rates:	Pre-Retirement	30.00%	
	Retirement	30.00%	
Life Expectancy:	Joint	40 Years	
	Mr. Patriarch	Age 89	
	Mrs. Matriarch	Age 89	
Taxable Accounts:		Investable Assets	Cash
	Yield Assumption	6.00%	1.00%
Retirement Plan Assets Mr. Patriarch:			
	Defined Contr. Yield Assumption	6.00%	

Withdrawal Order

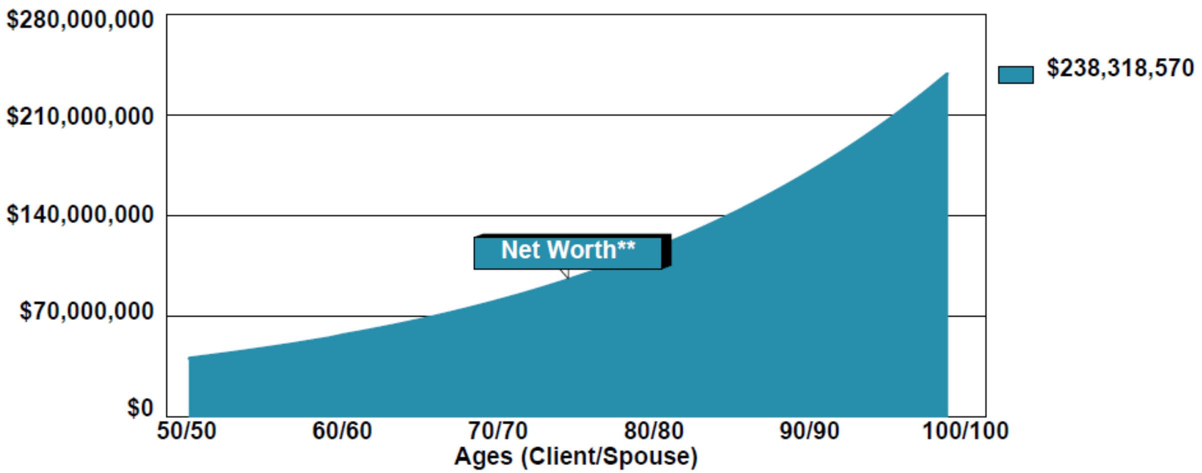
1st. Investable Assets
2nd. Retirement Plan Assets*

Annual Cash Flow



As you can see in the Cash Flow graph above, your liquid assets are sufficient to provide withdrawals to meet your required after tax cash flow in all years illustrated. The graph below shows your remaining total Net Worth.

Net Worth
(After Providing Required Cash Flow)



Lifestyle vs. Legacy Capital Analysis Example Summary

Of their $40,000,000 Net Worth:

Lifestyle Capital	Legacy Capital
$10,873,848	**$29,126,152**
(Present Value of Projected Cash Flow Discounted at the Assumed Net After-Tax Rate of Return of 4.2%)	(Portion of Current Net Worth in Excess of that which is needed for Lifestyle Capital)

Lifestyle vs. Legacy Capital Analysis Example Summary

- ✓ Clients have sufficient net worth to meet future lifestyle needs
- ✓ Significant portion of their existing net worth consists of legacy capital
- ✓ How can we position the legacy capital for more efficient wealth transfer while preserving flexibility to access it for lifestyle capital, if necessary?

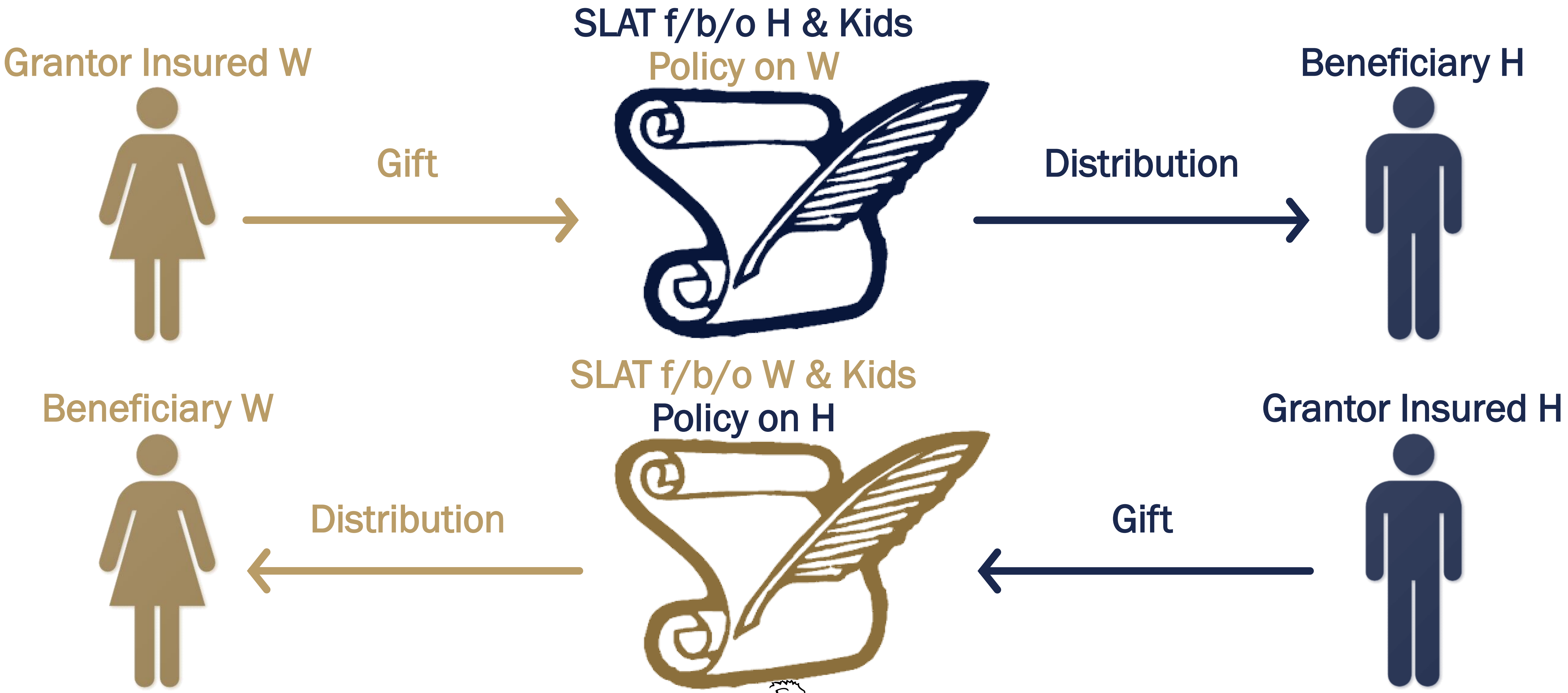
LION STREET™

Flexible Trust-Funding Techniques with Indirect Future Access:

“His and Her” Spousal Lifetime Access Trusts (SLATs)

All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

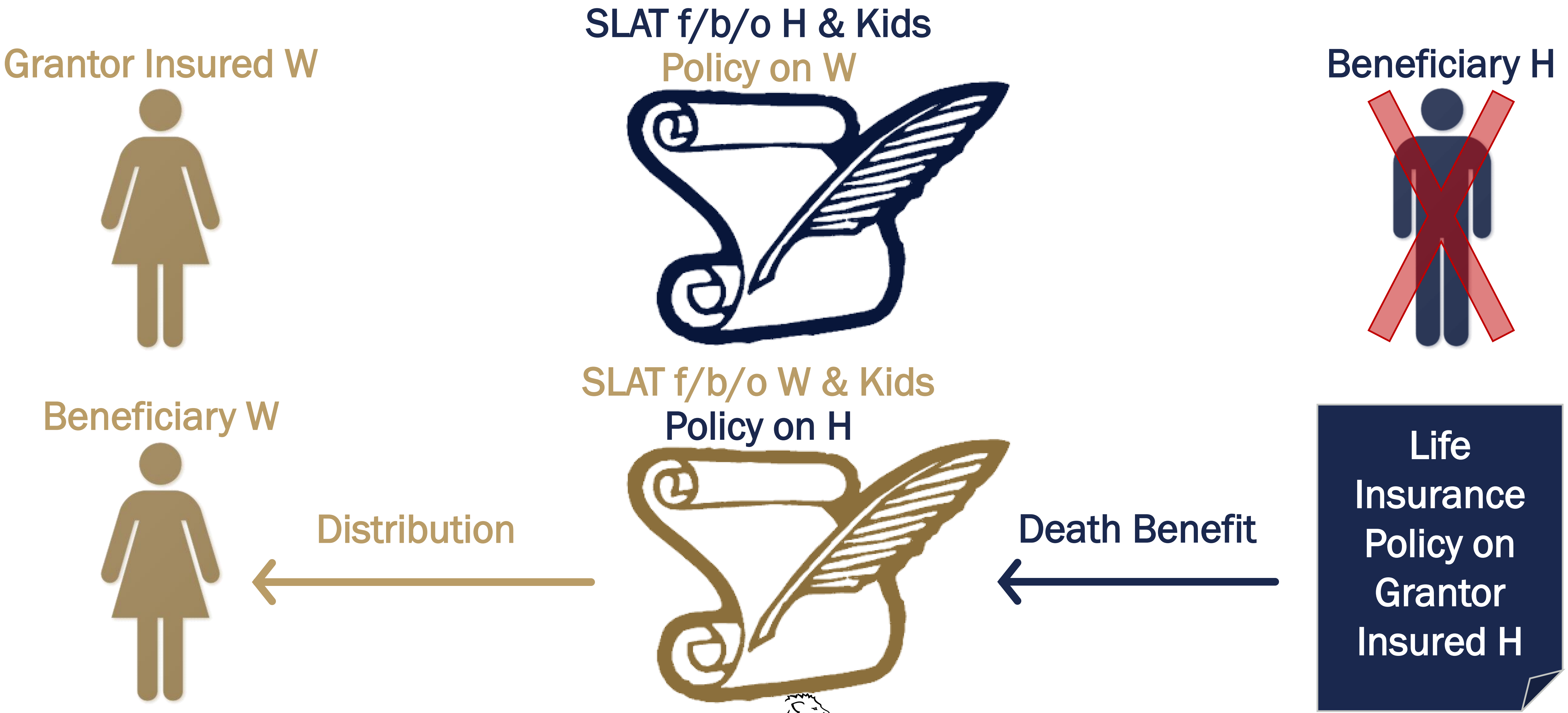
Insured “His and Her” SLATs



The trusts must be structured so as to avoid application of the reciprocal trust doctrine. Other tax and legal considerations may apply.

Individuals should seek guidance from a professional tax and legal advisor.

Insured "His and Her" SLATs



The trusts must be structured so as to avoid application of the reciprocal trust doctrine. Other tax and legal considerations may apply.

Individuals should seek guidance from a professional tax and legal advisor.

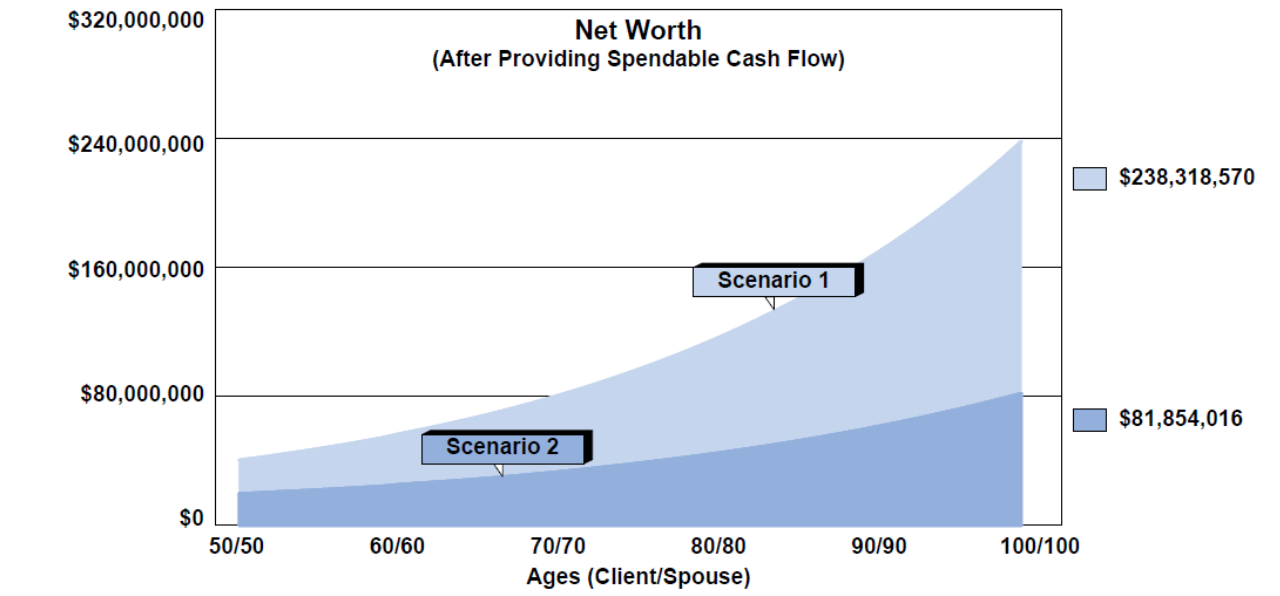
Lifestyle vs. Legacy Capital Analysis Example Continued

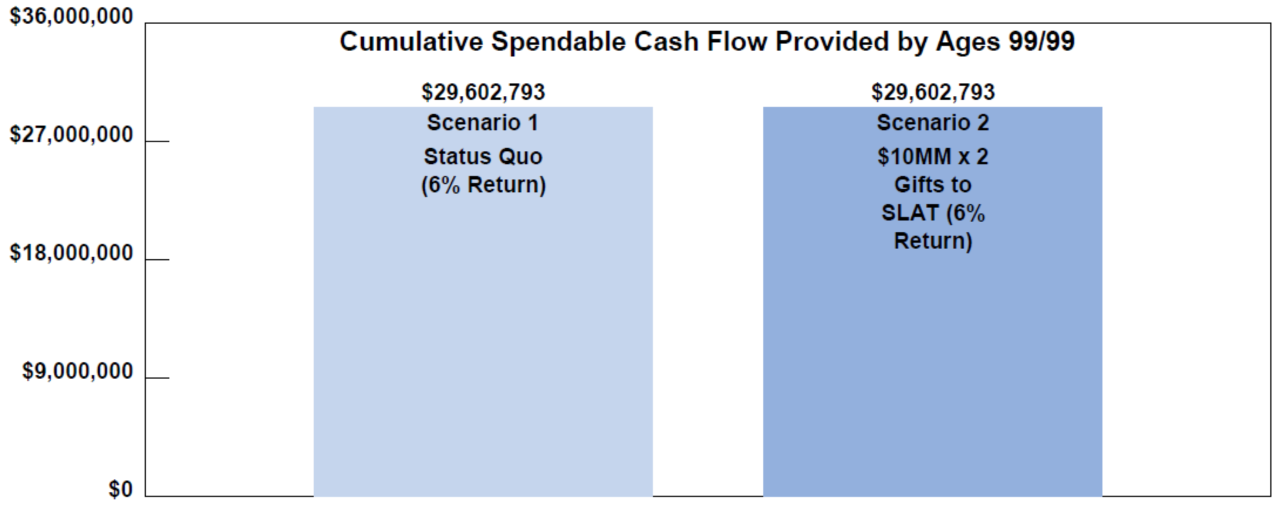
Scenario 1 – Status Quo

- No new planning or gifts
- 6% pre-tax return on investment assets
- Spendable cash flow goal achieved with current estate assets

Scenario 2 – Gifts to SLATs

- $10MM gift by each spouse to a SLAT f/b/o the other ($20MM total gifts)
- 6% pre-tax return on investment assets
- Spendable cash flow goal achieved with remaining estate assets (no need to access SLATs)



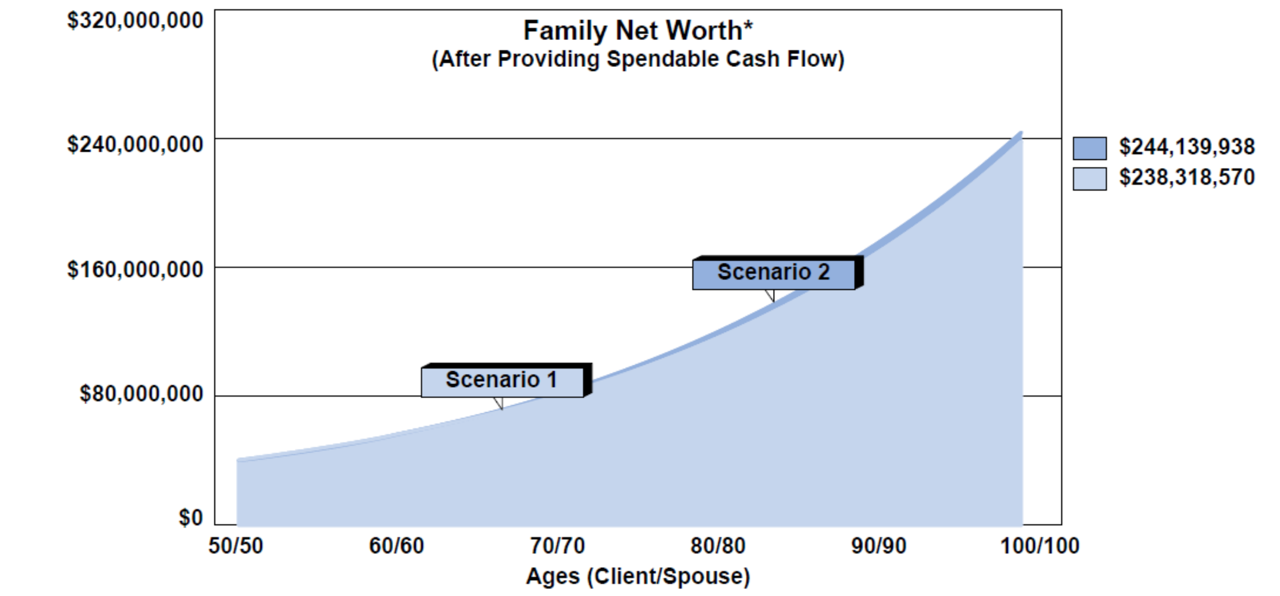


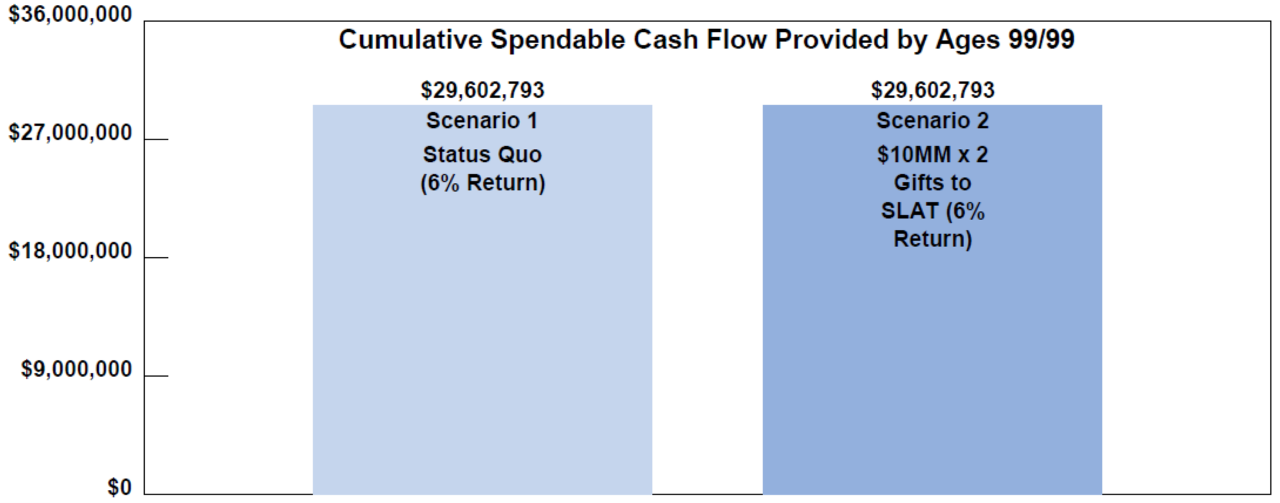
Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 2 continued…

- Each SLAT purchases a $10MM whole life policy on each grantor spouse to replace wealth originally gifted by the surviving spouse beneficiary and provide accumulation potential[1]
- Family Net Worth, which includes the value of assets outside the taxable estate (i.e. SLAT assets), can be preserved if a cash value life insurance policy is used





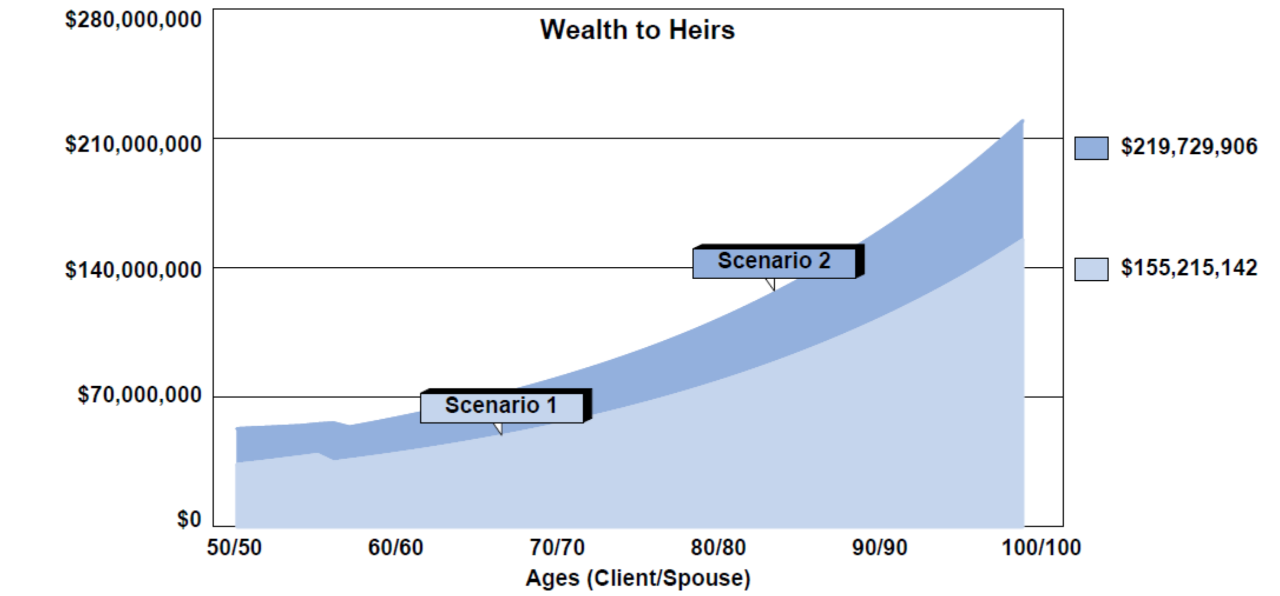
[1]Male age 50, female age 50, Penn Mutual Versatile Choice Whole Life on each, standard nonsmoker rating, 7 pay design, maximum non-MEC premium to Paid-Up Additions (PUA) Rider, maximum Flexible Protection Rider, Reduced Paid-Up in year 8.

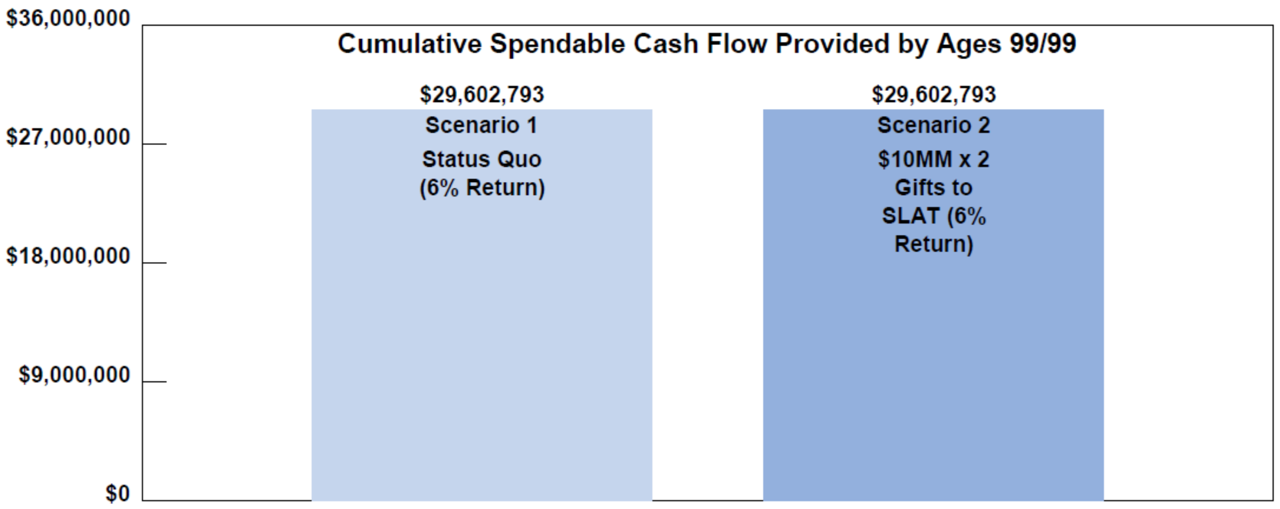
Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 2 continued…

- Wealth transfer can be substantially increased due to the gifts removing appreciation from the taxable estate and the life insurance providing death benefit leverage





Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 3 – Gifts to SLATs and Assets Underperform

- $10MM gift by each spouse to a SLAT f/b/o the other ($20MM total gifts)
- 4% pre-tax return on all investment assets
- Spendable cash flow shortfall beginning in year 22 with remaining estate assets due to investment underperformance
- $5,947,743 total shortfall thru age 99/99

		Spendable Cash Flow		
Year	M/F Ages	Scenario 1 Status Quo (6% Return)	Scenario 2 $10MM x 2 Gifts to SLATs (6% Return)	Scenario 3 $10MM x 2 Gifts to SLATs (4% Return)
21	70/70	520,082	520,082	520,082
22	71/71	530,483	530,483	518,984
23	72/72	541,093	541,093	429,977
24	73/73	551,915	551,915	434,880
25	74/74	562,953	562,953	439,844
26	75/75	574,212	574,212	444,871
27	76/76	585,696	585,696	449,960
28	77/77	597,410	597,410	455,114
29	78/78	609,358	609,358	460,331
30	79/79	621,546	621,546	465,614
31	80/80	633,977	633,977	470,964
32	81/81	646,656	646,656	476,381
33	82/82	659,589	659,589	481,865
34	83/83	672,781	672,781	487,421
35	84/84	686,237	686,237	493,045
36	85/85	699,961	699,961	498,742
37	86/86	713,961	713,961	504,510
38	87/87	728,240	728,240	510,352
39	88/88	742,805	742,805	516,268
40	89/89	757,661	757,661	522,259

Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 4 – Take Income from a SLAT to Make Up Shortfall

- $10MM gift by each spouse to a SLAT f/b/o the other ($20MM total gifts, or 50% of current net worth)
- 4% pre-tax return on all investment assets
- Spendable cash flow goal achieved by taking distributions from a SLAT to make up the shortfall in income produced by remaining estate assets
- $5,947,743 total distributions from a SLAT thru age 99/99 to make up the shortfall

		Spendable Cash Flow		
Year	M/F Ages	Scenario 2 $10MM x 2 Gifts to SLATs (6% Return)	Scenario 3 $10MM x 2 Gifts to SLATs (4% Return)	Scenario 4 Income from SLAT (4% Return)
21	70/70	520,082	520,082	520,082
22	71/71	530,483	518,984	530,483
23	72/72	541,093	429,977	541,093
24	73/73	551,915	434,880	551,915
25	74/74	562,953	439,844	562,953
26	75/75	574,212	444,871	574,212
27	76/76	585,696	449,960	585,696
28	77/77	597,410	455,114	597,410
29	78/78	609,358	460,331	609,358
30	79/79	621,546	465,614	621,546
31	80/80	633,977	470,964	633,977
32	81/81	646,656	476,381	646,656
33	82/82	659,589	481,865	659,589
34	83/83	672,781	487,421	672,781
35	84/84	686,237	493,045	686,237
36	85/85	699,961	498,742	699,961
37	86/86	713,961	504,510	713,961
38	87/87	728,240	510,352	728,240
39	88/88	742,805	516,268	742,805
40	89/89	757,661	522,259	757,661

Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

To Sum it Up, Gifts to Insured "His and Her" SLATs can Accomplish the Following:

- ✓ Reduce future estate taxes;
- ✓ Substantially increase wealth transfer; and
- ✓ Preserve accessible family net worth for a "rainy day"

However, It May Not Be Ideal Under All Circumstances…

- Not all estate planning attorneys will be comfortable with a "His and Her" SLAT arrangement, or in some situations it may not be possible, due to –

  concerns over reciprocal trust doctrine issues, complications in second-marriage situations or in the event of divorce, the client is currently single, etc.

- Perhaps additional flexibility may be desired…

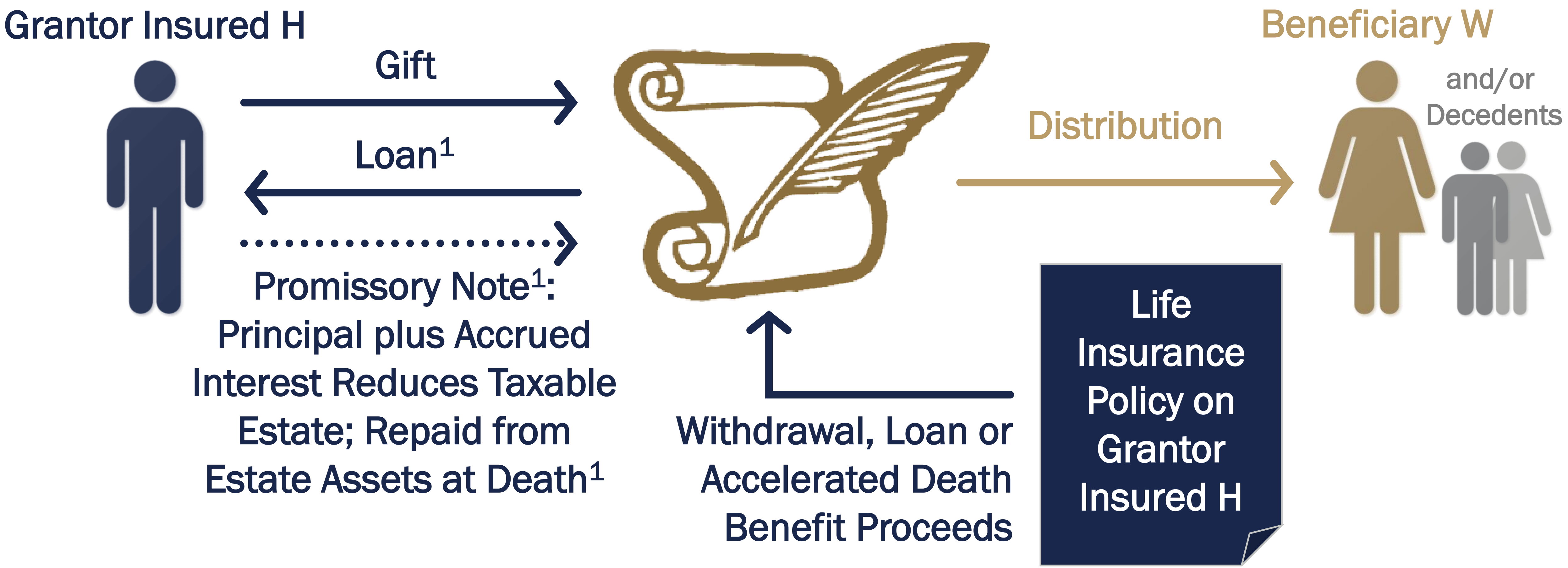
LION STREET™

Flexible Trust-Funding Techniques with Indirect Future Access:

"Reversible" SLAT via Grantor Retained Line of Credit

All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

“Reversible” SLAT via Grantor Retained Line of Credit

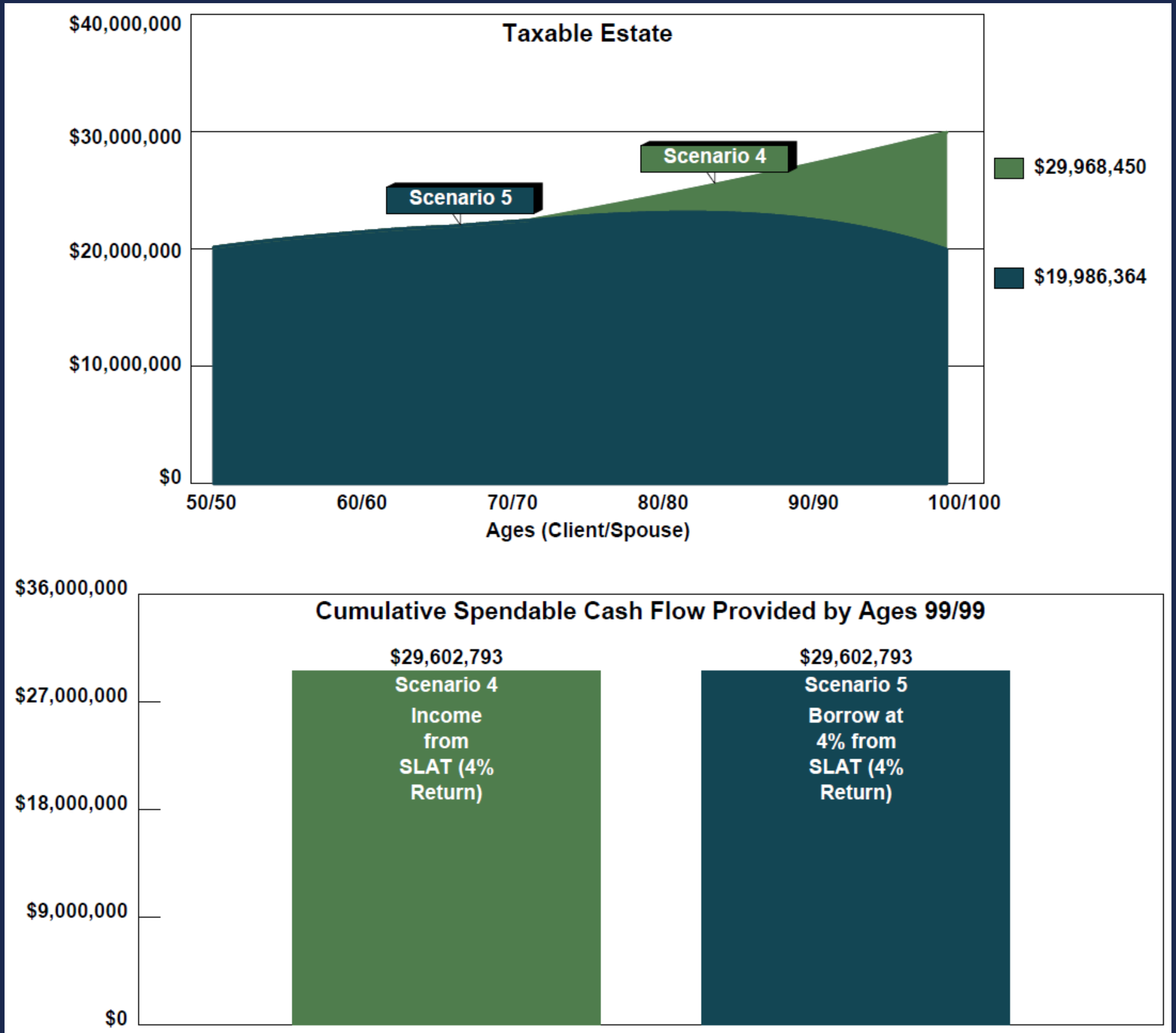


[1]Similar to the right to substitute property of equal value approved (no IRC §§ 2036 or 2038 estate inclusion) in *Estate of Anders Jordahl v. Commissioner, 65 T.C. 92 (1975)* and Rev. Rul. 2008-22. Typically set up as demand notes; should bear interest at a fair market rate at least equal to the rate charged on policy loans taken by the trustee, should be secured by other property owned by the grantor and payments should be enforced (interest is typically accrued). Accrued interest is taxable as OID to the lender annually under IRC §§ 1272-1274; debt between a grantor and trust for which the grantor is deemed the owner for income tax purposes under IRC §§ 671-678 is disregarded under Rev. Rul. 85-13 for income tax purposes (not taxable). In year of death, grantor trust status ends and the OID rules operate to cause only interest accruing that year, and after, to be taxable to the trust. Prior-year accrued interest was disregarded and never considered income earned. If the estate satisfies debt by transferring assets in kind, it recognizes gain to the extent the discharged debt exceeds its basis in the asset (Rev. Rul. 74-178), which is the value on the date of death or alternate valuation date, if elected (IRC § 1014). Trustee should have the power to prohibit any loan that could cause the life policy to lapse. A conservative version vests the power to approve of a loan to the grantor in the grantor’s spouse; an even more conservative version vests this power in an independent trustee. Estate tax savings are only realized if grantor spends the loan proceeds (not reinvest inside the estate).

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 5 – Borrow from a SLAT to Make Up Shortfall

- $10MM gift by each spouse to SLATs
- 4% pre-tax return on investment assets
- Spendable cash flow goal achieved by a grantor borrowing from a SLAT for which he or she is the settlor to make up the shortfall (same shortfall as before)
- $5,947,743 total loan advances from SLAT thru age 99/99 to shortfall
- $9,982,086 outstanding loan due SLAT at a 4% accrual rate thru age 99/99 can reduce the taxable estate

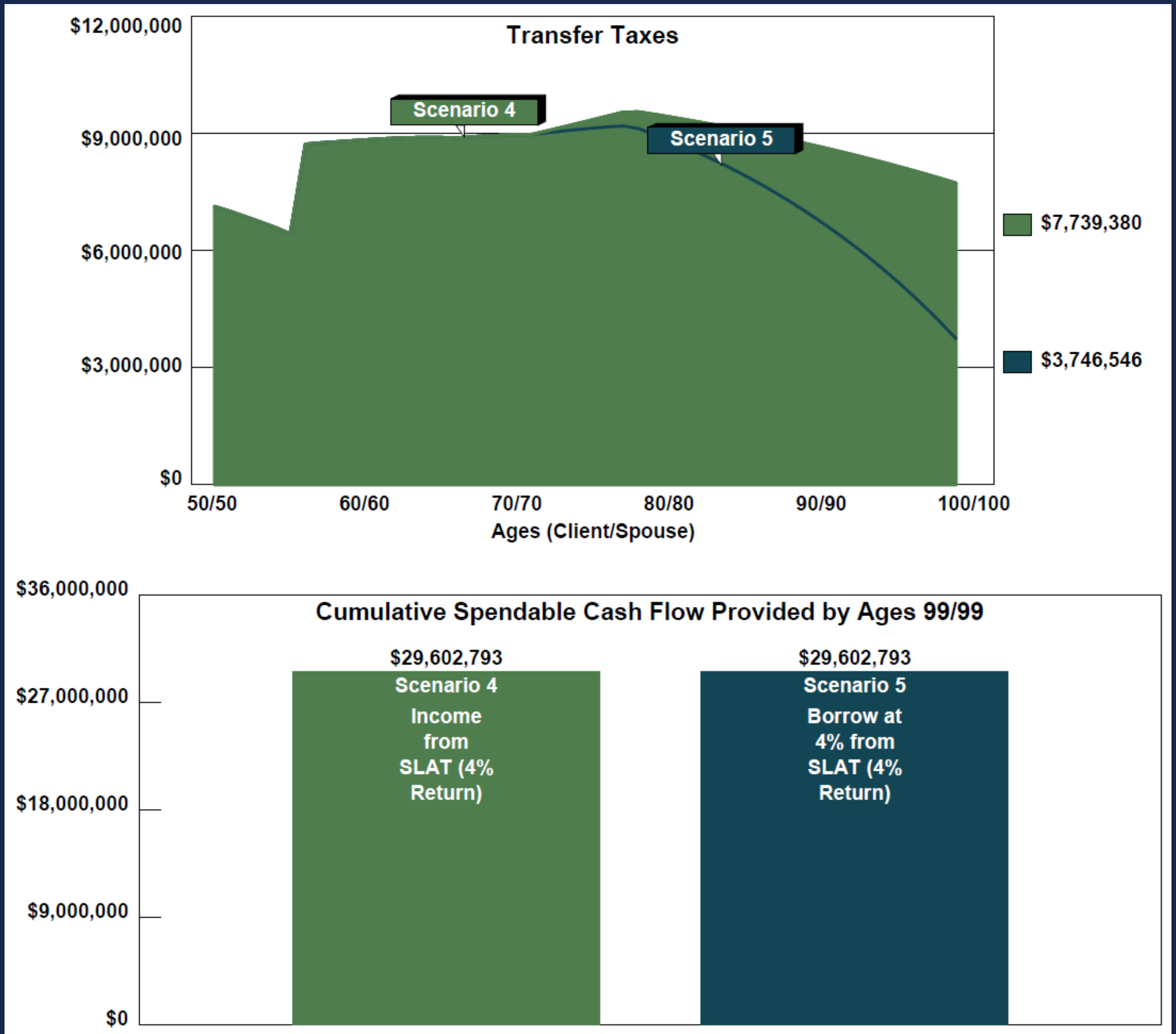


Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

Lifestyle vs. Legacy Capital Analysis Example Continued

Scenario 5 – Borrow from a SLAT to Make Up Shortfall

- $9,982,086 outstanding loan due SLAT at a 4% loan accrual rate thru age 99/99 can reduce the taxable estate and be repaid to the trust with other estate assets at death
- $3,992,834 estate tax savings and increase in wealth transfer thru age 99/99



Hypothetical and for illustrative purposes only. Any reference to an outcome of a given scenario is based on the hypothetical assumptions made in that scenario. Actual results will vary and may be more or less favorable than those shown herein. Click here to download the detailed analysis from which the screenshot above was taken.

A "Reversible" SLAT can Enhance a Traditional SLAT Gifting Strategy By:

✓ Preserving accessible family net worth and a source of capital for a "rainy day;" and

✓ Increasing wealth transfer further by borrowing from a SLAT as the grantor as opposed to taking distributions as a beneficiary

However, It May Not Be Ideal Under All Circumstances…

- Need for sufficient other estate assets to secure and repay the loans at death;
- Some estate planning attorneys may prefer that the discretion to approve any loans be vested in the grantor’s spouse or an independent trustee, which can cause complications in the event of divorce, etc.; or
- The grantor may not be ready or able to make completed gifts, or may want more of a direct future income interest…

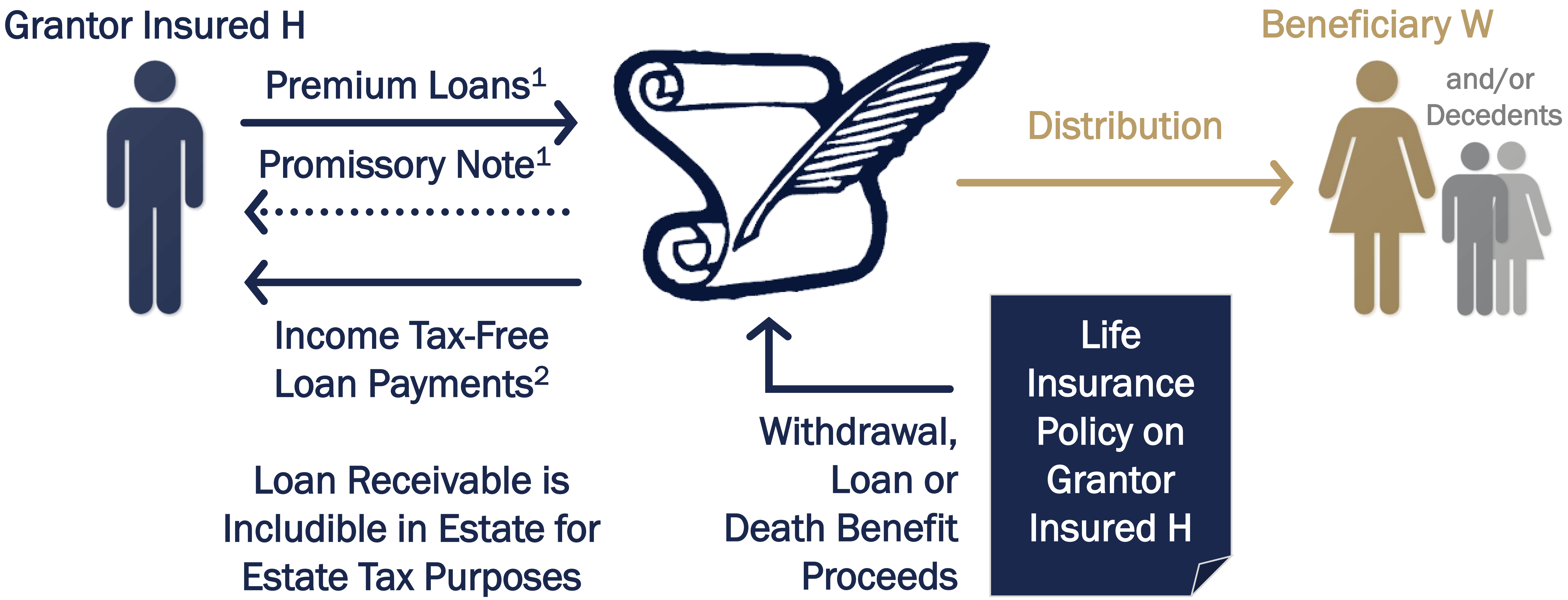
LION STREET™

Flexible Trust-Funding Techniques with Indirect Future Access:

Loan Regime Split Dollar as a Grantor Retained Income Tax-Free Income Technique (GRITFIT)

All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

Loan Regime Split Dollar as a GRITFIT



[1]If term loans, interest rate for each premium advance should be at least equal to the Applicable Federal Rate (AFR) for the month the loan is made, which can be fixed for the loan's term. Gift term loans, which are loans where any forgone interest is in the nature of a gift, generally should be avoided because any imputed transfer of below market interest for gift tax purposes is equal to the present value of all forgone interest over the loan term, imputed at inception (see IRC § 7872 and Treas. Reg. 1.7872-15). If demand loans, at below market interest or otherwise, the interest rate for the outstanding loan will change annually. Any collateral assignment should be restricted to prevent the grantor-insured from possessing any direct or indirect incidents of ownership over the policy under IRC § 2042.

[2]Assumes the Grantor is treated as the owner of the trust for income tax purposes under the grantor trust rules. Only interest amounts accruing in the year of death when grantor trust status ends should be taxable under the OID rules. Interest accruing in prior years is disregarded under the grantor trust rules and should not be considered IRD. See footnote on page 22 for additional related information.

GRITFIT Example

		Net Outlay						Wealth Transfer			Return on Investment		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age	Annual Premium Loans to Trust	Beginning Total Loan Receivable	Annual Loan Interest Accrued to the Loan *4 x Assumed AFR*	Indexed Transfer Tax Exemption Remaining *See Supplement*	Annual Gift Taxes Paid *See Supplement*	Annual Premium Loans Plus Gift Taxes *3+7*	Total Death Benefit in Trust	Ending Loan Receivable Includible in Estate *4+5*	Death Benefit Net of Estate and Income Tax on Loan Receivable *See Supplement*	Base Policy ROI at Death *on 3 & 9*	Base Policy Income Tax-Equivalent ROI at Death *12÷(1-29.75%)*	Income & Estate Tax-Equivalent ROI at Death *on 8 & 11*
1	51	500,000	500,000	15,000	23,160,000	0	**500,000**	11,890,523	515,000	11,831,736	**2,278.10%**	**3,242.85%**	**4,044.84%**
2	52	500,000	1,015,000	30,450	23,620,000	0	**500,000**	11,898,988	1,045,450	11,774,590	**340.39%**	**484.54%**	**559.10%**
3	53	500,000	1,545,450	46,364	24,100,000	0	**500,000**	11,912,049	1,591,814	11,715,455	**147.76%**	**210.33%**	**238.56%**
4	54	500,000	2,091,814	62,754	24,580,000	0	**500,000**	11,927,314	2,154,568	11,651,642	**86.32%**	**122.88%**	**138.74%**
5	55	500,000	2,654,568	79,637	25,070,000	0	**500,000**	11,941,076	2,734,205	11,579,575	**57.63%**	**82.03%**	**92.59%**
6	56	500,000	3,234,205	97,026	25,570,000	0	**500,000**	12,210,981	3,331,231	11,756,882	**42.11%**	**59.94%**	**67.76%**
7	57	500,000	3,831,231	114,937	13,040,000	0	**500,000**	13,757,325	3,946,168	12,667,891	**34.86%**	**49.62%**	**60.06%**
8	58	0	3,946,168	118,385	13,300,000	0	**0**	11,736,341	4,064,553	10,613,635	**24.93%**	**35.48%**	**43.07%**
9	59	0	4,064,553	121,937	13,570,000	0	**0**	11,987,380	4,186,490	10,830,584	**21.28%**	**30.30%**	**36.66%**
10	60	0	4,186,490	125,595	13,840,000	0	**0**	12,245,288	4,312,084	11,053,130	**18.61%**	**26.49%**	**31.95%**
11	61	0	4,312,084	129,363	14,120,000	0	**0**	12,508,722	4,441,447	11,280,314	**16.58%**	**23.60%**	**28.36%**
12	62	0	4,441,447	133,243	14,400,000	0	**0**	12,777,597	4,574,690	11,511,589	**14.98%**	**21.32%**	**25.54%**
13	63	0	4,574,690	137,241	14,690,000	0	**0**	13,052,333	4,711,931	11,747,762	**13.69%**	**19.49%**	**23.26%**
14	64	0	4,711,931	141,358	14,980,000	0	**0**	13,334,212	4,853,289	11,989,643	**12.64%**	**17.99%**	**21.40%**
15	65	0	4,853,289	145,599	15,280,000	0	**0**	13,625,131	4,998,888	12,239,521	**11.76%**	**16.74%**	**19.85%**
16	66	0	4,998,888	149,967	15,590,000	0	**0**	13,924,959	5,148,854	12,497,228	**11.02%**	**15.69%**	**18.54%**
17	67	0	5,148,854	154,466	15,900,000	0	**0**	14,232,799	5,303,320	12,761,379	**10.39%**	**14.78%**	**17.41%**
18	68	-346,084	4,957,236	148,717	16,210,000	0	**-346,084**	13,791,741	5,105,953	12,379,083	**9.65%**	**13.73%**	**16.11%**
19	69	-346,084	4,759,869	142,796	16,540,000	0	**-346,084**	13,365,357	4,902,665	12,013,342	**9.02%**	**12.85%**	**15.01%**
20	70	-346,084	4,556,581	136,697	16,870,000	0	**-346,084**	12,952,329	4,693,279	11,662,012	**8.49%**	**12.09%**	**14.06%**
21	71	-346,084	4,347,195	130,416	17,210,000	0	**-346,084**	12,551,323	4,477,611	11,324,193	**8.04%**	**11.44%**	**13.25%**
22	72	-346,084	4,131,527	123,946	17,550,000	0	**-346,084**	12,161,976	4,255,473	10,999,194	**7.64%**	**10.88%**	**12.54%**
23	73	-346,084	3,909,389	117,282	17,900,000	0	**-346,084**	11,785,147	4,026,670	10,688,267	**7.30%**	**10.39%**	**11.93%**
24	74	-346,084	3,680,587	110,418	18,260,000	0	**-346,084**	11,421,204	3,791,004	10,391,791	**7.00%**	**9.96%**	**11.39%**
25	75	-346,084	3,444,920	103,348	18,630,000	0	**-346,084**	11,069,696	3,548,268	10,109,331	**6.74%**	**9.59%**	**10.93%**

Hypothetical and for illustrative purposes only

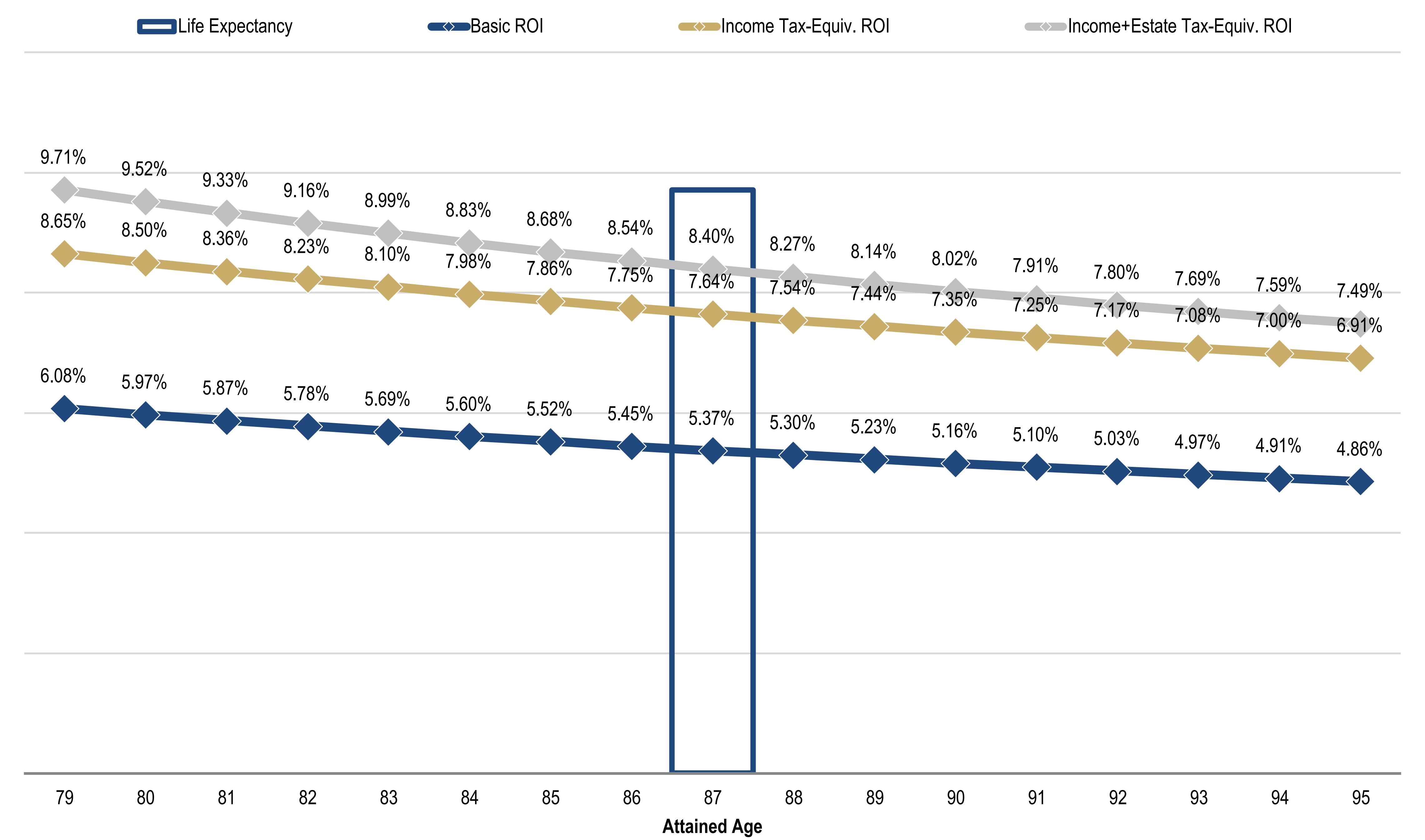
Click here to download the detailed analysis from which the screenshot above was taken.

GRITFIT Example

		Net Outlay						Wealth Transfer			Return on Investment		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age	Annual Premium Loans to Trust	Beginning Total Loan Receivable	Annual Loan Interest Accrued to the Loan *4 x Assumed AFR*	Indexed Transfer Tax Exemption Remaining *See Supplement*	Annual Gift Taxes Paid *See Supplement*	Annual Premium Loans Plus Gift Taxes *3+7*	Total Death Benefit in Trust	Ending Loan Receivable Includible in Estate *4+5*	Death Benefit Net of Estate and Income Tax on Loan Receivable *See Supplement*	Base Policy ROI at Death *on 3 & 9*	Base Policy Income Tax-Equivalent ROI at Death *12÷(1-29.75%)*	Income & Estate Tax-Equivalent ROI at Death *on 8 & 11*
26	76	-346,084	3,202,184	96,066	19,000,000	0	-346,084	10,730,170	3,298,250	9,840,205	6.51%	9.27%	10.51%
27	77	-346,084	2,952,166	88,565	19,380,000	0	-346,084	10,400,795	3,040,731	9,582,892	6.31%	8.99%	10.15%
28	78	-346,084	2,694,647	80,839	19,770,000	0	-346,084	10,254,429	2,775,486	9,510,271	6.19%	8.81%	9.92%
29	79	-346,084	2,429,402	72,882	20,160,000	0	-346,084	10,114,208	2,502,284	9,445,324	6.08%	8.65%	9.71%
30	80	-346,084	2,156,200	64,686	20,560,000	0	-346,084	9,956,262	2,220,887	9,364,429	5.97%	8.50%	9.52%
31	81	-346,084	1,874,803	56,244	20,980,000	0	-346,084	9,779,972	1,931,047	9,267,132	5.87%	8.36%	9.33%
32	82	-346,084	1,584,963	47,549	21,400,000	0	-346,084	9,584,821	1,632,512	9,152,654	5.78%	8.23%	9.16%
33	83	-346,084	1,286,428	38,593	21,820,000	0	-346,084	9,369,675	1,325,021	9,019,961	5.69%	8.10%	8.99%
34	84	-346,084	978,937	29,368	22,260,000	0	-346,084	9,133,319	1,008,305	8,868,076	5.60%	7.98%	8.83%
35	85	-346,084	662,221	19,867	22,700,000	0	-346,084	8,874,730	682,088	8,695,857	5.52%	7.86%	8.68%
36	86	-346,084	336,004	10,080	23,160,000	0	-346,084	8,596,485	346,084	8,506,035	5.45%	7.75%	8.54%
37	87	-346,084	0	0	23,620,000	0	-346,084	8,295,002	0	8,295,002	5.37%	7.64%	8.40%
38	88	0	0	0	24,090,000	0	0	8,335,184	0	8,335,184	5.30%	7.54%	8.27%
39	89	0	0	0	24,580,000	0	0	8,372,046	0	8,372,046	5.23%	7.44%	8.14%
40	90	0	0	0	25,070,000	0	0	8,405,189	0	8,405,189	5.16%	7.35%	8.02%
41	91	0	0	0	25,570,000	0	0	8,434,208	0	8,434,208	5.10%	7.25%	7.91%
42	92	0	0	0	26,080,000	0	0	8,458,860	0	8,458,860	5.03%	7.17%	7.80%
43	93	0	0	0	26,600,000	0	0	8,478,618	0	8,478,618	4.97%	7.08%	7.69%
44	94	0	0	0	27,130,000	0	0	8,493,012	0	8,493,012	4.91%	7.00%	7.59%
45	95	0	0	0	27,680,000	0	0	8,500,529	0	8,500,529	4.86%	6.91%	7.49%
46	96	0	0	0	28,230,000	0	0	8,500,221	0	8,500,221	4.80%	6.84%	7.39%
47	97	0	0	0	28,790,000	0	0	8,490,268	0	8,490,268	4.75%	6.76%	7.29%
48	98	0	0	0	29,370,000	0	0	8,469,684	0	8,469,684	4.69%	6.68%	7.20%
49	99	0	0	0	29,960,000	0	0	8,437,898	0	8,437,898	4.64%	6.60%	7.11%
50	100	0	0	0	30,560,000	0	0	8,394,050	0	8,394,050	4.59%	6.53%	7.02%

Hypothetical and for illustrative purposes only

Click here to download the detailed analysis from which the screenshot above was taken.



Click here to download the detailed analysis from which the screenshot above was taken.

Think of It Like This…

- ✓ Way of making a gift-tax transfer to a trust with a retained income interest and limiting the estate inclusion amount to the loan receivable, not the entire trust property; or
- ✓ "LIRP" strategy with limits on the income interest and most or all of the net death benefit shifted outside the taxable estate;
- ✓ Ideal for those with "what's in if for me" or control concerns about traditional gifting strategies, or limited gifting capacity available for premium funding.

Assumptions Used in the Previous Example

Insured Name	Mrs. Matriarch
Insured Age:	50
Insured Gender/Class:	Female/Standard Non Smoker

Carrier	Product
Penn Mutual	Versatile Choice Whole Life

Assumed Average AFR Applicable to Total Outstanding Loan Receivable:

Year	AFR Average	Year	AFR Average
1	3.00%	11	3.00%
2	3.00%	12	3.00%
3	3.00%	13	3.00%
4	3.00%	14	3.00%
5	3.00%	15	3.00%
6	3.00%	16	3.00%
7	3.00%	17	3.00%
8	3.00%	18	3.00%
9	3.00%	19	3.00%
10	3.00%	20	3.00%
		21+	3.00%

% of Return as Ordinary Income	70.00%
% of Return as Realized Cap Gain	5.00%
% of Return as Unrealized Cap Gain	25.00%
% of Return as Tax-Free	0.00%
Ordinary Income Tax Rate	40.80%
Capital Gains Tax Rate	23.80%
Blended Income Tax Rate	29.75%
Estate/Gift Tax Rate	40.00%
Transfer Tax Exemption Per Person	11,580,000
Prior Exemption Gifts Made	0
Annual Gift Tax Exclusion	15,000
# of Annual Exclusions	4
Inflation Rate	2.00%
Summary at	Life Expectancy
Summary Year	37
Years to Illustrate	50
Pre-Income-Tax Hurdle Rate	6.00%
ROI Equivalent Calculation:	Basic + Income Tax + Estate Tax
Premiums are Loaned to an ILIT?	Yes
Other Estate Assets (and Growth Rate)	30,000,000 (2.00% Growth)

LION STREET™

Flexible Trust-Funding Techniques with Indirect Future Access:

Intrafamily Loan or Installment Sale as a Wait-and-See Gift Technique

All information herein is for discussion purposes only and should not be used or construed as tax or legal advice. Taxpayers should always seek guidance from a professional tax or legal advisor as it pertains to their individual situations.

Client on the Fence about Making a Full $11.58M Gift?

- Gift $1.158MM (10%) and loan/sell $10.422MM (90%)[1]

- Loan/sale portion can provide future flexibility to –
  1) forgive note to make it a completed gift;
  2) accept repayment to "take it back;" or
  3) renew for a new term if desired

[1] 9-to-1 debt-to-equity ratio for economic substance, if necessary. Some commentators and practitioners question the validity or necessity of the "9-to-1" rule. If not necessary, for whatever reason, up to 100% of the value could be loaned or sold. The promissory note issued needs to be treated as valuable consideration so the arrangement is respected as a bona fide sale or loan and not, in substance, a disguised gift at inception. See Rev. Rul. 77-299 and Deal v. Commissioner, 29 T.C. 730 (1958). The note should bear interest at least equal to the AFR, interest payments should be made, security pledged and an intent to enforce payments should be apparent.

Wait-and-See Gift Example Prior to 2026 – 1) Forgive Note to Make it a Completed Gift;

		Gifts Received and Premiums Paid			Growth and Income		Promissory Note (End of Year)				Assets (End of Year)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at End of Year	Seed Gifts Plus Additional Gifts	Gifts to Reduce (Forgive) Note	Annual Life Insurance Premium	Growth at 3.00%	Income at 5.00% (Taxable to Grantor)	Note Interest Due	Note Interest Paid	Note Repayment	Note Balance	Assets	Assets Less Promissory Note	Life Insurance Death Benefit
1	61/61	1,158,000	0	-393,000	335,610	559,350	176,132	-176,132	0	10,422,000	11,905,828	1,483,828	10,000,000
2	62/62	0	0	-393,000	345,385	575,641	176,132	-176,132	0	10,422,000	12,257,723	1,835,723	10,000,000
3	63/63	0	0	-393,000	355,942	593,236	176,132	-176,132	0	10,422,000	12,637,769	2,215,769	10,000,000
4	64/64	0	0	-393,000	367,343	612,238	176,132	-176,132	0	10,422,000	13,048,218	2,626,218	10,000,000
5	65/65	0	0	-393,000	379,657	632,761	176,132	-176,132	0	10,422,000	13,491,504	3,069,504	10,000,000
6	66/66	0	10,422,000	-393,000	392,955	654,925	0	0	0	0	14,146,384	14,146,384	10,000,000
7	67/67	0	0	0	424,392	707,319	0	0	0	0	15,278,095	15,278,095	10,000,000
8	68/68	0	0	0	458,343	763,905	0	0	0	0	16,500,343	16,500,343	10,000,000
9	69/69	0	0	0	495,010	825,017	0	0	0	0	17,820,370	17,820,370	10,000,000
10	70/70	0	0	0	534,611	891,019	0	0	0	0	19,246,000	19,246,000	10,000,000
11	71/71	0	0	0	577,380	962,300	0	0	0	0	20,785,680	20,785,680	10,000,000
12	72/72	0	0	0	623,570	1,039,284	0	0	0	0	22,448,534	22,448,534	10,000,000
13	73/73	0	0	0	673,456	1,122,427	0	0	0	0	24,244,417	24,244,417	10,000,000
14	74/74	0	0	0	727,333	1,212,221	0	0	0	0	26,183,970	26,183,970	10,000,000
15	75/75	0	0	0	785,519	1,309,199	0	0	0	0	28,278,688	28,278,688	10,000,000

The promissory note issued needs to be treated as valuable consideration so the arrangement is respected as a bona fide sale or loan and not, in substance, a disguised gift at inception. See Rev. Rul. 77-299 and Deal v. Commissioner, 29 T.C. 730 (1958). The note should bear interest at least equal to the AFR, interest payments should be made, security pledged and an intent to enforce payments should be apparent.

Wait-and-See Gift Example Prior to 2026 – 2) Accept Repayment to "Take it Back;" or

		Gifts Received and Premiums Paid			Growth and Income		Promissory Note (End of Year)				Assets (End of Year)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at End of Year	Seed Gifts Plus Additional Gifts	Gifts to Reduce (Forgive) Note	Annual Life Insurance Premium	Growth at 3.00%	Income at 5.00% (Taxable to Grantor)	Note Interest Due	Note Interest Paid	Note Repayment	Note Balance	Assets	Assets Less Promissory Note	Life Insurance Death Benefit
1	61/61	1,158,000	0	-393,000	335,610	559,350	176,132	-176,132	0	10,422,000	11,905,828	1,483,828	10,000,000
2	62/62	0	0	-393,000	345,385	575,641	176,132	-176,132	0	10,422,000	12,257,723	1,835,723	10,000,000
3	63/63	0	0	-393,000	355,942	593,236	176,132	-176,132	0	10,422,000	12,637,769	2,215,769	10,000,000
4	64/64	0	0	-393,000	367,343	612,238	176,132	-176,132	0	10,422,000	13,048,218	2,626,218	10,000,000
5	65/65	0	0	-393,000	379,657	632,761	176,132	-176,132	0	10,422,000	13,491,504	3,069,504	10,000,000
6	66/66	0	0	-393,000	392,955	654,925	176,132	-176,132	-10,422,000	0	3,548,253	3,548,253	10,000,000
7	67/67	0	0	0	106,448	177,413	0	0	0	0	3,832,113	3,832,113	10,000,000
8	68/68	0	0	0	114,963	191,606	0	0	0	0	4,138,682	4,138,682	10,000,000
9	69/69	0	0	0	124,160	206,934	0	0	0	0	4,469,776	4,469,776	10,000,000
10	70/70	0	0	0	134,093	223,489	0	0	0	0	4,827,358	4,827,358	10,000,000
11	71/71	0	0	0	144,821	241,368	0	0	0	0	5,213,547	5,213,547	10,000,000
12	72/72	0	0	0	156,406	260,677	0	0	0	0	5,630,631	5,630,631	10,000,000
13	73/73	0	0	0	168,919	281,532	0	0	0	0	6,081,081	6,081,081	10,000,000
14	74/74	0	0	0	182,432	304,054	0	0	0	0	6,567,568	6,567,568	10,000,000
15	75/75	0	0	0	197,027	328,378	0	0	0	0	7,092,973	7,092,973	10,000,000

The promissory note issued needs to be treated as valuable consideration so the arrangement is respected as a bona fide sale or loan and not, in substance, a disguised gift at inception. See Rev. Rul. 77-299 and Deal v. Commissioner, 29 T.C. 730 (1958). The note should bear interest at least equal to the AFR, interest payments should be made, security pledged and an intent to enforce payments should be apparent.

Wait-and-See Gift Example Prior to 2026 – 3) Renew for a New Term if Desired.

		Gifts Received and Premiums Paid			Growth and Income		Promissory Note (End of Year)				Assets (End of Year)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at End of Year	Seed Gifts Plus Additional Gifts	Gifts to Reduce (Forgive) Note	Annual Life Insurance Premium	Growth at 3.00%	Income at 5.00% (Taxable to Grantor)	Note Interest Due	Note Interest Paid	Note Repayment	Note Balance	Assets	Assets Less Promissory Note	Life Insurance Death Benefit
1	61/61	1,158,000	0	-393,000	335,610	559,350	176,132	-176,132	0	10,422,000	11,905,828	1,483,828	10,000,000
2	62/62	0	0	-393,000	345,385	575,641	176,132	-176,132	0	10,422,000	12,257,723	1,835,723	10,000,000
3	63/63	0	0	-393,000	355,942	593,236	176,132	-176,132	0	10,422,000	12,637,769	2,215,769	10,000,000
4	64/64	0	0	-393,000	367,343	612,238	176,132	-176,132	0	10,422,000	13,048,218	2,626,218	10,000,000
5	65/65	0	0	-393,000	379,657	632,761	176,132	-176,132	0	10,422,000	13,491,504	3,069,504	10,000,000
6	66/66	0	0	-393,000	392,955	654,925	176,132	-176,132	0	10,422,000	13,970,253	3,548,253	10,000,000
7	67/67	0	0	0	419,108	698,513	312,660	-312,660	0	10,422,000	14,775,213	4,353,213	10,000,000
8	68/68	0	0	0	443,256	738,761	312,660	-312,660	0	10,422,000	15,644,570	5,222,570	10,000,000
9	69/69	0	0	0	469,337	782,228	312,660	-312,660	0	10,422,000	16,583,475	6,161,475	10,000,000
10	70/70	0	0	0	497,504	829,174	312,660	-312,660	0	10,422,000	17,597,493	7,175,493	10,000,000
11	71/71	0	0	0	527,925	879,875	312,660	-312,660	0	10,422,000	18,692,633	8,270,633	10,000,000
12	72/72	0	0	0	560,779	934,632	312,660	-312,660	0	10,422,000	19,875,383	9,453,383	10,000,000
13	73/73	0	0	0	596,262	993,769	312,660	-312,660	0	10,422,000	21,152,754	10,730,754	10,000,000
14	74/74	0	0	0	634,583	1,057,638	312,660	-312,660	0	10,422,000	22,532,315	12,110,315	10,000,000
15	75/75	0	4,632,000	0	675,969	1,126,616	173,700	-173,700	-5,790,000	0	18,371,200	18,371,200	10,000,000

The promissory note issued needs to be treated as valuable consideration so the arrangement is respected as a bona fide sale or loan and not, in substance, a disguised gift at inception. See Rev. Rul. 77-299 and Deal v. Commissioner, 29 T.C. 730 (1958). The note should bear interest at least equal to the AFR, interest payments should be made, security pledged and an intent to enforce payments should be apparent.

LION STREET™

All projected values herein are hypothetical and for illustrative purposes only. Actual results will vary and may be better or worse than what is shown. Illustrated life insurance values may be based on non-guaranteed elements (e.g. policy charges and crediting rates) and are a supplemental illustration, not valid unless preceded or accompanied by a basic illustration from the life insurance carrier. Please refer to carrier basic illustration for important details regarding guaranteed and non-guaranteed elements and other important policy information.

Variable life insurance is sold by prospectus. Please consider the investment objectives, risks, charges, expenses, and your need for death-benefit coverage carefully before investing. The prospectus, which contains this and other information about the variable life policy and the underlying investment options, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

The investment return and principal value of the variable life policy are not guaranteed. Variable life sub-accounts fluctuate with changes in market conditions. The principal may be worth more or less than the original amount invested when the policy is surrendered.

Securities offered through Lion Street Financial, LLC, Member FINRA & SIPC. Lion Street Financial does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.