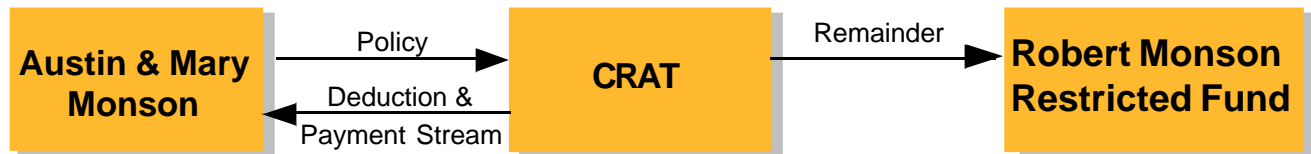


Case Strategy:

New Life for an Old Life Insurance Policy

MONSON

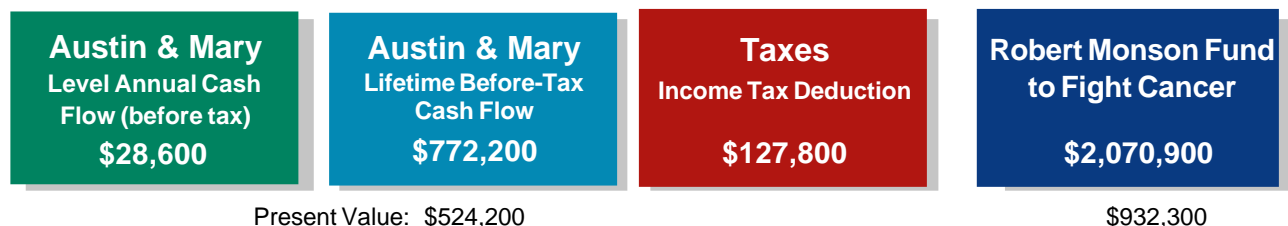


Austin and Mary Monson, who are both 62, want to retire next year and are in the process of finalizing their estate plan. Fifteen years ago, they purchased a whole life insurance policy with the goal of providing an inheritance to their son, Robert. Unfortunately, after battling cancer for four years, Robert died last year. Austin and Mary now want to use the policy to support cancer-cure research in Robert's name. They also need to increase their retirement cash flow by about \$20,000 per year but are not sure what to do since they are unwilling to risk cash flow fluctuations.

The Monsons discuss their situation with their financial advisor, John Smith. After assessing their current situation and goals, John determines that the policy has no loans, is fully paid up, has a cost basis of \$400,000 and a replacement value of \$572,000. John describes how a Charitable Remainder Annuity Trust (CRAT) can sell the life insurance policy without incurring any income tax and at the same time provide a level, cash flow during their retirement years and help the fight for a cancer cure. By transferring all incidents of ownership in the policy to their CRAT, they can achieve the following objectives:

1. Avoid income tax of approximately \$65,800 on the surrender of the policy.
2. Obtain a current income tax charitable deduction in the amount of \$127,800 for the present value of the remainder interest upon transfer of the policy to the CRAT.
3. Increase their retirement cash flow from the CRAT by a dependable, level payment of \$28,600 (before tax) per year for the rest of their lives.
4. Create a lasting legacy to fight cancer in their son's name.

The remainder interest in the CRAT will create The Robert Monson Fund to Fight Cancer at Renaissance Charitable Foundation. That Fund's income will be restricted to a charity that is part of the fight for a cancer cure. As a result, they will meet their goal of creating a lasting legacy in their son's name.



Notes:

Marginal Federal and state dividend and capital gain tax rates of 19.25%.
 Marginal Federal and state income tax rate of 38.25%.
 2% dividend yield, 6% capital appreciation annually for trust investments.
 CRAT payout rate = 5%. AFR = 5.0%. Deduction may be limited.
 Rate for present value calculations is 3%.

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability of this plan before proceeding.