





Generating Worth Through Estate Planning

Hosted by: Jonathan Krueger
& Paul Larson





Agenda

- The Basics
 - Reviewing Estate Planning Documents
 - Lifetime Exemptions & Annual Exclusions
 - Legislation Update
- Strategies
 - Estate Freeze Techniques
 - FLLCs/FLPs, SLATs, IDGTs, GRATs
 - Insurance and Estate Planning
 - ILITs, PPLI
 - Income Tax Planning as an Estate Planning Technique
 - Roth Conversions
 - Charitable Giving





What is Legacy Planning?

Knowing which definition to use will alter effectiveness

Dictionary

Definitions from [Oxford Languages](#) · [Learn more](#)



leg·a·cy

/ˈlegəsē/

noun

1. an amount of money or property left to someone in a will.
"my grandmother died and unexpectedly left me a small legacy"

Similar:

bequest

inheritance

heritage

bequeathal

bestowal

benefaction



2. the long-lasting impact of particular events, actions, etc. that took place in the past, or of a person's life.
"he left us a rich legacy of buildings that are both innovative architectural creations and genuine works of art"

Similar:

consequence

effect

outcome

upshot

spin-off

repercussion





Cash Flow,
Estate Plan,
Insurance,
Tax Planning,
Bill Pay,
Real Estate,
Investments,
Business Succession

Values, Mission, Parenting, Marriage, Personality
Types, Charitable Giving, Impact, Personal Goals

FLOURISH





"How Peter Thiel turned \$2,000 in a Roth IRA into \$5,000,000,000"



Site Source: <https://www.marketwatch.com/story/how-peter-thiel-turned-2-000-in-a-roth-ira-into-5-000-000-000-11624551401>



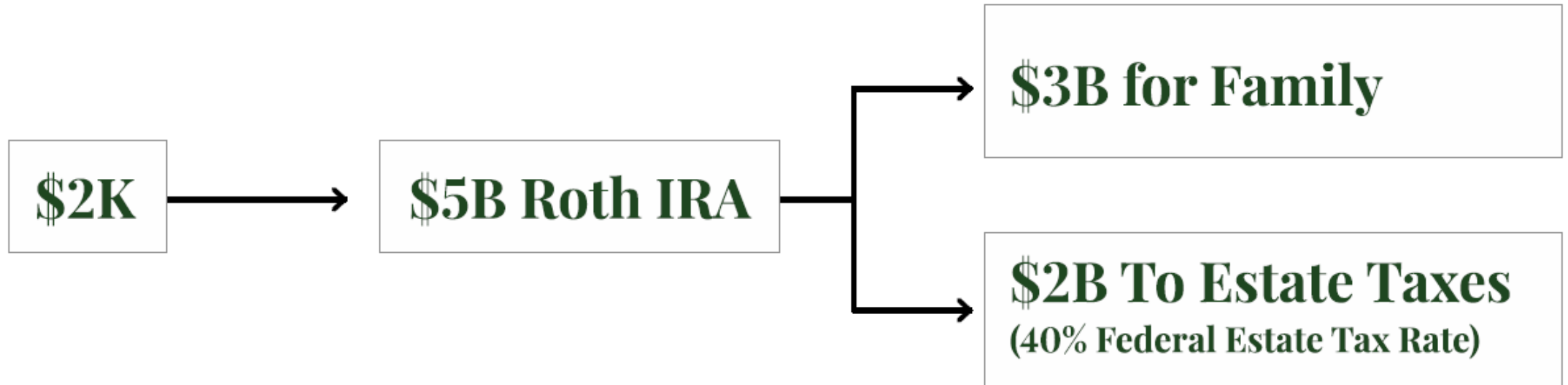


What did Peter Thiel do?



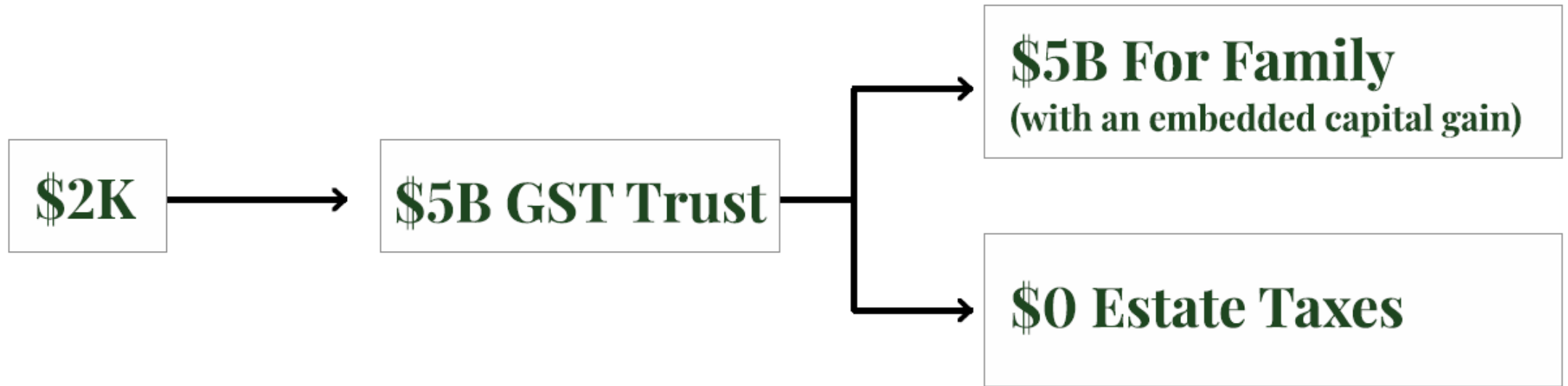


What Happens At Death?





What Peter Thiel Could Have Done





Conventional Wisdom =

Saving for Retirement in a Qualified Plan

- IRAs
- 401(k)s
- Annuities
- Company Plans



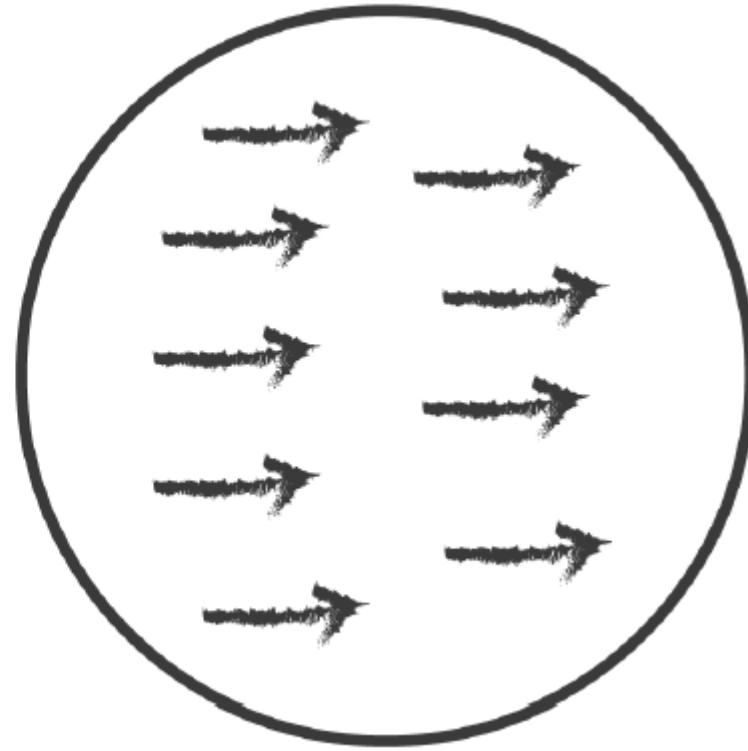
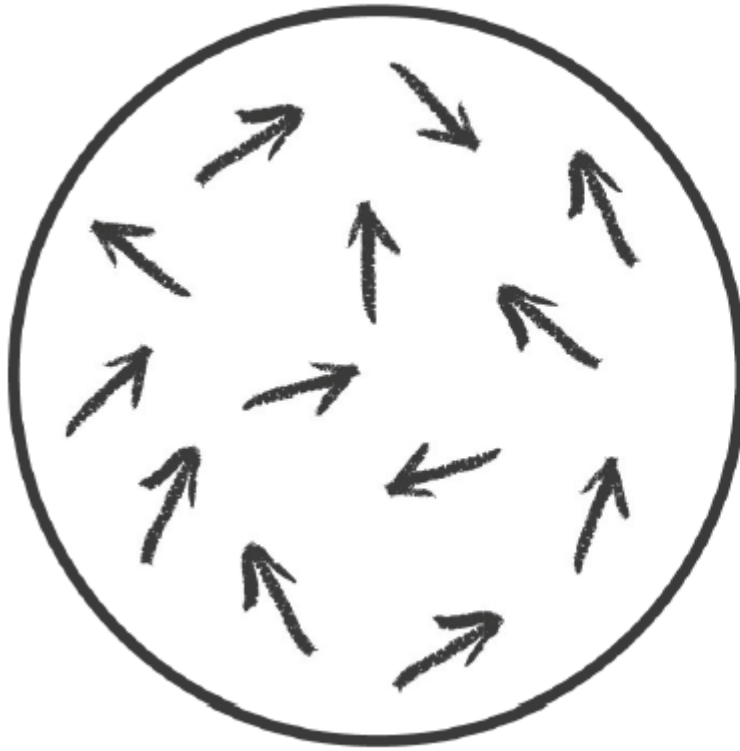
Tax Jail- Uncle Sam is 64% Investing Partner

The background of the slide features a close-up photograph of several gold coins, likely American Gold Eagle bars, stacked and viewed through the vertical bars of a prison cell. The lighting is dramatic, with strong highlights and shadows, emphasizing the texture of the coins and the metallic bars.

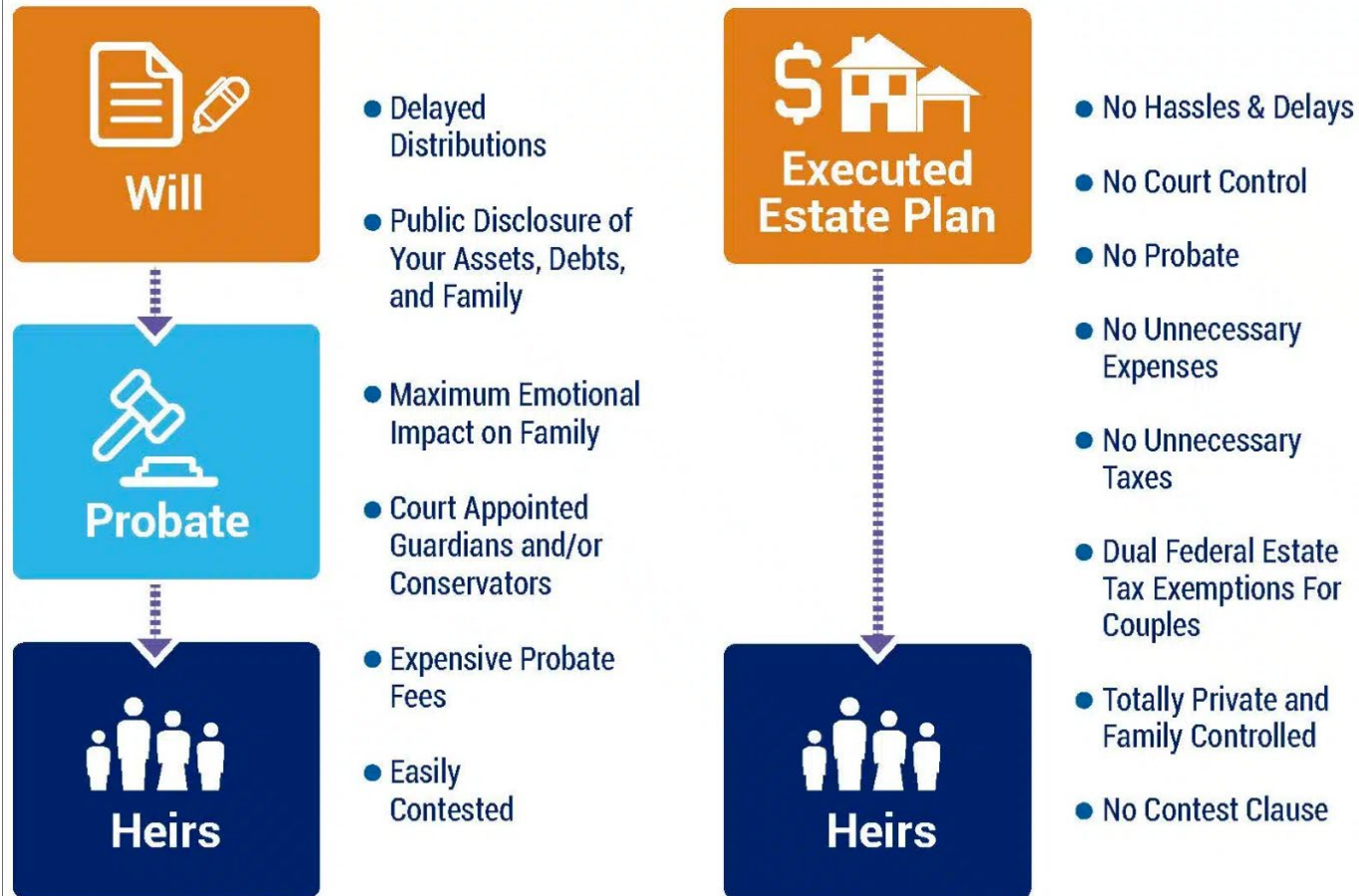
Income Tax

Estate Tax

We Must Work Together



The Basics





A Shocking Discovery



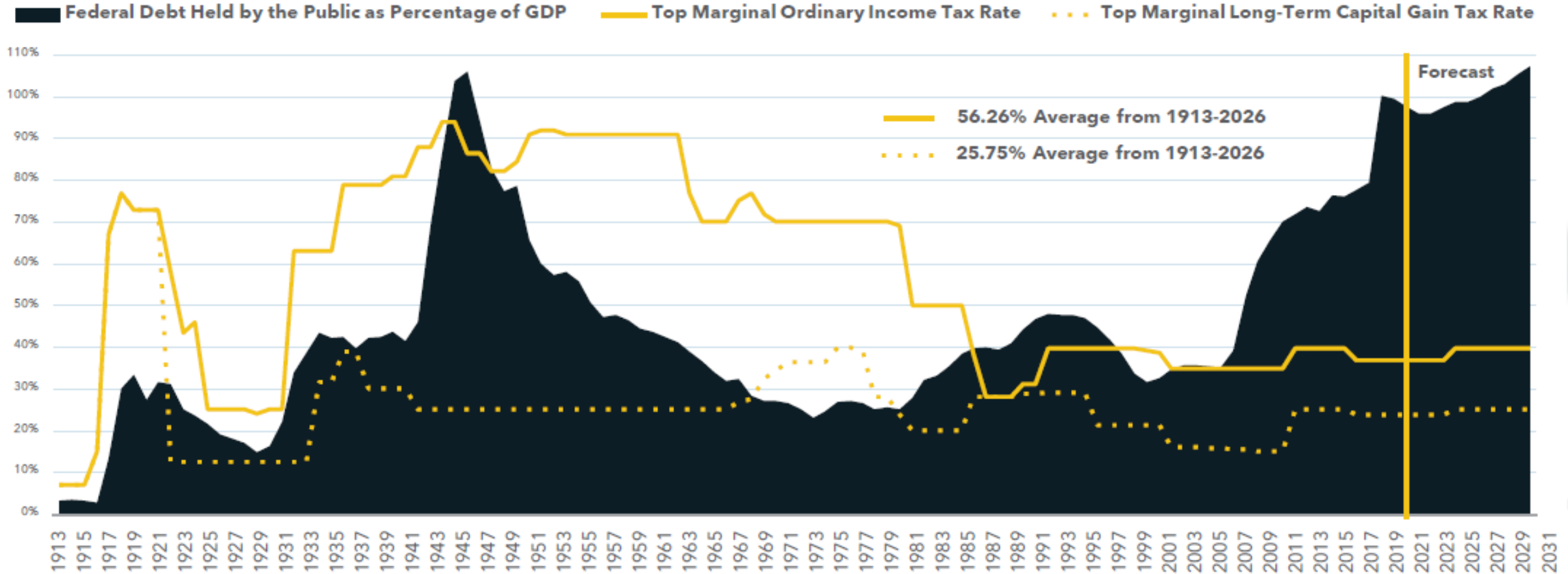


Which Two Do you Want to Leave Your Money to?





Federal Income Taxes

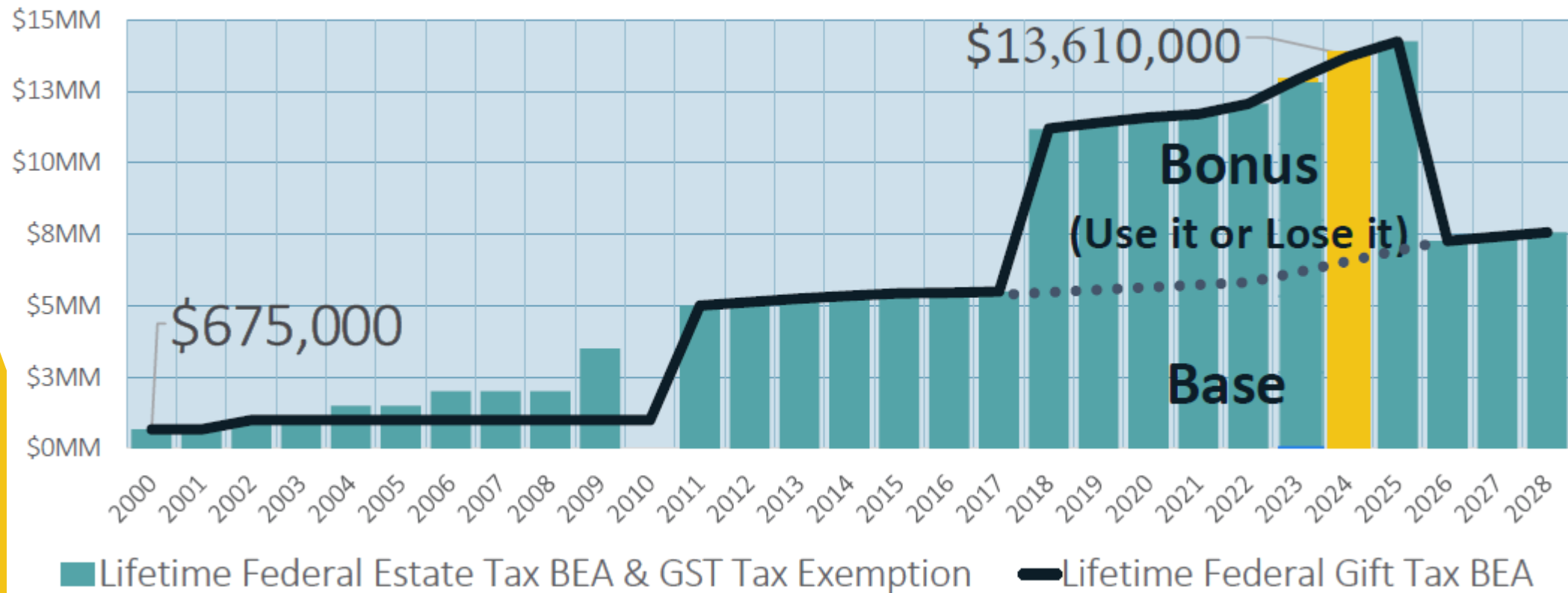


Source for income tax rates: www.taxpolicycenter.org

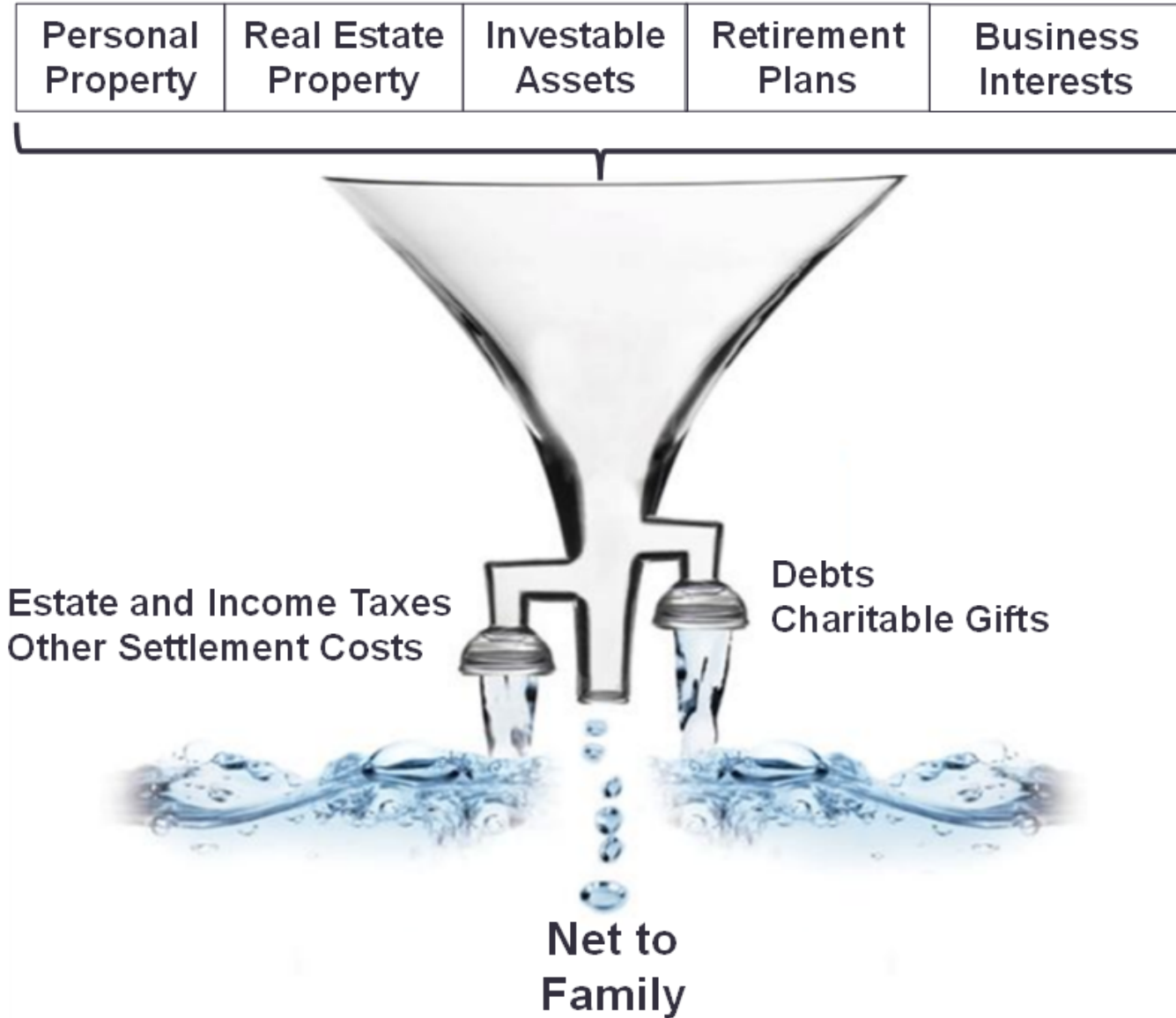
Source for federal debt: www.cbo.gov



Under Current Law, The Opportunity is Temporary



Estate Settlement Funnel





Legislation Update

Executive Summary

- The time to gift is 2024 — change is potentially on the horizon.
- The timing and extent of potential changes to gift and estate tax laws are unclear.
- Some potential changes could include reducing the exemption, increasing the estate tax rate, increasing the capital gains tax rate, and eliminating the basis adjustment.
- Consider “locking in” the 2024 exemption amount by gifting to irrevocable trusts and continuing to take advantage of planning opportunities to shift appreciation out of your estate with techniques such as GRATs and intra-family loans.





Case Study

Paul Larson's client

John & Jean



Investment Assets	John		Jean	Joint	Total
Individual Retirement Accounts					\$ 4,208,018
Traditional IRAs	\$ 851,428		\$ 3,356,590		\$ 4,208,018
Taxable and/or Tax-Free Accounts					\$ 20,927,216
Lilly Direct Held Shares ***				\$ 1,393,177	\$ 1,393,177
NBI Savings***				\$ 1,500,000	\$ 1,500,000
Schwab TODs	\$ 9,588,603		\$ 8,445,434		\$ 18,034,037
Stifel Accounts				\$ 1	\$ 1
Total Investment Assets	\$ 10,440,031	\$ 11,802,024	\$ 2,893,179		\$ 25,135,234

Other Assets					
Home and Personal Assets					\$ 5,000,000
Florida Home				\$ 3,500,000	\$ 3,500,000
Zionsville Home				\$ 1,500,000	\$ 1,500,000
Business and Property					\$ 22,500,000
1441 LLC				\$ 7,500,000	\$ 7,500,000
Five J LLC (2 Properties)				\$ 15,000,000	\$ 15,000,000
4900 W 106th Zionsville, Indiana				\$ 7,500,000	
1402 W Hanna Indianapolis, Indiana				\$ 7,500,000	
Total Other Assets					\$ 27,500,000

Liabilities					
Business Loan					\$ (1,500,000)
Remaining Property Debt				\$ (1,500,000)	\$ (1,500,000)
Total Liabilities					\$ (1,500,000)

Net Worth					\$ 51,135,234.00
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Estate Tax Projection

	2023	2026
Net Worth	\$51,135,234	\$62,642,860
Previous Gift Total	\$0	\$0
Estate	\$51,135,234	\$62,642,860

	2023	2026
Lifetime Exemption	\$25,840,000	\$13,000,000
Tax Rate	40%	40%
Tax Due	\$10,118,093	\$19,857,144





Estate Planning Strategies

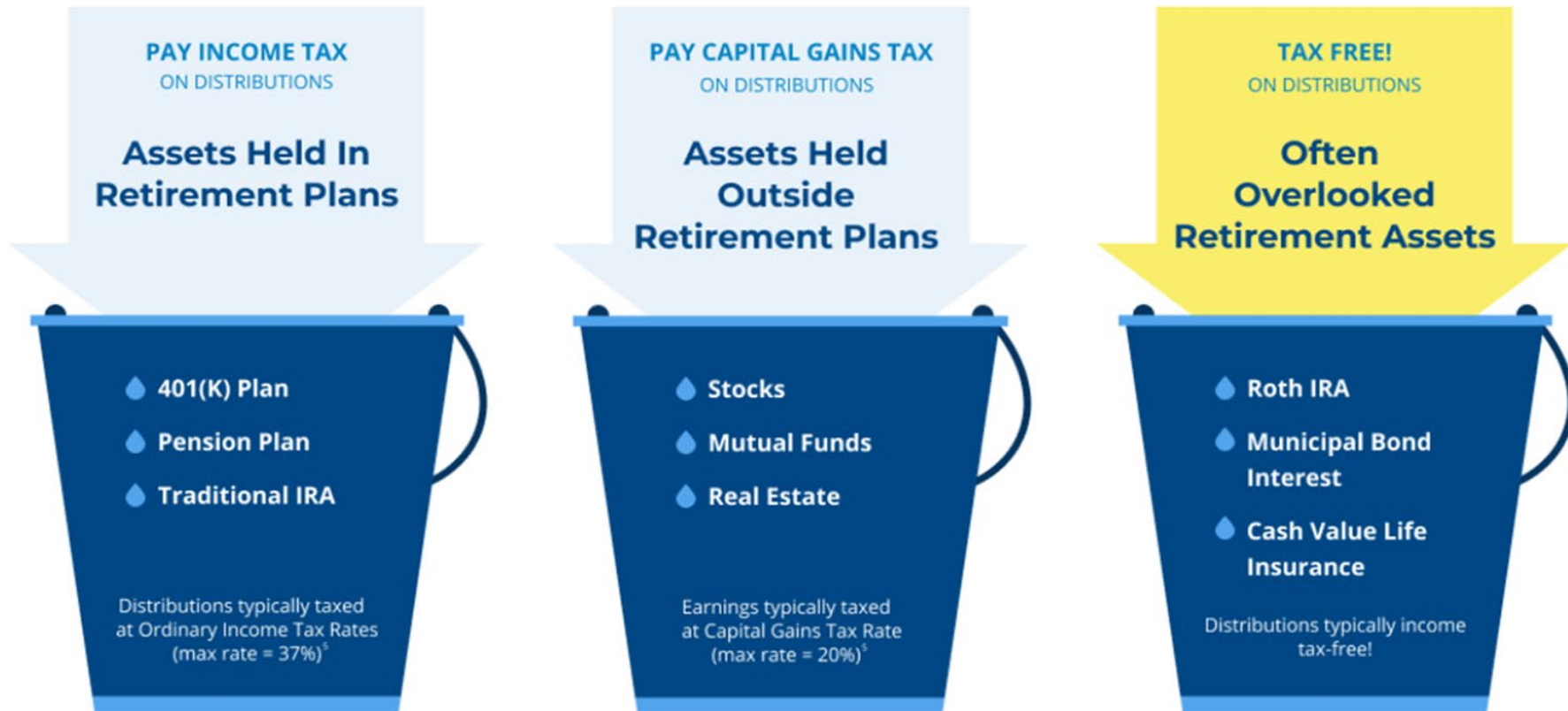
1. FLP (Family Limited Partnership)
2. SLAT (Spousal Limited Access Trust)
3. Schwab DAF (Donor Advised Fund)
4. OZONE in the FLP
5. IRA conversion to Roth
6. Charitable Giving Strategies
7. Private Placement Life Insurance (PPLI)
8. Premium Finance Insurance
Split Dollar Loan Regime



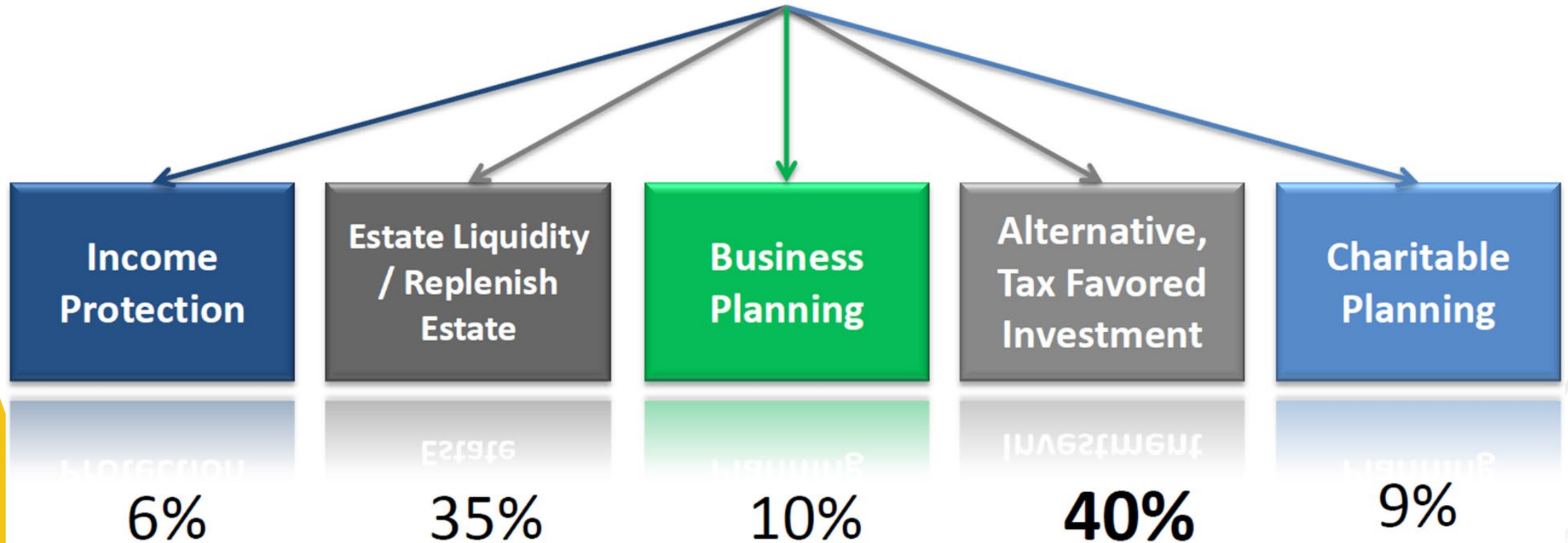


The Hidden Power of Tax Efficiency

Your clients may plan to meet their retirement income need with a mix of assets held both in and outside of retirement plans. However, there are other sources of potential tax-free¹ supplemental retirement income that many clients may overlook.



A Breakdown of Our Large Insurance Cases



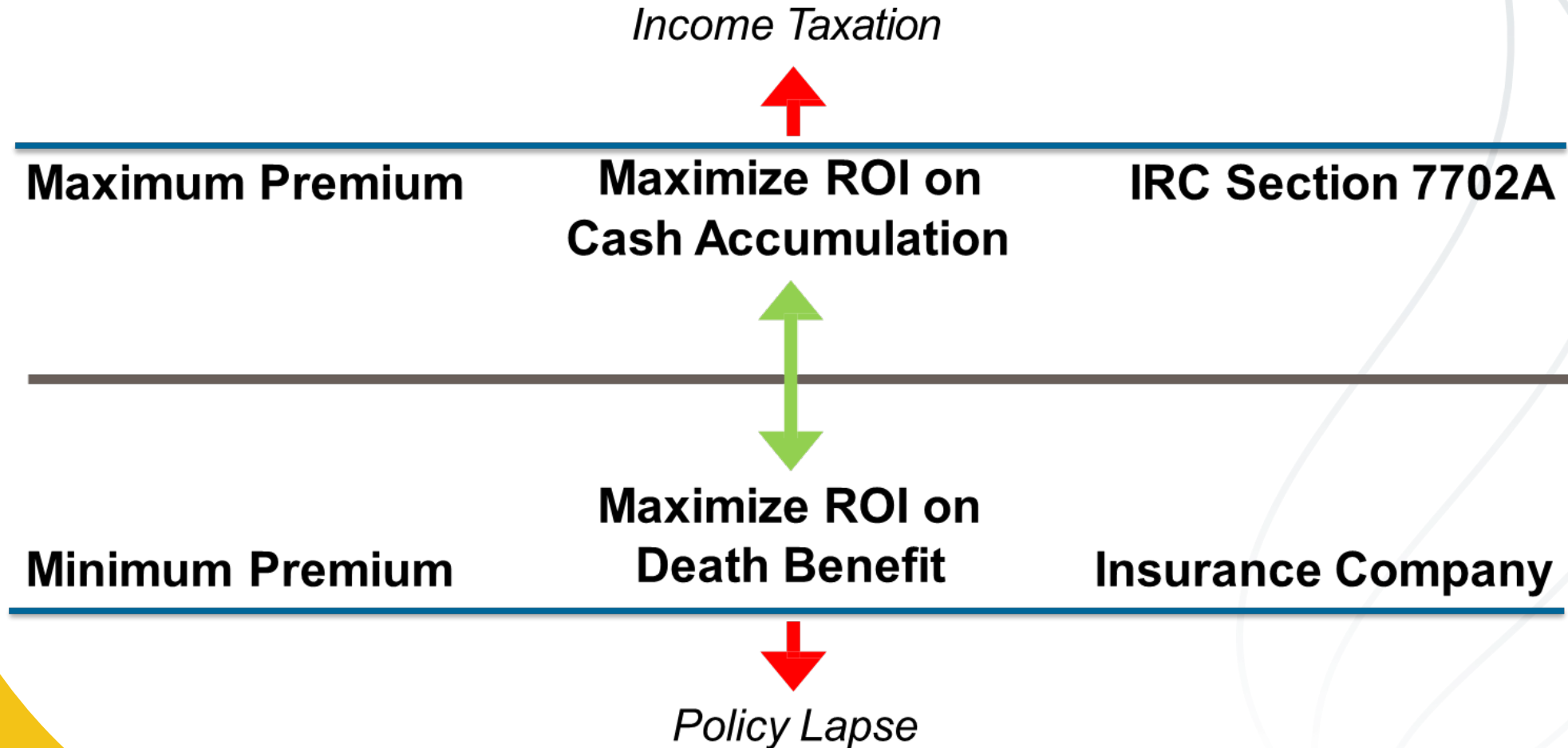


TOOLS AND ILLUSTRATIONS USED:

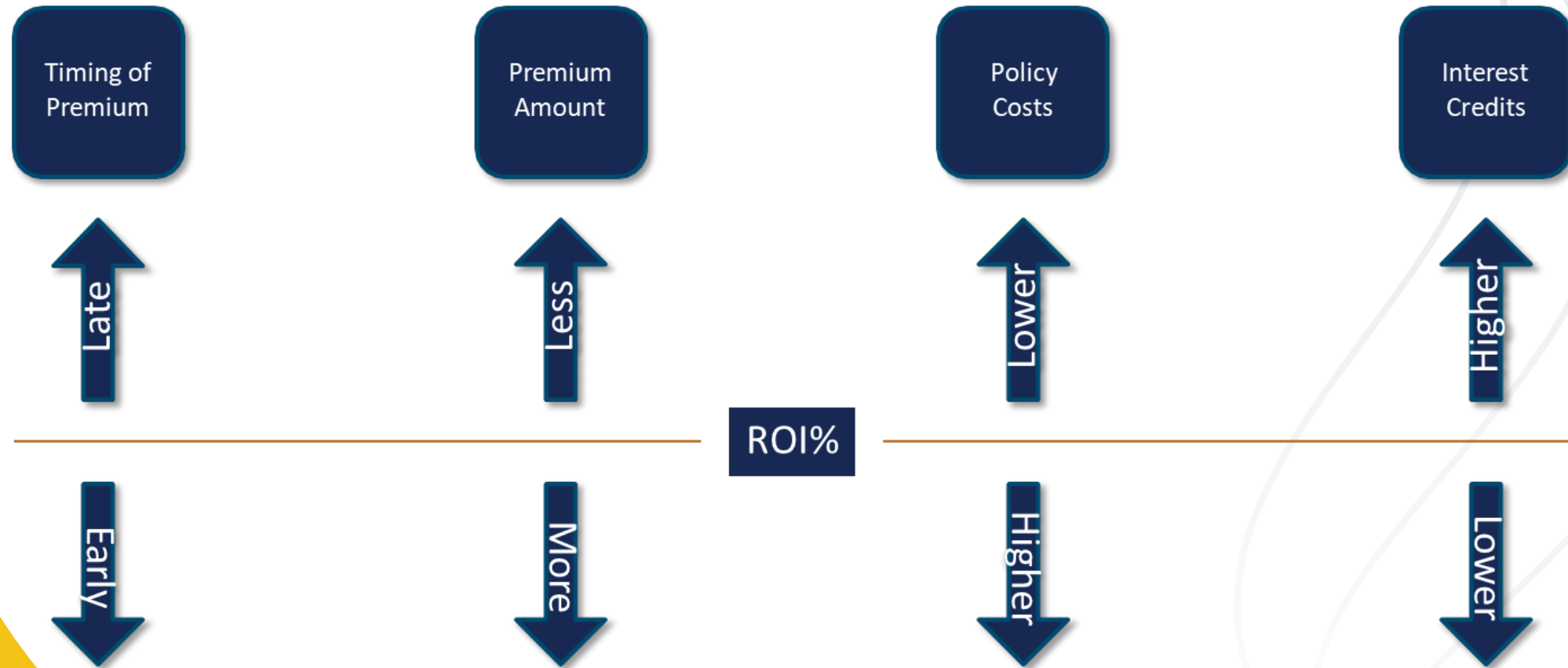




Policy Design



Factors That Impact Return on Death Benefit

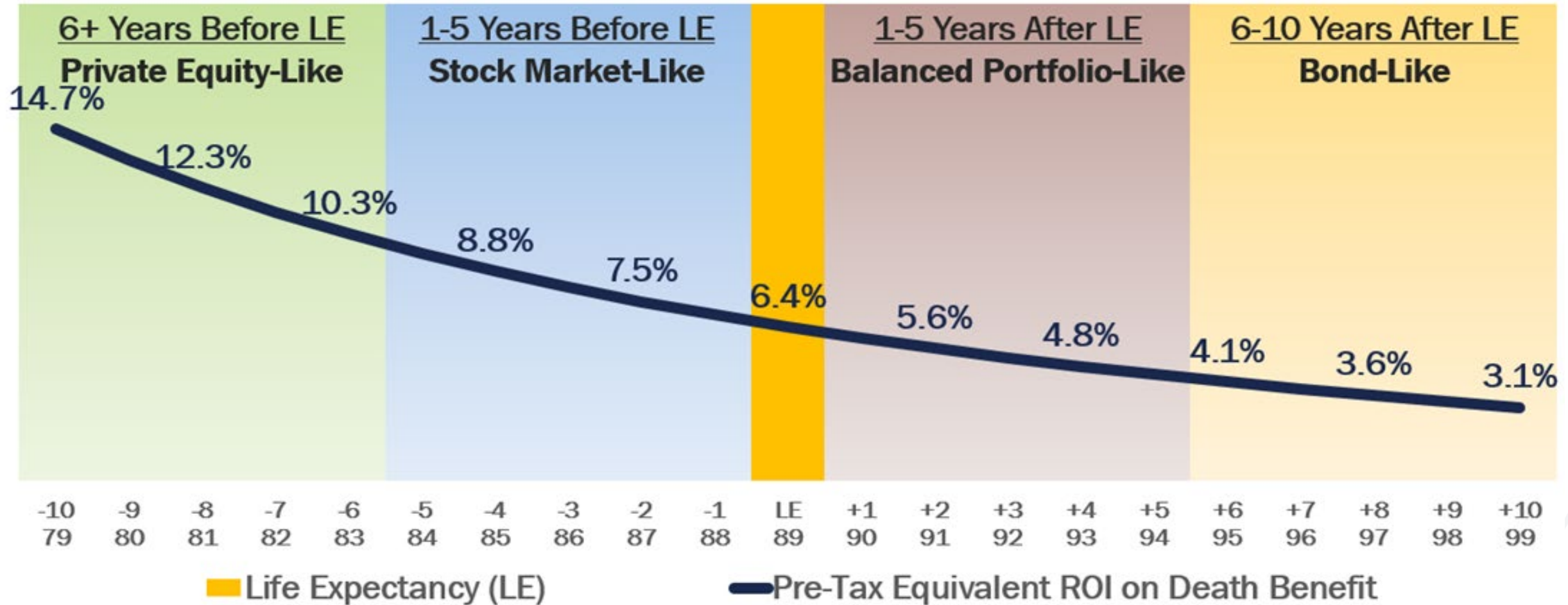


Permanent Life on the Risk Return Spectrum



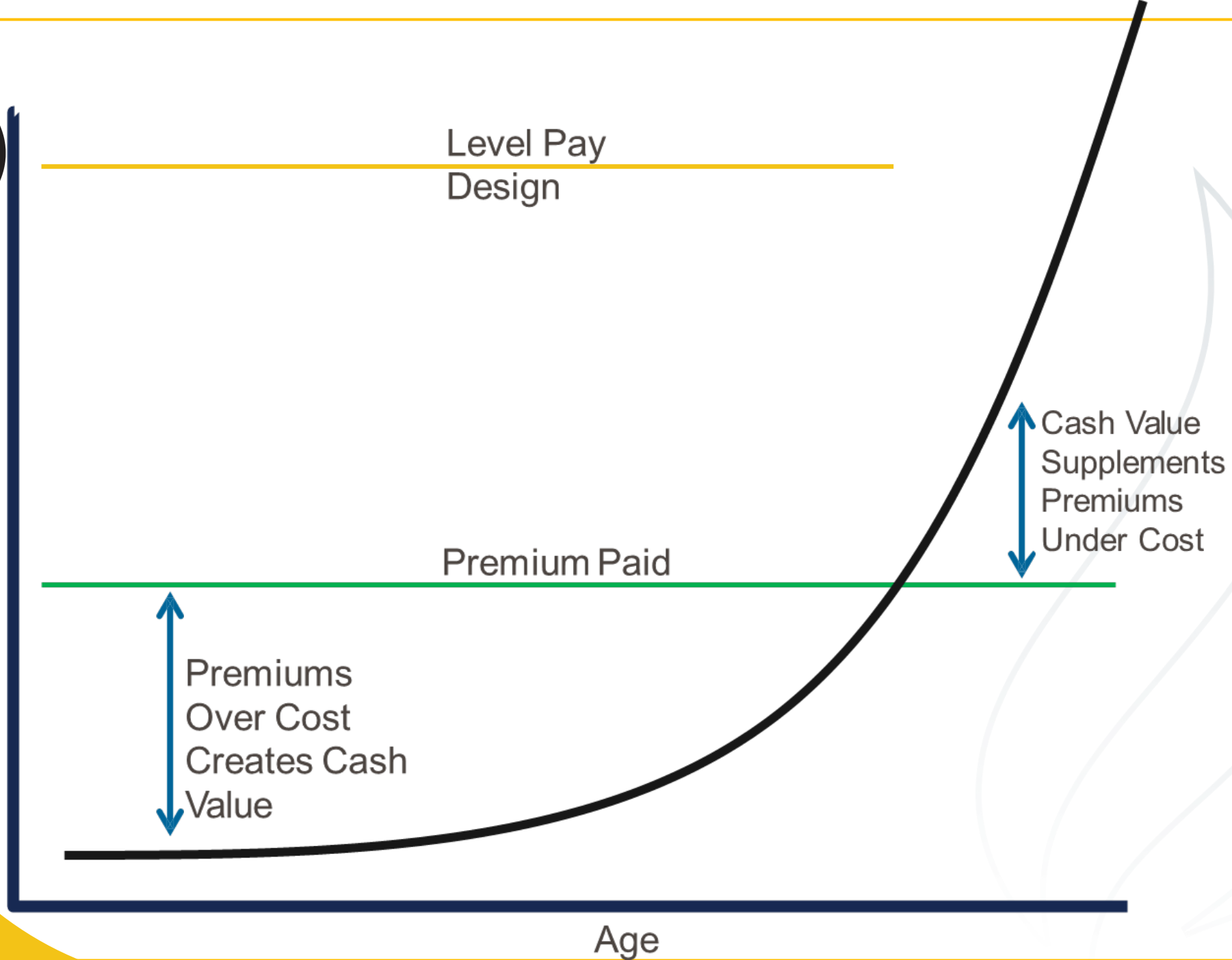
Hypothetical and for illustrative purposes only. The asset classes shown above the risk and return line are meant only to show the relationship between various types of life insurance policies in terms of risk and return. It is not meant to imply an exhaustive allocation of investments within, or backing, a life insurance policy.

Asset Class-Equivalent ROI on Death Benefit



Female, age 60, standard NT, Protective Lifetime Assurance UL, \$10MM face amount, all-pay premium, guaranteed to age 120, 25% tax rate





Variable Payment Design

Cost
Of
Insurance

Premium Paid

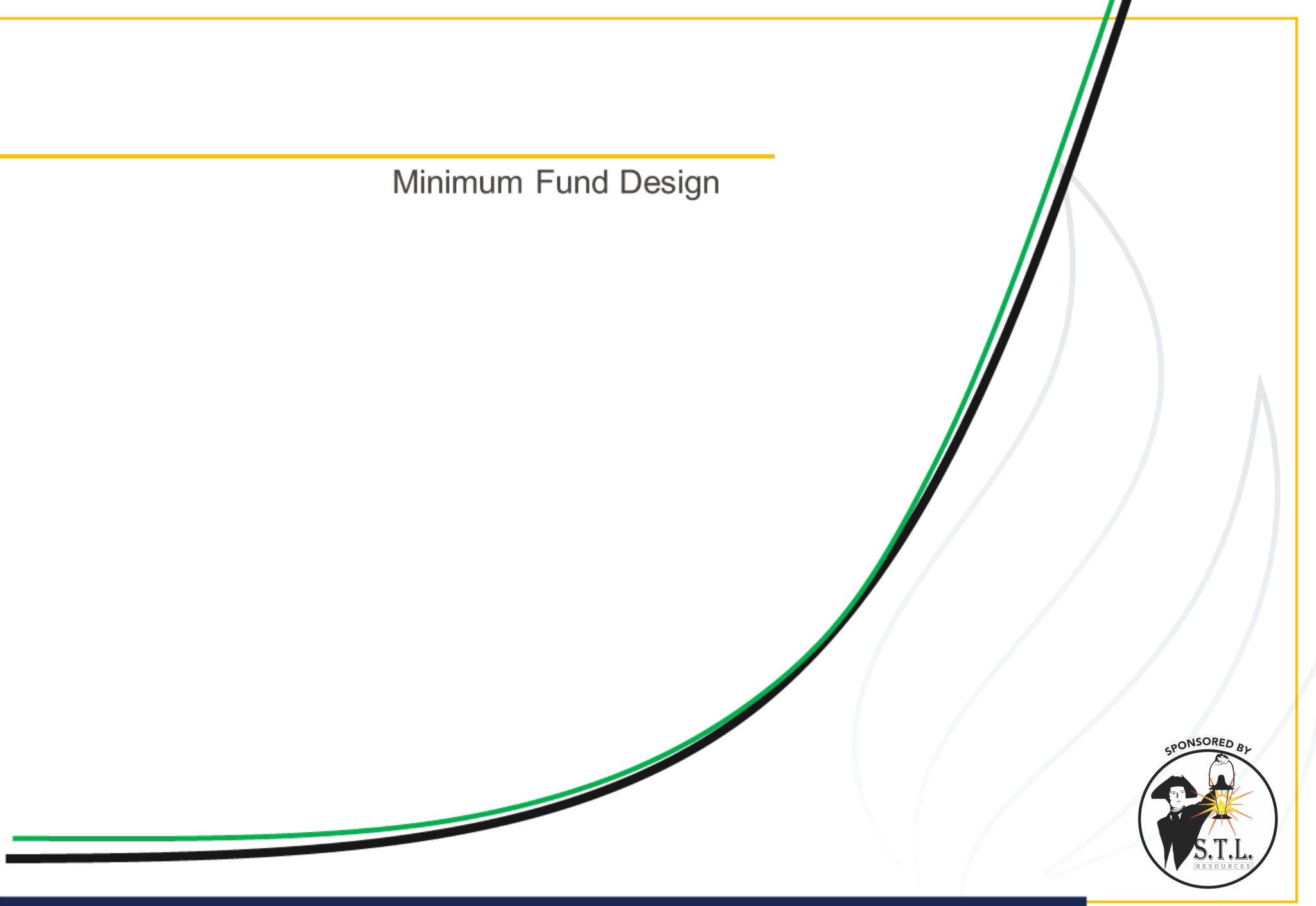
Premiums Over
Cost Creates
Cash Value

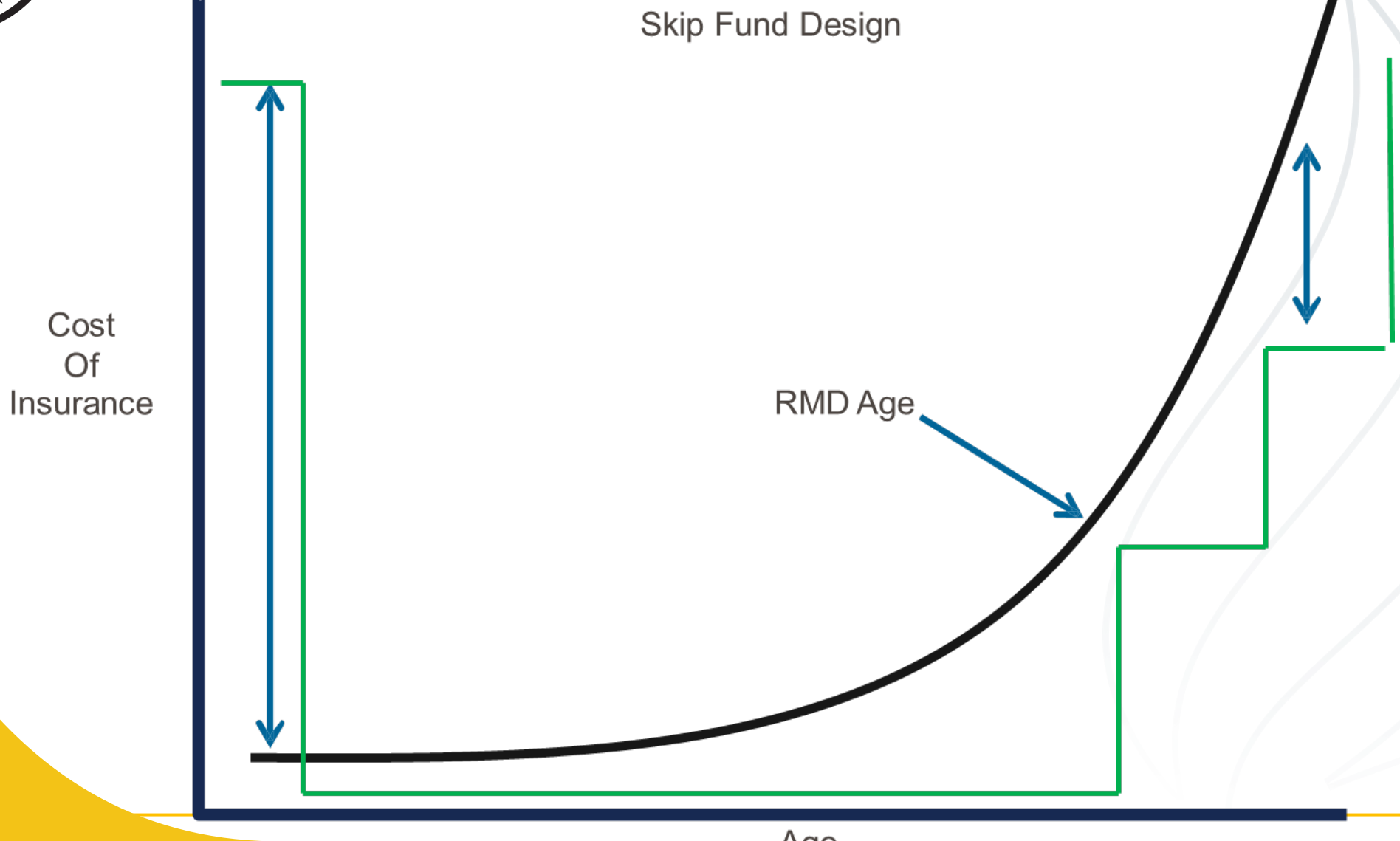
Cash Value
Supplements
Premiums
Under Cost

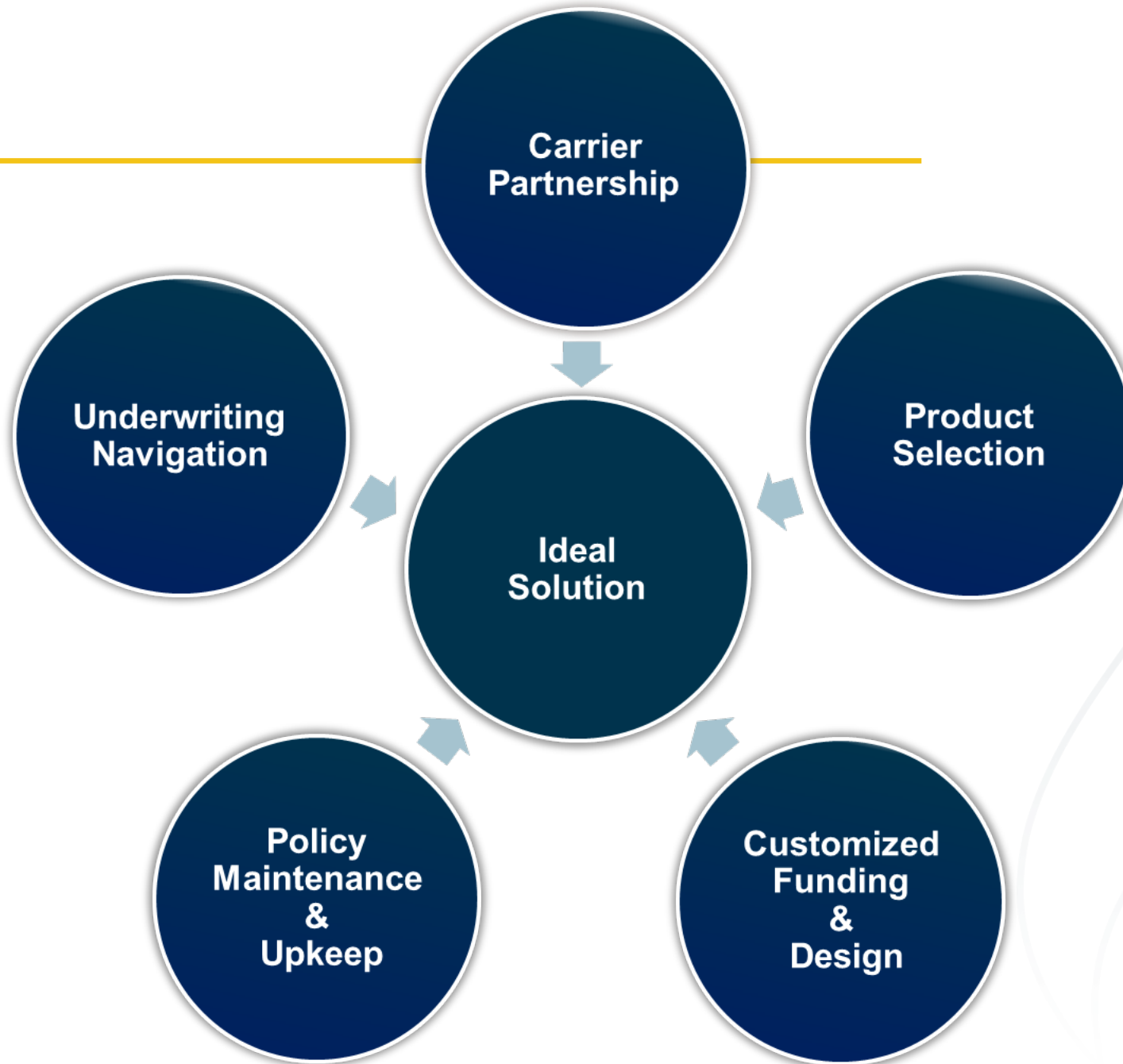


Cost
Of
Insurance

Minimum Fund Design







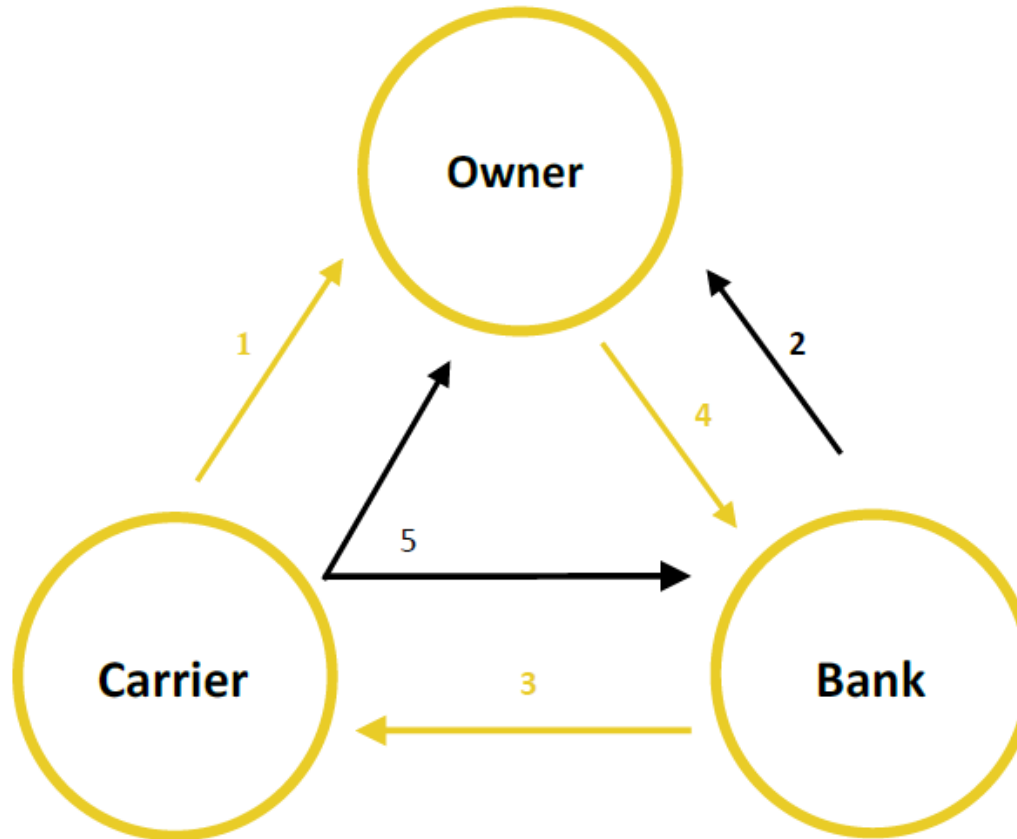


Case Study

- Ron Sauvageau's Client
- Brian



Typical Structure Example



Borrowing Phase

- 1 Client is underwritten for coverage and owner and beneficiary is established.
- 2 Owner qualifies for loan facility to pay insurance premiums.
- 3 Lending bank pays annual premiums as due.
- 4 Owner pays/accrues annual loan interest.

Repayment Phase

- 5 Owner uses insurance policy values and/or other assets to repay the lending bank in full.

*If death occurs before full repayment, insurance proceeds pay off outstanding loan balance to the lending bank as assignee and remaining proceeds are paid to elected beneficiary.

		INCOME COMPARISON									
		Non-Qualified (NQ) Investment			Non-Financed Life Insurance			Premium Financed - Policy Values			
		1	2	3	5	6	7	8	9	10	11
Year	Age	Client Payment	After Tax Income**	Portfolio with an average 8% Return	Client Payment	Income	Death Benefit	Client Payment	Income	Net Cash Value	Net Death Benefit
1	51	\$ 80,000		\$ 86,400	\$ 80,000	\$ -	\$ 1,040,386	\$ 80,000	\$ -	\$ 249,824	\$ 10,681,583
10	60	\$ 80,000		\$ 1,171,719	\$ 80,000	\$ -	\$ 1,987,987	\$ 80,000	\$ -	\$ 6,493,815	\$ 11,328,947
15	65	\$ -	\$ 128,409	\$ 1,808,411	\$ -	\$ 151,599	\$ 1,886,539	\$ -	\$ 401,506	\$ 3,299,017	\$ 5,476,670
16	66	\$ -	\$ 128,409	\$ 1,783,584	\$ -	\$ 151,599	\$ 1,856,476	\$ -	\$ 417,167	\$ 3,191,951	\$ 5,396,451
17	67	\$ -	\$ 128,409	\$ 1,756,771	\$ -	\$ 151,599	\$ 1,824,052	\$ -	\$ 417,167	\$ 3,085,089	\$ 5,310,448
18	68	\$ -	\$ 128,409	\$ 1,727,812	\$ -	\$ 151,599	\$ 1,789,105	\$ -	\$ 417,167	\$ 2,978,769	\$ 5,218,250
19	69	\$ -	\$ 128,409	\$ 1,696,537	\$ -	\$ 151,599	\$ 1,751,470	\$ -	\$ 417,167	\$ 2,873,349	\$ 5,119,399
20	70	\$ -	\$ 128,409	\$ 1,662,760	\$ -	\$ 151,599	\$ 1,711,013	\$ -	\$ 417,167	\$ 2,769,310	\$ 5,013,501
40	90	\$ -	\$ 123,411	\$ 0	\$ -	\$ -	\$ 970,824	\$ -	\$ -	\$ 2,827,191	\$ 5,322,951
41	91	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 1,011,823	\$ -	\$ -	\$ 3,388,253	\$ 5,549,480
45	95	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 1,318,427	\$ -	\$ -	\$ 6,874,128	\$ 7,174,128
50	100	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 2,825,082	\$ -	\$ -	\$ 14,674,987	\$ 14,974,987

Projected Income & Internal Rate of Return (IRR) At Life Expectancy (Age 90)					
Strategy	Total Payments	Total Income	IRR on Income	IRR on Death Benefit	Net Death Benefit
Non-Qualified Investment	\$ 1,000,000	\$ 3,333,638	8.33%	0.00%	\$ 0
Non-Financed Insurance	\$ 1,000,000	\$ 3,789,975	9.47%	2.32%	\$ 928,916
Premium Financed Policy Values	\$ 1,000,000	\$ 10,496,347	26.24%	13.31%	\$ 5,322,951

		Base Design				Stressed Bank Loan Case				Stressed Policy Case			
		Financed - Policy Values				Financed - Policy Values				Financed - Policy Values			
		1	2	3	4	5	6	7	8	9	10	11	12
Year	Age	Premium Borrowed	Lending Rate	Loan Balance	Distributions	Premium Borrowed	Lending Rate	Loan Balance	Distributions	Premium Borrowed	Lending Rate	Loan Balance	Distributions
1	51	\$ 500,000	7.10%	\$ 455,500	\$ -	\$ 500,000	7.10%	\$ 455,500	\$ -	\$ 500,000	7.10%	\$ 455,500	\$ -
2	52	\$ 500,000	5.82%	\$ 931,110	\$ -	\$ 500,000	7.82%	\$ 950,220	\$ -	\$ 500,000	5.82%	\$ 931,110	\$ -
3	53	\$ 500,000	5.60%	\$ 1,431,252	\$ -	\$ 500,000	7.60%	\$ 1,480,437	\$ -	\$ 500,000	5.60%	\$ 1,431,252	\$ -
4	54	\$ 500,000	5.68%	\$ 1,960,947	\$ -	\$ 500,000	7.68%	\$ 2,052,534	\$ -	\$ 500,000	5.68%	\$ 1,960,947	\$ -
5	55	\$ 500,000	5.82%	\$ 2,524,175	\$ -	\$ 500,000	7.82%	\$ 2,672,143	\$ -	\$ 500,000	5.82%	\$ 2,524,175	\$ -
6	56	\$ 500,000	5.94%	\$ 3,123,810	\$ -	\$ 500,000	7.94%	\$ 3,344,011	\$ -	\$ 500,000	5.94%	\$ 3,123,810	\$ -
7	57	\$ 500,000	6.03%	\$ 3,762,326	\$ -	\$ 500,000	8.03%	\$ 4,072,685	\$ -	\$ 500,000	6.03%	\$ 3,762,326	\$ -
8	58	\$ 500,000	6.08%	\$ 4,441,476	\$ -	\$ 500,000	8.08%	\$ 4,862,158	\$ -	\$ 500,000	6.08%	\$ 4,441,476	\$ -
9	59	\$ 500,000	6.11%	\$ 5,163,400	\$ -	\$ 500,000	8.11%	\$ 5,717,029	\$ -	\$ 500,000	6.11%	\$ 5,163,400	\$ -
10	60	\$ 500,000	6.13%	\$ 5,930,566	\$ -	\$ 500,000	8.13%	\$ 6,642,473	\$ -	\$ 500,000	6.13%	\$ 5,930,566	\$ -
11	61	\$ -	6.14%	\$ 6,214,703	\$ -	\$ -	8.14%	\$ 7,103,170	\$ -	\$ -	6.14%	\$ 6,214,703	\$ -
12	62	\$ -	6.14%	\$ 6,516,286	\$ -	\$ -	8.14%	\$ 7,601,368	\$ -	\$ -	6.14%	\$ 6,516,286	\$ -
13	63	\$ -	6.14%	\$ 6,876,386	\$ -	\$ -	8.14%	\$ 8,180,120	\$ -	\$ -	6.14%	\$ 6,876,386	\$ -
14	64	\$ -	6.15%	\$ 7,299,284	\$ -	\$ -	8.15%	\$ 8,846,800	\$ -	\$ -	6.15%	\$ 7,299,284	\$ -
15	65	\$ -	6.15%	\$ -	\$ 5,799,284	\$ -	8.15%	\$ -	\$ 7,346,799	\$ -	6.15%	\$ -	\$ 5,799,283
16	66	\$ -	0.00%	\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
17	67	\$ -	0.00%	\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
18	68	\$ -	0.00%	\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
19	69	\$ -	0.00%	\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
20	70	\$ -	0.00%	\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
25	75	\$ -		\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
30	80	\$ -		\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
35	85	\$ -		\$ -	\$ 417,167	\$ -	0.00%	\$ -	\$ 275,083	\$ -	0.00%	\$ -	\$ 171,267
40	90	\$ -		\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -
45	95	\$ -		\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -

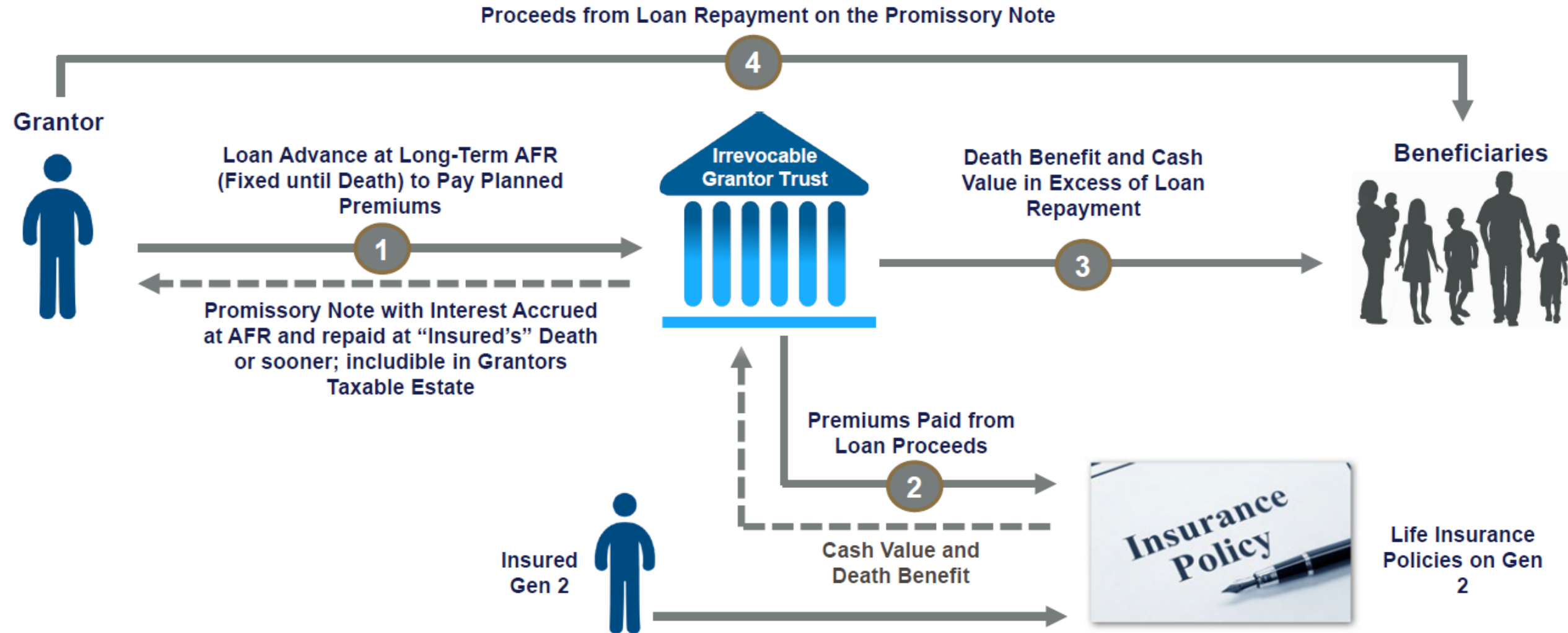
Projected Income & Internal Rate of Return (IRR) At Life Expectancy (Age 95)					
Strategy	Total Payments	Total Income	IRR on Income	IRR on DB	Net DB
Base Design	\$ 5,000,000	\$ 10,496,347	23.33%	15.94%	\$ 7,174,128
Higher Loan Rate Design	\$ 5,000,000	\$ 6,626,909	14.73%	23.29%	\$ 10,480,639
Lower Loan Rate Design	\$ 5,000,000	\$ 4,110,408	9.13%	14.14%	\$ 6,364,013

A Large Case Strategy

Objectives

- To fully utilize lifetime gift exemptions for Gen 1
-
- To maximize wealth planning opportunities for the family by maintaining or decreasing the value of the Gen 1 estate by shifting appreciating assets to Gen 2 while minimizing capital gains taxes in the process.
-
- To gift and to sell the non-voting shares of stock held by the Gen 1 Revocable Trust equally to Gen 2.
-
- To establish new Irrevocable Gen 2 Trusts to hold all shares of business non-voting common stock.
-
- To extent possible, keep share values as low as possible.
- ***To acquire appropriate levels of life insurance to cover estate taxes for Gen 2.***

Intrafamily Split Dollar Insuring Gen 2





Intrafamily Split Dollar Insuring Gen 2



Split Dollar Loan: Grantor-Insured makes a loan advance to the Trust, repayable upon death of “insured”, of enough to pay all planned premiums. Interest could be paid or accrued based upon the long-term AFR (3.14% for September 2022) at loan inception and fixed for the entire life of the loan.

Side Fund or Premium Deposit Account: The trustee pays the first premium and can invest the balance of additional loan proceeds for premiums in years 2+, if any.

Insurance Proceeds: Funds in excess of the loan repayment amount are transferrable to Beneficiaries estate tax-free and the death benefit proceeds received are generally not includible in the Trust’s taxable income.

Loan Repayment: Upon Grantor’s death the loan would remain outstanding since it would not be due until the death of the “insured” who would likely succeed the Grantor in longevity. Loan would be includible (illiquid asset) in Grantor’s estate for estate tax purposes and would receive a basis step up to its accrued face value (assuming no attempts to discount the value of the receivable). The only portion of the interest that is taxable income to the estate should be the amount that specifically accrues as OID in the year of death when grantor trust status ends (all prior year’s interest is disregarded under the grantor trust rules). At that point, the loan receivable could be bequeathed to a separate entity, such as another trust or a partnership for the benefit of the children. Alternatively, the loan receivable could be donated to a charitable organization to avoid income and estate tax altogether on any portion of the receivable.



*“THERE IS A TIDE IN THE AFFAIRS OF MEN,
WHICH TAKEN AT THE FLOOD, LEADS TO FORTUNE.*

*OMITTED, ALL THE VOYAGE OF THEIR LIFE IS
BOUND IN SHALLOWS AND IN MISERIES.*

*ON SUCH A FULL SEA WE ARE NOT AFLOAT; AND,
WE MUST TAKE THE CURRENT WHEN IT SERVES,
OR LOSE OUR VENTURES.”*

-Shakespeare





*If You Want to Go
Fast, Go Alone.*

*If You Want to Go
Far, Go Together.*





Next Session Flight Club – Darts, Drinks, and Food

Meet in lobby @ 5:30 for transportation



