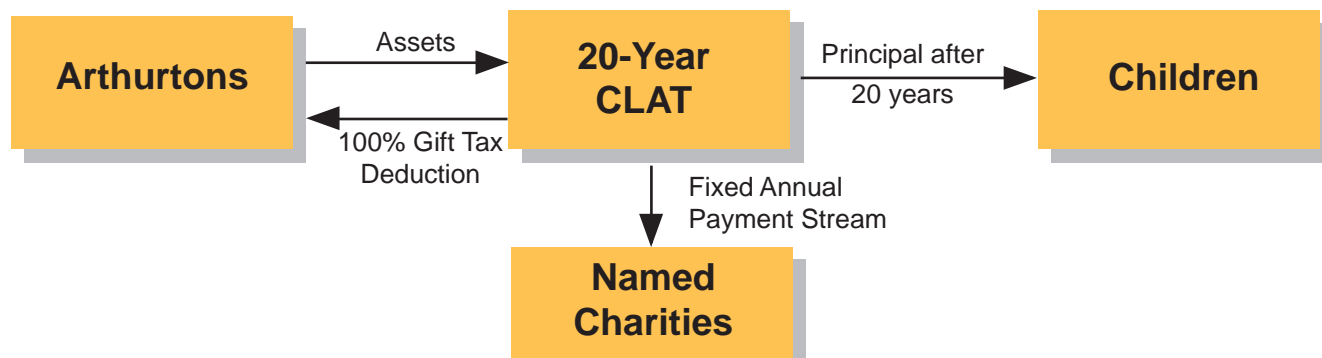


Case Strategy: Zero Estate Tax Planning using a CLAT

ARTHURTON

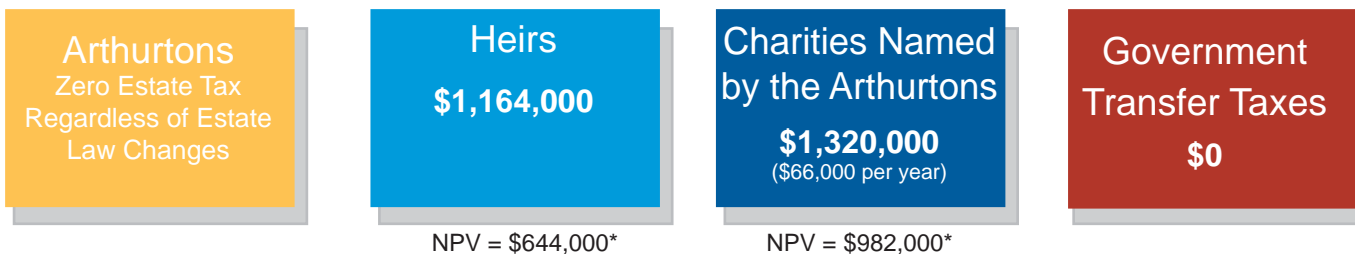


James and Kerrie Arthurton have an estate valued at \$8,000,000. They have already made significant gifts to their children and local charities and would like to leave more to both. James and Kerrie know that in 2009 the estate tax exclusion amount was \$3,500,000 per person and currently there is no estate tax for 2010. However, there is uncertainty as to whether or not Congress will change the estate tax exclusion amount for 2010 and beyond. Rather than guessing what Congress will do next, they decide to implement a plan that will absolutely avoid gift and estate taxes and also provide substantial benefits to their children and local charities.

Their professional advisors propose that the Arthurtons leverage the valuation discounting available with a Charitable Lead Annuity Trust (CLAT). With the Charitable Mid-Term Federal Rate (CMFR) currently near the lowest level since its inception in 1989, the Arthurtons will be able to eliminate the transfer tax with a smaller annuity rate or a shorter term of years. For example, by using a 20-year CLAT with a 6.6% annuity rate, the Arthurtons can transfer any amount to the CLAT and pay no gift or estate taxes (because they receive a 100% transfer tax deduction). The same 6.6% charitable distribution rate for a CLAT created when the CMFR is 4.8% would require 27 years of charitable distributions to zero out the transfer.

For illustration purposes, the advisors and the Arthurtons discuss implementing this CLAT with \$1,000,000 of suitable assets. Assuming the assets in the CLAT grow at 7% annually, over the charitable term, their named charity will receive \$1,220,000 while their children are projected to receive \$1,369,000 at the end of the term of the trust.

The Arthurtons like this plan and, realizing that their children must wait 20 years to receive anything from the CLAT along with the historically low CMFR, they create the CLAT immediately. Additionally, the Arthurtons get to see the charitable impact of \$66,000 per year in their community while they are still alive.



Assumptions

CMFR = 2.8%.

*NPV calculated using an inflation rate of 3%.

For more details about this strategy or any other charitable or trust case, please call Renaissance at 800.843.0050.

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.

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