2016 Feldman Forum

Strategic planning for various levels of wealth.

Resource Guide

NEW YORK LIFE The Company You Keep®

NATIONAL REGISTRY OF CPE SPONSORS

Welcome

Welcome to the 2016 Feldman Forum, a nationwide educational event that seeks to enhance the professional skills of New York Life agents, practicing accountants and attorneys.

The presenters for today's program are all exceptionally well-credentialed and experienced professionals, eager to share their insights with you and your colleagues.

It's a great honor to be your program director and host, and I hope you find both the Forum and this Resource Guide to be a valuable benefit to your practice.

Thank you for joining us!

Heather L. Davis, JD, CLU®, ChFC®, CAP®, AEP®
Corporate Vice President
The Nautilus Group®
New York Life Insurance Company

Contents

Agenda

Moderator: Heather Davis, JD, CLU®, ChFC®, CAP®, AEP®

Program Times (Eastern)	Presenter	Title
1:00 p.m.	John Kim	Opening Remarks
1:05 p.m.	Greg Holmgren	A Paradigm Shift / Setting the Stage: Key Trends Driving Client Concerns
1:15 p.m.	Gib Surles & Heather Davis	Case Study - Part 1
1:25 p.m.	John Bergner	Planning for a $2 million estate
1:40 p.m.	Chris Hoyt	Retirement assets in a $2 million estate
1:55 p.m.	Greg Holmgren	Core solutions for a $2 million estate
2:10 p.m.	Gib Surles & Heather Davis	Case Study - Part 2
2:25 p.m.	*Networking Break*	
2:40 p.m.	John Bergner	Planning for an $8 million estate
2:55 p.m.	Chris Hoyt	Retirement assets in an $8 million estate
3:10 p.m.	Greg Holmgren	Core solutions for an $8 million estate
3:25 p.m.	Gib Surles & Heather Davis	Case Study - Part 3
3:40 p.m.	*Networking Break*	
3:50 p.m.	John Bergner	Planning for a $60 million estate
4:10 p.m.	Chris Hoyt	Retirement assets in a $60 million estate
4:30 p.m.	Greg Holmgren	Core solutions for a $60 million estate
4:50 p.m.	Gib Surles & Heather Davis	Case Study - Wrap up
5:00 p.m.	*Adjourn*	

The 2016 Feldman Forum qualifies with NASBA for 4.0 hours of CPE credit in the category "Taxes." This advanced-level (group live) course is offered for the benefit of practicing accountants, attorneys (NY: experienced attorneys), trust officers, and insurance and/or financial planning professionals with significant exposure to the subjects and will focus on the development of in-depth knowledge necessary for proper consulting. This program will provide the participant with an overview of technical topics related to the importance of planning for clients with estates at the $2 million, $8 million, and $20 million level, including income tax planning, retirement planning, and estate and business planning. Please refer to the agenda for detailed program information. Suggested prerequisite: one (1) year of accounting-related experience; no advanced preparation is necessary. New York Life Insurance Company is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors via its website. For more information regarding registration, refund, complaint and program cancellation, please contact New York Life Insurance Company's home office representative at 972-720-6704.

Presenter bios

John Kim, CFA
President & Chief Investment Officer, New York Life Insurance Co.

John Kim is President and Chief Investment Officer of New York Life Insurance Company. He is responsible for the business units of the company, which includes the Insurance and Agency Group and the Investments Group, as well as for overseeing the company-wide technology organization. In his role as Chief Investment Officer, he has ultimate responsibility for management of New York Life's investments.

Prior to joining the company in 2008, Mr. Kim was President of Prudential Retirement; President of CIGNA Retirement and Investment Services; and President and Chief Executive Officer of Aeltus Investment Management, a subsidiary of ING Group. He also was the Chief Investment Officer of Aetna Life Insurance and Annuity Company.

Mr. Kim is a CFA® charterholder and holds FINRA Series 7 and 24 registrations. He received a bachelor's degree from the University of Michigan and a master's degree in business administration from the University of Connecticut.

Heather Davis, JD, CLU®, ChFC®, CAP®, AEP®
Corporate Vice President, New York Life Insurance Company

Heather Davis began her career in the life insurance and financial services industry in 1997. In her current role as the Head of Marketing for Advanced Markets and Centers of Influence, she leads the Center of Influence initiative for New York Life, a nationwide program focused on developing business relationships with attorneys, accountants, trust officers and outside financial services professionals. She serves as the program director and host of the Advisor Webinar Series, the Feldman Forum and the Advisor Symposium, continuing education programs that provide financial professionals with resources to help them better serve their clients.

Ms. Davis graduated Phi Beta Kappa from the University of Nebraska where she received both her Bachelor of Arts and her Juris Doctor degrees. She holds Series 6 and 63 licenses with NYLIFE Securities LLC, and is a member of both the Nebraska and Texas state bar associations. She also serves as the Vice President of The American College Alumni Association Board of Advisors, is a member of the Board of Trustees for the GAMA Foundation, where she chairs the video media committee, and serves as a member of the Board of Directors for Friends of Wednesday's Child, a non-profit organization dedicated to serving the educational needs of children in foster care.

John F. Bergner, JD
Winstead PC, Dallas, TX

John Bergner is a shareholder in the Dallas, Texas, office of Winstead PC. Mr. Bergner has been with Winstead for more than 30 years and serves as chairman of the wealth preservation practice group. Mr. Bergner is a specialist in estate planning and probate law certified by the Texas Board of Legal Specialization. His practice involves complex tax, estate and business succession planning as well as administration of estates. He earned a B.B.A. and J.D. from Washburn University, and an M.L.T. from Georgetown University Law Center.

Mr. Bergner is active in the American Bar Association, currently serving as a Council Director, and is past chair of the Estate and Gift Tax Committee and the Continuing Legal Education Committee of the ABA's Tax Section.

He is a Fellow of the American College of Trust and Estate Counsel. He has lectured at numerous tax and estate planning seminars and is a visiting adjunct professor at the University of Miami Law School. He serves on the Editorial Board of the *Practical Tax Lawyer*, published by the American Law Institute.

Christopher Hoyt, JD
Professor, University of Missouri School of Law

Christopher Hoyt is a Professor of Law at the University of Missouri Kansas City School of Law where he teaches courses in the area of federal income taxation and business organizations. Previously, he was with the law firm of Spencer, Fane, Britt & Browne in Kansas City, Missouri.

He received an undergraduate degree in economics from Northwestern University and he received dual law and accounting degrees from the University of Wisconsin. Professor Hoyt has served as the Chair of the American Bar Association's Committee on Charitable Organizations (Section of Trusts and Estates) and he serves on the editorial board of Trusts and Estates magazine. He is an ACTEC fellow and has been designated by his peers as a "Best Lawyer."

Professor Hoyt was elected to the Estate Planning Hall of Fame by the National Association of Estate Planners & Councils. He is a frequent speaker at legal and educational programs and has been quoted in numerous publications, including *The Wall Street Journal, Forbes, MONEY Magazine, The New York Times* and *The Washington Post.*

Gib Surles, CLU®, ChFC®, CFP®, AEP®, MSFS
The Forrest Group, LLC, Houston, TX

Mr. Surles is principal and founder of The Forrest Group, L.L.C., an estate management firm in Houston, Texas, that specializes in wealth transfer and business succession planning. Utilizing life insurance, his firm works with family owned businesses and successful high net worth individuals in addressing problems common to the transfer of assets, lifestyles and financial security to future generations.

Mr. Surles graduated from Texas A & M University in 1985 with a B.B.A. in Marketing and received his Masters of Science in Financial Services (MSFS) from The American College in 2001. He was awarded the Chartered Life Underwriter (CLU®) in 1996, Chartered Financial Consultant (ChFC®) in 1997, Certified Financial Planner (CFP®) in 1997, and the AEP® in 1999.

Mr. Surles joined the New York Life Insurance Company as an agent in June 1985 and while maintaining his primary relationship with them, he formed The Forrest Group in 1995. He is a life and qualifying member of The Million Dollar Round Table* (MDRT) and is a Past President of The Houston Chapter of the Society of Financial Service Professionals (SFSP). Mr. Surles is a board member with The Houston Estate and Financial Forum (HEFF), where he was elected President for the year 2012-2013. He is currently serving on the Board of Life Happens (formerly The Life Foundation), is a member of New York Life's Agents Advisory Council, and was selected as a Nautilus Plus Agent with The Nautilus Group®, a service of the New York Life Insurance Co. Mr. Surles is an active member of the Association for Advanced Life Underwriting (AALU) where he served as President from 2011-2012. He received the Benjamin N. "Woody" Woodson Award for outstanding service to the community and insurance industry in 2011. He also received the John N. Neighbor's Award in 2013 for his special dedication to NAIFA, the insurance industry, and the community.

Greg Holmgren, CLU®, ChFC®
Corporate Vice President, New York Life Insurance Company

Greg Holmgren is the Advanced Agent Development Officer for New York Life. He leads a team that works with top agents, their clients, and their clients' advisors to enable those clients to achieve their specific financial goals and solve related obstacles. He speaks to groups around the country about financial strategies and key planning issues that impact their lives.

With more than 31 years of insurance industry experience, 28 of which have been in the employ of New York Life, he brings a wealth of applicable knowledge to every situation. Mr. Holmgren holds a bachelor of arts degree from Wheaton College in Wheaton, Illinois.

* The Million Dollar Round Table, The Premier Association of Financial Professionals, is recognized globally as the standard of excellence for life insurance sales performance in the insurance and financial services industry.

2016 Educational Events for Advisors

Advisor Webinar Series

Professional Advisor Webinars are intended to include 1.0 hour CPE with pre-registration.

January 20, 2016
3:00 – 4:00 pm Eastern
Donald O. Jansen, JD, LL.M.
University of Texas

April 20, 2016
3:00 – 4:00 pm Eastern
Bryan Clontz, CFP®, CLU®, ChFC®, CAP®, AEP®
Charitable Solutions, LLC

July 20, 2016
3:00 – 4:00 pm Eastern
Robert Keebler, CPA/PFS, MST, AEP® (Distinguished)
Keebler & Associates, LLP

October 19, 2016
3:00 – 4:00 pm Eastern
Gary Post, JD
The Blum Firm, PC

Advisor Events

Feldman Forum and Advisor Symposium are intended to offer CE, CLE and CPE with preregistration (states and hours vary).

2016 Feldman Forum

April 28, 2016
1:00 – 5:00 pm Eastern
The Feldman Forum is a four-hour continuing education event, featuring top professionals from various areas of the legal and financial industry.

2016 Advisor Symposium

November 10, 2016
1:00 – 5:00 pm Eastern
The Advisor Symposium is a four-hour, continuing education event specifically designed for practicing attorneys, CPAs, and financial service professionals.

For webinar registration information and links to replays, please visit:
http://www.nyladvisors.com/educational-opportunities/

These presentations are for informational purpose only. Please note that New York Life Insurance Company, its agents and employees do not provide tax, legal or accounting advice. Any remarks or presentations by third parties not affiliated with New York Life represent the opinions and views of only those individuals and do not necessarily reflect the opinions or views of New York Life or its affiliates. Donald Jansen, Bob Keebler, Keebler & Associates, LLP, Gary Post, Bryan Clontz, The University of Texas, The Blum Firm, PC, and Charitable Solutions, LLC, are not associated with New York Life Insurance Company or its affiliates. New York Life Insurance Company is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. The Nautilus Group® is a service of New York Life Insurance Company. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors via its website. For more information regarding registration, refund, complaint and program cancellation, please contact New York Life Insurance Company's home office representative at 972-720-6704. 1672595 11.10.16

National Registry of CPE Sponsors

NEW YORK LIFE

Case study: Wildcatter Oil Company

James and Elizabeth


Balance sheet - Case study part 1	
Home Mortgage	$700,000 $300,000
401(k)	$350,000
Undivided ranch property	$650,000
Royalty interest	$600,000
Total assets	**$2,000,000**
Income - James	$200,000

Robert and Kelly




Balance sheet - Case study part 2	
Home Mortgage	$3,000,000 $2,000,000
IRA (Robert)	$2,000,000
Securities (Kelly)	$1,000,000
Business (Robert)	$2,000,000
Ranch (25% ownership - Robert)	$2,000,000
Total assets	**$8,000,000**
Income - Robert Income - Kelly	$400,000 $100,000

Richard and Martha

Balance sheet - Case study part 3	
Home	$2,000,000
IRAs	$1,000,000
Marketable securities	$10,000,000
Private equity	$3,000,000
Ranch #1	$6,000,000
Ranch #2	$18,000.000
Business	$20,000,000
Total assets	**$60,000,000**
Income - business Income - other	$4,000,000 $1,000,000

2015 Advisor Symposium

Issues of interest to advisors today.

On November 12, 2015, New York Life Insurance Company presented the 5th annual Advisor Symposium, featuring some of the top experts in the industry discussing current tax, estate and business planning topics relevant to the financial services industry. To see the replay, click on the links below or visit:

www.NYLAdvisors.com/educational-opportunities/

Part 1: **Planning for Large IRAs, Retaining Key Employees through Deferred Compensation Strategies, Retirement, Estate and Philanthropic Planning for the Financially Astute Client, Important Federal Income Tax Developments**

Part 2: **Estate and Gift Tax Developments, Due Diligence Review of Life Insurance, Leading Strategies to Reduce Taxation and Protect Wealth, The Economy and Financial Markets – 2015 and Beyond**

Presenters:

Robert S. Keebler, CPA/PFS, MST, AEP® (Distinguished), CGMA
Partner, Keebler & Associates, LLP
Green Bay, WI

Samuel A. Donaldson, JD, LL.M.
Professor, Georgia State University College of Law
Atlanta, GA

John Y. Kim, CFA
President and Chief Investment Officer,
New York Life Insurance Company

Michael Noland, CLU®, ChFC®, AEP®
Founder, Integrated Financial
Tulsa, OK

Greg Holmgren, CLU®, ChFC®
Corporate Vice President,
New York Life Insurance Company
Advanced Planning Group

Bart Bradshaw, JD
Corporate Vice President,
New York Life Insurance Company
The Nautilus Group®

NATIONAL REGISTRY OF CPE SPONSORS

NEW YORK LIFE

Presentation slides

2016 Feldman Forum

Strategic planning for various levels of wealth.

Disclaimer

This seminar is for educational purposes only and is prepared for the general information and education of professional advisors who work with agents of New York Life Insurance Company and its affiliates (NYLIC). It is not intended for use with the general public. NYLIC, its agents and employees, may not provide tax, legal or accounting advice and none is intended nor should be inferred from the following comments and observations. Everyone should consult their own tax, legal, and accounting advisors who must form their own independent opinions based on their independent knowledge and research. Unless otherwise noted, the speakers and presenters appearing at this seminar are solely responsible for the content of their presentations, which may not represent the views of NYLIC.

2

Disclaimer

This material includes a discussion of tax-related topics prepared to assist in the promotion or marketing of the transactions or matters addressed. It is not intended (and cannot be used by any taxpayer) for the purpose of avoiding IRS penalties that may be imposed upon the taxpayer. Winstead PC, The University of Missouri School of Law, and The Forrest Group, LLC, are not owned or operated by NYLIC or its affiliates. The Nautilus Group® is a service of NYLIC. Membership is limited exclusively to the Company's agents. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. All information is current as of March 2, 2016, and is subject to change without notice.

 SMRU 1682835 (exp. 12.31.2016)

3

Opening remarks

John Y. Kim, President and Chief Investment Officer, New York Life Insurance Company

2016 Feldman Forum

Strategic planning for various levels of wealth.

A paradigm shift / Setting the stage: Key trends driving client concerns

Greg Holmgren, CLU®, ChFC®

Estate planning is about assets

- Estate tax has diminished as a concern.
  - Fewer people subject to tax.
  - Lower rate for people paying the tax.
- Other concerns are now more visible.
  - Always been there.
  - Often obscured by the tax.

7

Central question

How likely is it that the parameters in place today will remain at least as generous in the future?

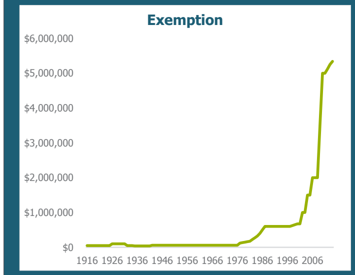
8

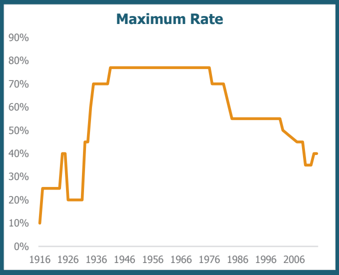
History of the estate tax

- 1700s and 1800s:
  - Several repeals and re-enactments.
- The Revenue Act of 1916:
  - Enacted to raise revenue for World War I.

9

History of the estate tax





Source: Federal Estate and Gift Tax Rates, Exemptions, and Exclusions, 1916-2014
http://taxfoundation.org/article/federal-estate-and-gift-tax-rates-exemptions-and-exclusions-1916-2014

10

Current estate tax impact is small

- Only 0.6% of total net federal tax collections.
  - 1972: Highest post-World War II share.
    - 2.6% in total net federal tax collections.
- Only 0.2% of deaths resulted in estate tax.
  - Mid-70s: exceeded 6% of all deaths.

Source: Federal Estate and Gift Tax Rates, Exemptions, and Exclusions, 1916-2014
http://taxfoundation.org/article/federal-estate-and-gift-tax-rates-exemptions-and-exclusions-1916-2014

11

Optimizing, protecting and directing assets

12

Wealthy people are not the same

Looking today at three specific situations.

- Doesn't owe estate taxes; never will.
  - $2M or so net worth.
- Would have owed taxes but not now.
  - Have planning in place.
  - $8M or so net worth.
- Will definitely owe estate taxes.
  - $60M or so net worth.

13

Most common assets

Asset	% who own	Avg value	% who own	Avg value	% who own	Avg value
Net worth		$2,593,065		$6,817,462		$60,029,379
Personal residence	75%	548,031	77%	890,136	82%	2,380,037
Retirement assets	75%	552,843	76%	1,044,436	73%	2,298,917
Publicly traded stock	76%	612,377	81%	1,665,126	82%	16,354,847
Other real estate	56%	767,580	65%	1,676,876	79%	5,281,865
Business related						
- Closely held stock	22%	$ 626,507	38%	$2,203,100	64%	$19,492,071
- Non-corporate business assets	22%	444,339	36%	1,171,490	61%	11,649,350
- Private equity and hedge funds	13%	348,267	23%	593,758	48%	6,006,625
- Other limited partnerships	3%	216,821	6%	413,444	24%	9,532,000
- Farm assets	11%	1,098,627	11%	1,950,516	17%	6,997,545

Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

14

Most common assets

Asset	% who own	Avg value	% who own	Avg value	% who own	Avg value
Net worth		$2,593,065		$6,817,462		$60,029,379
Personal residence	75%	548,031	77%	890,136	82%	2,380,037
Retirement assets	75%	552,843	76%	1,044,436	73%	2,298,917
Publicly traded stock	76%	612,377	81%	1,665,126	82%	16,354,847
Other real estate	56%	767,580	65%	1,676,876	79%	5,281,865
Business related						
- Closely held stock	22%	$ 626,507	38%	$2,203,100	64%	$19,492,071
- Non-corporate business assets	22%	444,339	36%	1,171,490	61%	11,649,350
- Private equity and hedge funds	13%	348,267	23%	593,758	48%	6,006,625
- Other limited partnerships	3%	216,821	6%	413,444	24%	9,532,000
- Farm assets	11%	1,098,627	11%	1,950,516	17%	6,997,545

Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

15

Most common assets

Asset	% who own	Avg value	% who own	Avg value	% who own	Avg value
Net worth		$2,593,065		$6,817,462		$60,029,379
Personal residence	75%	548,031	77%	890,136	82%	2,380,037
Retirement assets	75%	552,843	76%	1,044,436	73%	2,298,917
Publicly traded stock	76%	612,377	81%	1,665,126	82%	16,354,847
Other real estate	56%	767,580	65%	1,676,876	79%	5,281,865
Business related						
- Closely held stock	22%	$ 626,507	38%	$2,203,100	64%	$19,492,071
- Non-corporate business assets	22%	444,339	36%	1,171,490	61%	11,649,350
- Private equity and hedge funds	13%	348,267	23%	593,758	48%	6,006,625
- Other limited partnerships	3%	216,821	6%	413,444	24%	9,532,000
- Farm assets	11%	1,098,627	11%	1,950,516	17%	6,997,545

Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

16

Most common assets

Asset	% who own	Avg value	% who own	Avg value	% who own	Avg value
Net worth		$2,593,065		$6,817,462		$60,029,379
Personal residence	75%	548,031	77%	890,136	82%	2,380,037
Retirement assets	75%	552,843	76%	1,044,436	73%	2,298,917
Publicly traded stock	76%	612,377	81%	1,665,126	82%	16,354,847
Other real estate	56%	767,580	65%	1,676,876	79%	5,281,865
Business related						
- Closely held stock	22%	$ 626,507	38%	$2,203,100	64%	$19,492,071
- Non-corporate business assets	22%	444,339	36%	1,171,490	61%	11,649,350
- Private equity and hedge funds	13%	348,267	23%	593,758	48%	6,006,625
- Other limited partnerships	3%	216,821	6%	413,444	24%	9,532,000
- Farm assets	11%	1,098,627	11%	1,950,516	17%	6,997,545

Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

17

Key questions

- How can people create tax efficiency during both accumulation and distribution?
- How can people create a retirement strategy that helps ensure they'll have enough savings to retire?

18

Key questions

- How can our clients utilize products that offer tax benefits, such as life insurance?
- How do we collaborate, as professionals, to help our clients through these issues?

19

2016 Feldman Forum

Strategic planning for various levels of wealth.

Case study – Part 1

Gib Surles, CLU®, ChFC®, CFP®, AEP®, MSFS, and
Heather Davis, JD, CLU®, ChFC®, CAP®, AEP®

Meet James and Elizabeth

James
- 41 years old
- Married
- Land man at Wildcatter Oil Company

Elizabeth
- 40 years old
- Married
- Stay-at-home mom

Children
- 10-year-old son
- 8-year-old daughter

22

James and Elizabeth

Balance sheet	
Home	$700,000
Mortgage	$300,000
401(k)	$350,000
Undivided ranch property	$650,000
Royalty interest	$600,000
Total assets	**$2,000,000**
Income	$200,000

23

James and Elizabeth

Planning goals and objectives:

- Will continue to work for his life; not going to acquire an ownership interest in the company.
- Provide security for spouse and children.
- Elizabeth will be the beneficiary of James's royalty interest and the beneficiary of his qualified plan.
- Wants to keep ranch in the family.

24

James and Elizabeth

Life insurance solutions for James:

Insurance	Premium
$1M whole life	$18,000
$2M 10 yr. term	$2,350
$2M 20 yr. term	$3,390

Hypothetical information for educational purposes only. Not a product specific description or recommendation. Not an offer or solicitation for the sale of insurance.

25

James and Elizabeth

Life insurance solutions for Elizabeth:

Insurance	Premium
$1M 20 yr. term	$1,195

26

2016 Feldman Forum

Strategic planning for various levels of wealth.

Planning for a $2 million estate

John Bergner, JD

American Taxpayer Relief Act of 2012

- January 2, 2013 - "permanent" transfer tax laws.
- Unified transfer tax system.
- $5,450,000 exemptions (indexed for inflation).
- Excess transfers taxed at 40%.
- Estate tax exemption "portable" to surviving spouse.
  - GST exemption is not "portable."

29

Heightened sensitivity to income taxes

- Maximum federal income tax rate increased from 35% to 39.6%.
- Long-term capital gains and dividends increased from 15% to 20%.
- HCA added a 3.8% tax on net investment income - "NII."
- State income taxes.

30

Core estate plan

Complex will vs. pour-over will and revocable trust:
- Privacy
- Management of assets upon incapacity
- Avoid probate or ancillary probate

Trusts for non-tax purposes:
- Management
- Control
- Creditor and spousal protection
- Medicaid qualification

31

Integrated estate plan

Coordinate beneficiary designations:
- Life insurance
- Annuities
- Retirement plans

Clarify ownership and titling of assets:
- JTWROS
- Joint tenants
- Tenants in common
- Community property vs. separate property
- Tenant by the entirety

32

Plan for digital assets

- Types:
  - Email accounts
  - Webpages
  - Social networking accounts
  - Business accounts (Ebay)
  - Storage & cloud accounts
  - Electronic investment & banking statements
- Develop a list of digital assets, user names and passwords.
- Estate planning documents should authorize access:
  - Will or revocable trust
  - Durable power of attorney

33

Ancillary documents

- Durable power of attorney
- Medical power of attorney
- Directive to physicians
- HIPAA consent
- Anatomical gift statement
- Agent for disposal of remains
- Designation of guardian before need arises

34

Plan for risk assets

- Ranch land
- General liability insurance and umbrella coverage
- Transfer to an LLC or limited partnership

35

2016 Feldman Forum

Strategic planning for various levels of wealth.

Retirement assets in a $2 million estate

Christopher Hoyt, JD

Three stages in the life of a retirement account

- Accumulate wealth
- Retirement withdrawals
- Distributions after death

38

Three stages in the life of a retirement account

- **Accumulate wealth**
- Retirement withdrawals
- Distributions after death

39

Accumulate wealth

- Tax deduction at contribution
- Accumulate in tax-exempt trust
- Taxed upon distribution

= *Tax deferred compensation*

40

Types of Qualified Retirement Plans

1. Sec. 401 – Company plans
2. Sec. 408 – IRAs
3. Sec. 403(b) & 457 – Charities
4. Roth IRAs & 401(k) / 403(b)

41

Roth IRA, Roth 401(k), or Roth 403(b)

INVERSE OF TRADITIONAL:
- No tax deduction at contribution
- Accumulate in tax-exempt trust
- Not taxed upon distribution

42

Three stages in the life of a retirement account

- Accumulate wealth
- **Retirement withdrawals**
- Distributions after death

43

Usual objective:

Defer paying income taxes in order to get greater cash flow.

	Principal	10% Yield
Pre-tax amount	$100,000	$10,000
Income tax on distribution (40%)	$40,000	
Amount left to invest	$60,000	$6,000

44

Required minimum distributions (RMDs)

Background: 50% penalty if do not receive distribution from IRA, 401(k)...

1. Lifetime distributions from IRA, etc:
   - Beginning after age 70½.
2. An inherited IRA, 401(k), etc:
   - Beginning year after death.

45

Required minimum distributions

Lifetime distributions

Age of Account Owner	Required Payout
70½	3.65%
75	4.37%
80	**5.35%**
85	6.76%
90	8.75%
95	11.63%
100	15.88%

46

Advantages of Roth IRAs

- Unlike a traditional IRA, no mandatory lifetime distributions from a **Roth IRA** after age 70½.
- Yes, there are mandatory distributions after death.

47

Three stages in the life of a retirement account

- Accumulate wealth
- Retirement withdrawals
- **Distributions after death**

48

Distributions after death

- Income taxation
- Mandatory ERISA distributions
- Estate taxation
- Asset protection *(Clark v. Ramaker)*

Collision of four legal worlds at death.

49

Distributions after death

- **Income taxation**
- Mandatory ERISA distributions
- Estate taxation

Collision of three tax worlds at death.

50

Income in respect of a decedent (IRD) – Sec. 691

- No stepped-up basis for retirement assets.
- After death, payments are *income in respect of a decedent* to the beneficiaries.
- Common mistake in the past: Children liquidated inherited retirement accounts.

51

Distributions after death

- Income taxation
- **Mandatory ERISA distributions**
- Estate taxation

Collision of three tax worlds at death.

52

Distributions after death

- After death: Must begin liquidating the account.
- Tax planning for family members who inherit:
  - *DEFER* distributions as long as possible – greater tax savings.
- "Stretch IRA"
  - Make payments over beneficiary's life expectancy.

53

Distributions after death

"Life Expectancy" – Oversimplified:

- Half of population will die before that age, and half will die after.

54

Required minimum distributions

Life expectancy table
"Stretch IRAs"

Age of Beneficiary	Age	Life Expectancy
30	83	53.3 more years
40	83	43.6 more years
50	84	34.2 more years
60	85	25.2 more years
70	87	17.0 more years
80	90	10.2 more years
90	96	5.5 more years

Source: IRS Table A-1 of Reg. Sec. 1.401(a)(9)-9 ("single life"), required by Reg. Sec. 1.401(a)(9)-5, Q&A 5(a) & 5(c) and Q&A 6. April 2002.

55

Required minimum distributions

Life expectancy table
"Stretch IRAs"

Age of Beneficiary	Life Expectancy
30	53.3 more years
40	43.6 more years
50	34.2 more years
60	25.2 more years
70	17.0 more years
80	10.2 more years
90	5.5 more years

Source: IRS Table A-1 of Reg. Sec. 1.401(a)(9)-9 ("single life"), required by Reg. Sec. 1.401(a)(9)-5, Q&A 5(a) & 5(c) and Q&A 6. April 2002.

56

Required minimum distributions

Life expectancy table
"Stretch IRAs"

Age of Beneficiary	RMD	Life Expectancy
30	**1.9%**	53.3 more years
40	**2.3%**	43.6 more years
50	**2.9%**	34.2 more years
60	**4.0%**	25.2 more years
70	**5.9%**	17.0 more years
80	**10.0%**	10.2 more years
90	**18.2%**	5.5 more years

Source: IRS Table A-1 of Reg. Sec. 1.401(a)(9)-9 ("single life"), required by Reg. Sec. 1.401(a)(9)-5, Q&A 5(a) & 5(c) and Q&A 6. April 2002.

57

Required minimum distributions - Definitions

- **Required beginning date (RBD):**
  - April 1 in year after attain age 70½.
- **Designated beneficiary (DB):**
  - **A human being.**
  - **An estate** or a **charity** can be a beneficiary of an account, **but it is not a DB.**
- **Determination date:**
  - September 30 in **year after death.**

58

How to eliminate beneficiaries before determination date

- Disclaimers
- Full distribution of share
- Divide into separate accounts

59

Required distributions if not designated beneficiary

Death before RBD	Death after RBD
5 years	Remaining life expectancy of someone who is decedent's age at death

60

Required distributions if all beneficiaries are designated beneficiaries

Death before or after RBD

- Maximum term is the life expectancy of the oldest beneficiary of the account ("stretch IRA").
- Exception if DB is older than decedent.
- If establish ***separate accounts****, each account can pay over that beneficiary's life expectancy.*

61

Surviving spouse

- Surviving spouse can rollover to a new IRA.
  - No other beneficiary can do this.
- Other option: Leave in deceased spouse's account and take distributions.
  - Advisable for younger widow / widower.
  - Three tax breaks when sole beneficiary.
- Other option: Leave in deceased spouse's account – make payable to trust for spouse.

62

Required distributions if sole beneficiary is surviving spouse

- Spouse can recalculate life expectancy.
- IRAs only: She can elect to treat deceased spouse's IRA as her own.
- Decedent die before age 70½?
  - Can wait for distribution until the year he would have been age 70½.

63

1682835

2016 Feldman Forum

Strategic planning for various levels of wealth.

Core solutions for a $2 million estate

Greg Holmgren, CLU®, ChFC®

Most common assets

Asset	% who own	Average value
Net worth		$2,593,065
Personal residence	75%	548,031
Retirement assets	75%	552,843
Publicly traded stock	76%	612,377
Other real estate	56%	767,580
Business related		
- Closely held stock	22%	$ 626,507
- Non-corporate business assets	22%	444,339
- Private equity and hedge funds	13%	348,267
- Other limited partnerships	3%	216,821
- Farm assets	11%	1,098,627

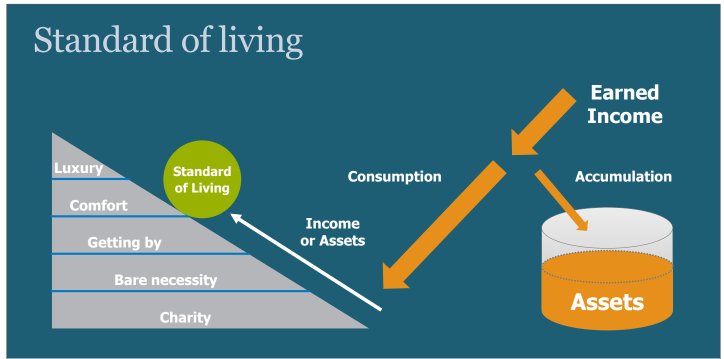
Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

66

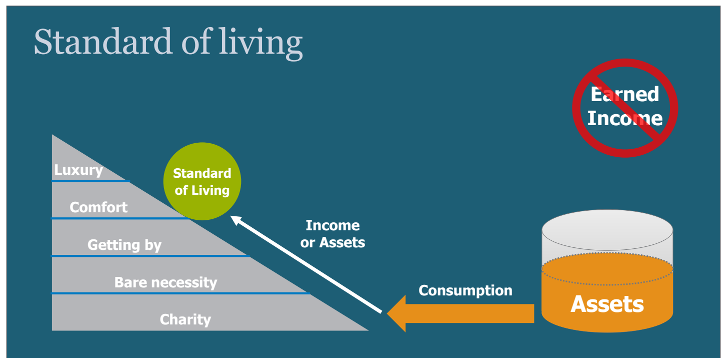
Critical issues

- Before retirement:
  - Build and execute the accumulation plan.
  - Protect those who need my income.
- After retirement:
  - Build and execute the distribution plan.
  - Protect those who need income that dies with me.

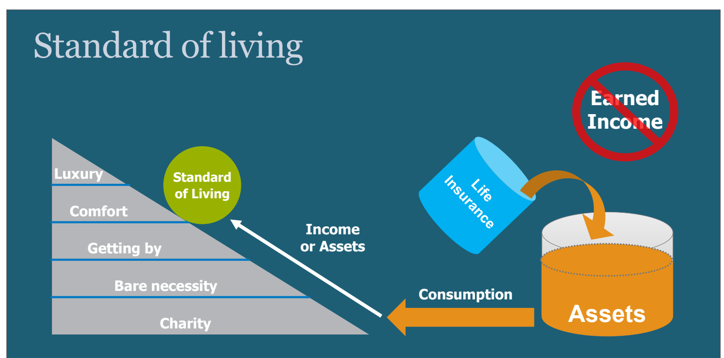
67


Standard of living
Earned Income
Consumption
Accumulation
Standard of Living
Luxury
Comfort
Getting by
Bare necessity
Charity
Income or Assets
Assets

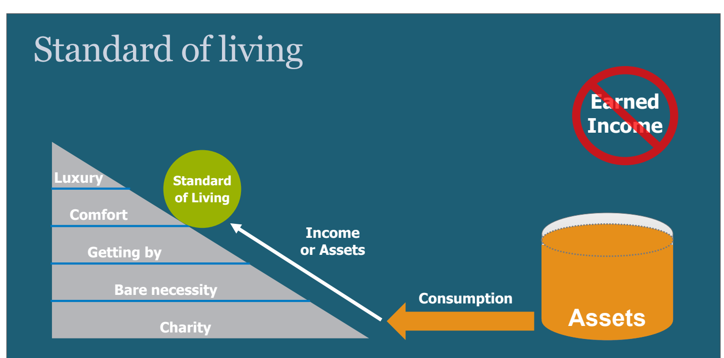
68


Standard of living
Earned Income
Standard of Living
Luxury
Comfort
Getting by
Bare necessity
Charity
Income or Assets
Consumption
Assets

69


Standard of living
Earned Income
Life Insurance
Standard of Living
Luxury
Comfort
Getting by
Bare necessity
Charity
Income or Assets
Consumption
Assets

70


Standard of living
Earned Income
Standard of Living
Luxury
Comfort
Getting by
Bare necessity
Charity
Income or Assets
Consumption
Assets

71

Standard of living is at risk

- Before retirement for the heirs:
  - Average earning = $250,000 annually
  - Goal to generate 60% = $150,000
  - Required assets @3% = $5,000,000
- Total net worth = $2,593,065

72

Standard of living is at risk

- After retirement for self and heirs:
  - Goal to generate 70% = $175,000
  - Required liquid assets @3% = $5,833,333
- Likely best case retirement income:
  - About $60,000 annual + Social Security
    - Assumes $2M liquid assets earning 3%

73

Key trends in retirement planning

Objective: Accumulate enough assets to allow income to stop.

Challenges:

- Lower interest rates.
  - May mean larger asset pool required.
  - Potential rising interest causes uncertainty.

74

Key trends in retirement planning

Objective: Accumulate enough assets to allow income to stop.

- Higher income tax:
  - Could take longer to accumulate, and
  - Larger asset pool may be required.
- Disappearing safety nets.
- Stagnant primary retirement sources:
  - Stock market.
  - Housing values.

75

Course of action

- Adequate life insurance to replace income.
  - Both before AND after "retirement."
- How much is enough?
  - Determine how many assets would be needed.
  - Calculate how many assets you have.
  - What other alternatives can fill the gap?

76

Course of action

Permanent life insurance provides a versatile asset.

- Death benefit can create additional assets.
- Cash value can supplement retirement.
- Premium can be reduced or eliminated when earned income is reduced.

77

Why life insurance through retirement

Death benefit can help:

- Replace income coming from:
  - Work.
  - Social Security or pension.
- Pay taxes on deferred assets.
  - Example: 401(k), IRA, deferred annuity.
- Equalize inheritance.

78

Why life insurance through retirement

During lifetime the policy can help:

- Supplement income.
  - Death benefit could be assigned to bank to allow personal loans.
  - Cash value can provide income as needed.
- Give peace of mind.
  - Spend down assets by providing a legacy.

79

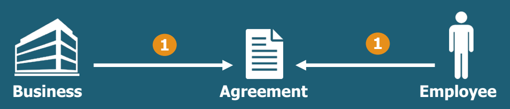
Executive bonus arrangement

What is it?

- An executive bonus arrangement allows an employer to attract and retain key executives by offering them needed life insurance.

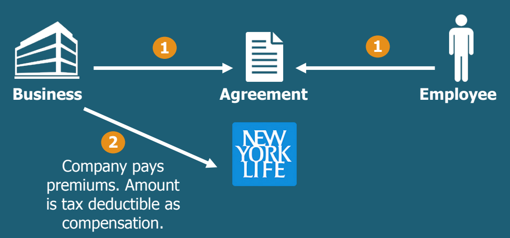
80

How does it work?



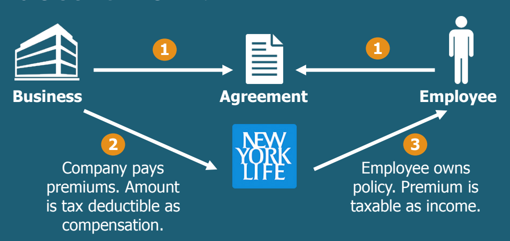
81

How does it work?



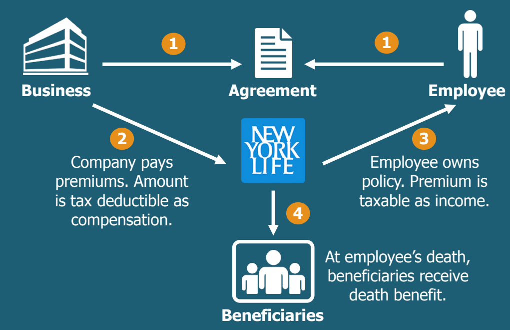
82

How does it work?



83

How does it work?



84

Plan benefits – Employer

- Selective participation – Employer chooses.
- Bonus is tax-deductible by company.
- Arrangement is simple to create.
- Cost effective.
- Arrangement can be terminated anytime.
- No IRS approval needed.

85

Plan benefits – Executive

- Employer-paid bonus used to pay executive's personal life insurance premium.
- Executive owns policy and its values.
- Policy accumulates cash value tax deferred.
- Death benefit is generally income tax free.
- Policy can be owned outside of estate.
- No risk of forfeiture, unlike deferred compensation.

86

2016 Feldman Forum

Strategic planning for various levels of wealth.

Case study – Part 2

Gib Surles, CLU®, ChFC®, CFP®, AEP®, MSFS and
Heather Davis, JD, CLU®, ChFC®, AEP®, CAP®

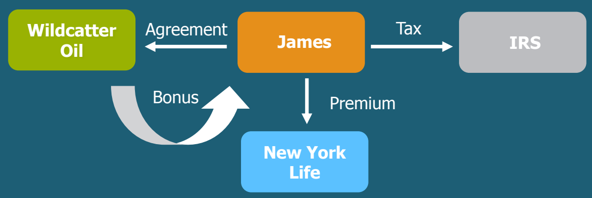
James and Elizabeth: Solutions

- James: Solution was to purchase $1M of whole life insurance and $4M of term insurance.
- Elizabeth: Solution was to purchase $1M of 20-year term insurance.
- Name Elizabeth as primary beneficiary on $1M of whole life with testamentary trustee as the second beneficiary.
- Name testamentary trustee under the last will and testament of the insured as primary beneficiary on the $4M of term life.

89

Executive bonus arrangement

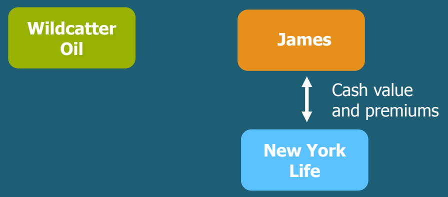
During lifetime



90

Executive bonus arrangement

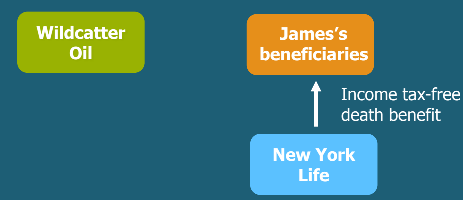
After retirement



91

Executive bonus arrangement

At death



92

Meet Robert and Kelly

Robert
- 51 years old
- Married to Kelly, widowed from Ann
- Runs Wildcatter Oil Company
- Petroleum Engineer

Kelly
- 49 years old
- Married to Robert, widowed from Alan
- Runs a high-end boutique in the Galleria

Children
- Jimmy, 18, son of Robert and Ann
- Claire, 14, daughter of Kelly and Alan

93

Robert and Kelly

Balance sheet	
Home Mortgage	$3,000,000 $2,000,000
IRA (Robert)	$2,000,000
Securities (Kelly)	$1,000,000
Business (Robert)	$2,000,000
Ranch (25% ownership - Robert)	$2,000,000
Total assets	**$8,000,000**
Income – Robert Income – Kelly	$400,000 $100,000

94

Robert and Kelly

Planning goals and objectives:
- Robert wants to take care of Kelly and Claire, but wants the ranch and business to pass to Jimmy.
- Robert wants the house to pass outright to Kelly.
- Robert wants to make sure IRA supports Kelly after his death, but then benefits Jimmy.
- The couple discussed having enough life insurance to cover the debt on the home in the event Robert dies.

95

1682835

Robert and Kelly

Current planning:

- They have a prenuptial agreement in place.
- Both have tax-planned wills.
  - Robert currently leaves everything to Kelly in trust and then to the kids equally.
- Robert has $2M of term insurance and thinks that's enough.

96

Robert and Kelly

Planning solutions for Robert:

- Full family trust for the benefit of Jimmy ($5.45M); Jimmy's children are the remaindermen.
  - Ranch
  - Business
- Marital trust to Kelly.
- ILIT with 3M UL, $2M term for Kelly; Claire is the remainderman.

97

Robert and Kelly

Planning solutions for Kelly:

- Will receive the house outright.
- Keep existing $2M of term on Robert and have Kelly be the outright beneficiary.
- Have beneficial use of IRA for Kelly's lifetime.
- $1M marketable securities in trust to Claire.

98

Networking break

2016 Feldman Forum

Strategic planning for various levels of wealth.

Planning for an $8 million estate

John Bergner, JD

ATRA created a new paradigm

- $5,450,000 exemptions for estate, gift and generation-skipping transfer (GST) tax.
  - 99.6% of decedents have a net worth less than the basic exclusion amount (BEA).
  - Only 0.2% of decedents will pay estate tax.
- Estate tax exemption is now portable.

102

ATRA created a new paradigm

- Increased income tax rates.
  - Ordinary income taxed at 39.6%.
  - Dividends and capital gains taxed at 20%.
  - Net investment income taxed an additional 3.8%.
  - State income tax.

103

1682835

ATRA created a new paradigm

- Techniques designed to reduce transfer tax can increase potential income tax.
- Bypass trust:
  - Assets: $3 million with a $1 million basis.
  - Surviving spouse dies in 2016 with a $2 million estate.
  - Descendants receive $5 million – but with a built-in gain of $2 million.
  - If no bypass trust, descendants would receive same assets but with a full FMV basis.

104

ATRA created a new paradigm

- Planning that made sense prior to ATRA now may be detrimental.
- ATRA is not guaranteed to be permanent:
  - Administration's proposed budget.
  - Congressional proposal to repeal transfer taxes.

105

Valuation discounts

- Discounted values can save gift and estate tax.
- But discounted values can increase income tax:
  - Reduced depreciation deductions.
  - Increased gain on sale.
- Compare transfer tax "savings" to income tax "cost."

106

ATRA inspired strategies

1. Avoid valuation discounts for taxpayer-owned assets;
2. Cause inclusion of assets in the estate of:
   - Donor,
   - Trust settlor,
   - Trust beneficiary,
   - Third party;
3. Change ownership of spousal assets; and
4. Turn off grantor trust status.

107

Portability of a pre-deceased spouse's exclusion

- If first spouse to die fails to use entire $5.45M basic exclusion amount, surviving spouse may "inherit" the unused exemption (the Deceased Spousal Unused Exclusion or "DSUE" amount).
- Survivor can use DSUE amount for lifetime gifts or at death.
- Only most recently deceased spouse's exemption is "portable."
- GST tax exemption is not "portable."
- Must file Form 706 to claim.
- Ideal for retirement plan assets.

108

Core estate planning options

Traditional method:

- Bequest to bypass trust equal to deceased spouse's basic exclusion amount.
- Rely on portability for any unused exemption.

109

Traditional bypass trust

Benefits:

- Future appreciation and income will be exempt from estate taxes.
- Additional protection from surviving spouse's creditors.
- Ensure assets will pass to children at surviving spouse's death.
- May allocate deceased spouse's GST exemption to bypass trust.
- Any unused exemption is still portable to the surviving spouse.

110

Traditional bypass trust

Negatives:

- Assets in bypass trust do not receive a new income tax basis at surviving spouse's death.
- Trustee must file annual Form 1041.
- Some complexity in funding and administering.
- Not optimal for certain assets (i.e., retirement plans).

111

Alternative methods: Planning with portability

Multiple ways to utilize portability:

1. Outright to surviving spouse.
2. Outright to surviving spouse (with disclaimer to bypass trust).
3. Bequest to QTIPable trust (with partial QTIP election).
4. Bequest to QTIP trust (with Clayton provision).

112

Portability option #1 - Outright to spouse

Benefits:

- Simplicity.
- New income tax basis on assets at survivor's death (step up).
- No Form 1041s (trust income tax returns).

113

Portability option #1 - Outright to spouse

Negatives:

- Surviving spouse can leave assets to anyone.
- New income tax basis could be a step down.
- Certain assets exposed to creditors.
- If portability desired, survivor must file Form 706.
- GST exemption is not portable.

114

Portability option #2 - Outright to spouse; disclaimer to a bypass trust

Benefits:

- Simplicity of outright bequest is available, but can use a bypass trust if beneficial.
- Potentially no need for Form 706.
- Allows decision to be deferred for up to 9 months after a spouse's death.

115

Portability option #2 - Outright to spouse; disclaimer to a bypass trust

Negatives:
- Relies on surviving spouse to disclaim.
- Disclaimer bypass trust may not grant surviving spouse powers of appointment.
- Complexity of disclaimer mechanics.

116

Portability option #3 - Bequest to "QTIPable trust"

- All assets pass to marital deduction trust for surviving spouse.
  - Surviving spouse receives all income.
  - May allow principal to be distributed to surviving spouse.
  - Remaining assets pass to beneficiaries chosen by deceased spouse (may grant a testamentary power of appointment).
- May elect QTIP treatment and rely on portability.
- May opt out of QTIP treatment and use deceased spouse's BEA.

117

Portability option #3 - Bequest to "QTIPable trust"

Benefits:
- Allows decision regarding current use of exemption vs. portability to be deferred for up to 15 months after spouse's death.
- May use GST tax exemption through reverse QTIP election.

118

Portability option #3 - Bequest to "QTIPable trust"

Negatives:
- Surviving spouse is sole permissible beneficiary during lifetime.
- Must file Form 706.
- Less efficient for transfer tax planning compared to bypass trust or disclaimer bypass trust.

119

Portability option #4 - Bequest to QTIPable trust (with Clayton provision)

- Marital trust receives only property for which QTIP election is made.
- Balance passes to a bypass trust.

120

Portability option #4 - Bequest to QTIPable trust (with Clayton provision)

Benefits:

- Same as all to QTIP trust, plus non-QTIP property passes to a more flexible bypass trust.

121

Portability option #4 - Bequest to QTIPable trust (with Clayton provision)

Negatives:

- Need third party executor.

122

2016 Feldman Forum

Strategic planning for various levels of wealth.

Retirement assets in an $8 million estate

Christopher Hoyt, JD

Retirement accounts and portability

For a surviving spouse of a taxable estate, rollovers of retirement assets (combined with portability) will usually be your first choice.

125

Retirement accounts and portability

Portability provides:

- The estate tax benefit of double exemptions, **plus**
- The income tax benefit that a surviving spouse can do a rollover.
  - A surviving spouse's rollover of retirement assets is usually better than having retirement assets paid to a trust for the surviving spouse.

126

Funding a trust with retirement assets?

- General Rule: Trust is not DB.
  - Exception: "Look-through" trust if four conditions are met.
- Types:
  - "Accumulation trusts"
  - "Conduit trusts"

127

Multiple beneficiaries of a single IRA?

- Must liquidate over life expectancy of oldest beneficiary.
- Payable to a trust?
  - Use life expectancy of oldest trust beneficiary.

128

Funding trusts with retirement assets

- Challenges when there are multiple beneficiaries with a big age spread (mom and children).
- Common problem with marital bypass trusts and QTIP trusts when surviving spouse is elderly and other beneficiaries are young.

129

Age at death

Median age at death on federal estate tax returns:

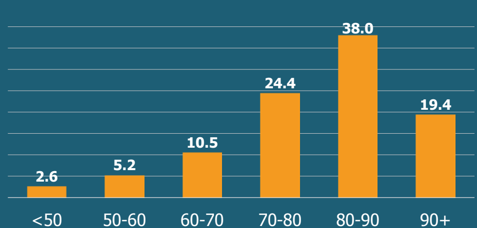
Men

Women

130

Age at death

Percentage of 2007 federal estate tax returns

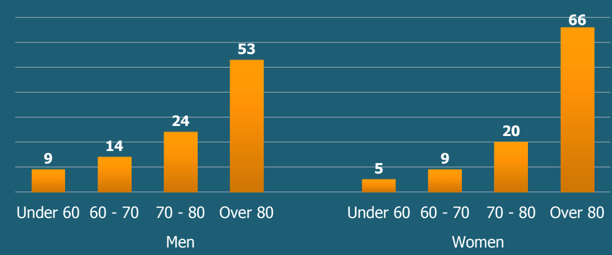


Source: The Income and Wealth of 2007 Estate Tax Decedents, by Barry Johnson, Brian Raub and Joseph Newcomb, IRS Statistics of Income Bulletin, Spring 2012 (p. 151)

131

Age at death

Percentage of 2007 federal estate tax returns

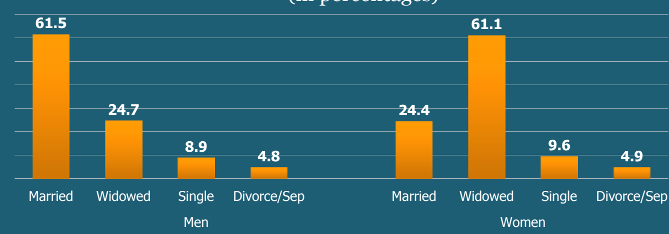


Source: The Income and Wealth of 2007 Estate Tax Decedents, by Barry Johnson, Brian Raub and Joseph Newcomb, IRS Statistics of Income Bulletin, Spring 2012 (p. 151)

132

Marital status at death

Marital status of decedents on federal estate tax returns
(in percentages)

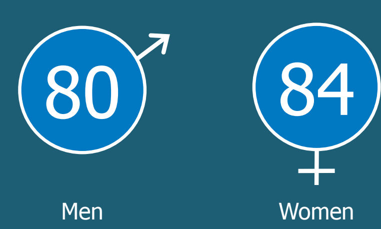


Source: The Income and Wealth of 2007 Estate Tax Decedents, by Barry Johnson, Brian Raub and Joseph Newcomb, IRS Statistics of Income Bulletin, Spring 2012 (p. 151)

133

Age at death

Median age at death on federal estate tax returns:



134

Required Minimum Distributions

Life expectancy table

Age of beneficiary	Life expectancy
30	53.3 more years
40	43.6 more years
50	34.2 more years
60	25.2 more years
70	17.0 more years
80	**10.2 more years**
90	**5.5 more years**

135

1682835

Usual objective: Defer paying income taxes in order to get greater cash flow

	Principal	10% Yield
Pre-Tax Amount	**$100,000**	$10,000
Income Tax on Distribution (40%)	$40,000	
Amount Left to Invest	**$60,000**	$6,000

136

Mandatory distributions

Assume inherit IRA at age 80 and die at 92.

Age	Own IRA	Accumulation Trust	Conduit Trust
80	**5.35%**	9.80%	9.80%
85	6.76%	19.23%	13.16%
90	8.78%	100.00%	18.18%
91	9.26%	Empty	19.23%
92	9.81%	Empty	20.41%

137

Would the outcome of rollover vs. trust be any better with a younger surviving spouse?

138

Would the outcome of rollover vs. trust be any better with a younger surviving spouse?

Answer: **NO**

139

IRS PLRs: Surviving spouse rollover

- Ten IRS Private Letter Rulings – 2015 & 2014
- Surviving spouse can rollover deceased spouse's retirement assets into a new IRA, even when the account was payable to:
  - A trust for the spouse.
  - The estate, with estate pour-over into a trust for the spouse.
  - The estate, where the spouse was the sole or residuary beneficiary of the estate.

140

Mandatory distributions

Assume inherit IRA at age 80 and die at 92.

Age	Own IRA	Accumulation Trust	Conduit Trust
80	5.35%	9.80%	9.80%
85	6.76%	19.23%	13.16%
90	8.78%	100.00%	18.18%
91	9.26%	Empty	19.23%
92	9.81%	Empty	20.41%

Source: IRS Table A-1 of Reg. Sec. 1.401(a)(9)-9 ("single life"), required by Reg. Sec. 1.401(a)(9)-5, Q&A 5(a) & 5(c) and Q&A 6. April 2002.

141

IRS PLRs: Surviving spouse rollover

Is a PLR necessary?

- IRS increased 2016 PLR user fee to $28,300 (IRA fee: $10,000).
- ACTEC: "Public needs a Revenue Ruling."
- Some trustees willing to do rollover without a PLR, if facts fit the PLRs.

Private Letter Rulings (PLRs) are issued by the IRS National Office in response to a specific request from a taxpayer as to the tax consequences of a proposed transaction. A PLR applies tax laws to specific facts only, is solely for the taxpayer who requested it and should not be relied upon as authority by other taxpayers. Additionally, PLRs may later be revoked by the IRS. As such, PLRs do not carry the stamp of law, but they do give an indication of the IRS's current thinking towards a specific type of transaction. All reference to PLRs in this current comment are for informational purposes only.

142

Second marriages

- Compare: When children are all from one marriage, the typical estate plan is for children to inherit nothing until both parents have died.

143

Second marriages

- Compare: When children are all from one marriage, the typical estate plan is for children to inherit nothing until both parents have died.
- 2nd marriage: Each spouse with children from a prior marriage? More likely to want to leave something to children when first spouse dies.

144

Second marriages

- Compare: When children are all from one marriage, the typical estate plan is for children to inherit nothing until both parents have died.
- 2nd marriage: Each spouse with children from a prior marriage? More likely to want to leave something to children when first spouse dies.
- More receptive to life insurance, naming children as beneficiaries: "Leave something to my children from my first marriage."

145

IRAs in second marriages

Surviving spouse rollover?

- The surviving spouse sets up a new IRA in her/his own name.
- Then the surviving spouse selects the beneficiaries upon death.

146

IRAs in second marriages

Surviving spouse rollover?

- The surviving spouse sets up a new IRA in her/his own name.
- Then the surviving spouse selects the beneficiaries upon death.
- What assurance that a child from the deceased spouse's prior marriage will be named as a beneficiary?

147

IRAs in second marriages

- All IRAs to spouse? Buy some life insurance for children?

148

IRAs in second marriages

- All IRAs to spouse? Buy some life insurance for children?
- Divide IRAs? Some to spouse; some to children from prior marriage.

149

IRAs in second marriages

- All IRAs to spouse? Buy some life insurance for children?
- Divide IRAs? Some to spouse; some to children from prior marriage.
  - *Caution: 401(k) & ERISA plans:*
    - *100% to spouse, unless executes waiver.*

150

IRAs in second marriages

- All IRAs to spouse? Buy some life insurance for children?
- Divide IRAs? Some to spouse; some to children from prior marriage.
- IRAs to a QTIP trust? Credit shelter?

151

IRAs to a QTIP or credit-shelter trust?

Age	Own IRA	Accumulation Trust	Conduit Trust
80	5.35%	9.80%	9.80%
85	6.76%	19.23%	13.16%
90	8.78%	100.00%	18.18%
91	9.26%	Empty	19.23%
92	9.81%	Empty	20.41%

152

IRAs in second marriages

- All IRAs to spouse? Buy some life insurance for children?
- Divide IRAs? Some to spouse; some to children from prior marriage.
- IRAs to a QTIP trust? Credit-shelter?
- IRAs to 2-generation charitable remainder trust?

153

Charitable remainder trust

- Payment to non-charitable beneficiary(ies) for *life* *or* for a *term of years* (maximum 20 years).
- Remainder interest distributed to charity.
- *Exempt from income tax.*

154

2-Generation charitable remainder trust

- Typically pays 5% to elderly surviving spouse for life, then 5% to children for life, then liquidates to charity.
- Like an IRA, a CRT is exempt from income tax.
- Can operate like a *credit-shelter trust for IRD assets* (no marital deduction).

155

2-Generation charitable remainder trust

Can be a solution for *second marriages* when estate is top-heavy with retirement assets.

Example:

- Half of IRA to surviving spouse.
- Other half of IRA to a CRT for 2nd spouse and children from 1st marriage.

156

2-Generation charitable remainder trust

Technical requirements:

- Minimum 10% charitable deduction.
  - (All children should be over age 30.)
- CRT – minimum 5% annual distribution.
- Not eligible for marital deduction.
- Charitable intent!

157

Mandatory distributions

Assume inherit IRA at age 80 and die at 92.

Age	Own IRA	Accumulation Trust	Conduit Trust
80	5.35%	9.80%	9.80%
85	6.76%	19.23%	13.16%
90	8.78%	100.00%	18.18%
91	9.26%	Empty	19.23%
92	9.81%	Empty	20.41%

158

Mandatory distributions

Assume inherit IRA at age 80 and die at 92.

Age	Own IRA	Accumulation Trust	Conduit Trust	CRT
80	5.35%	9.80%	9.80%	5.00%
85	6.76%	19.23%	13.16%	5.00%
90	8.78%	100.00%	18.18%	5.00%
91	9.26%	Empty	19.23%	5.00%
92	9.81%	Empty	20.41%	5.00%

159

1682835

2-Generation charitable remainder trust

Can be a solution for *second marriages* when estate is top-heavy with retirement assets.

Example:

- Half of IRA to surviving spouse.
- Half of IRA to a CRT for 2nd spouse and children from 1st marriage.

160

2-Generation charitable remainder trust

Can be a solution for *second marriages* when estate is top-heavy with retirement assets.

Example:

- Half of IRA to surviving spouse.
- Half of IRA to a CRT for 2nd spouse and children from 1st marriage.

Payments stop at death of children.

- What about the grandchildren?

161

2-Generation charitable remainder trust

Can be a solution for *second marriages* when estate is top-heavy with retirement assets.

- What if the 2nd spouse and all children die early?

162

2-Generation charitable remainder trust

Can be a solution for *second marriages* when estate is top-heavy with retirement assets.

- What if the 2nd spouse and all children die early?
  - Life insurance on lives of the children can be part of comprehensive IRA-to-CRT plan.

163

2016 Feldman Forum

Strategic planning for various levels of wealth.

Core solutions for an $8 million estate

Greg Holmgren, CLU®, ChFC®

Most common assets

Asset	% who own	Avg value
Net worth		$6,817,462
Personal residence	77%	890,136
Retirement assets	76%	1,044,436
Publicly traded stock	81%	1,665,126
Other real estate	65%	1,676,876
Business Related		
- Closely held stock	38%	$2,203,100
- Non-corporate business assets	36%	1,171,490
- Private equity and hedge funds	23%	593,758
- Other limited partnerships	6%	413,444
- Farm assets	11%	1,950,516

Source: Statistics of Income Bulletin, Winter 2012, www.irs.gov

166

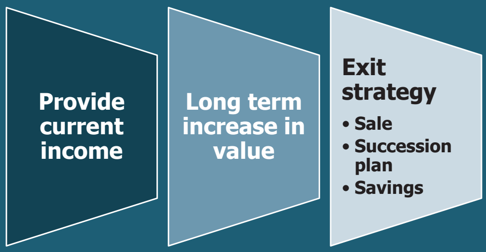
Higher net worth means less liquidity

- Additional net worth allocated primarily to:
  - Business.
  - Real estate.
- Illiquidity creates potential problems in unforeseen events.
  - How much will be actually received?
  - When will the cash be available?

167

1682835

Owners have multiple objectives



168

Owner's death causes concerns: For the family

- Concern rises to the extent standard of living is tied to the business.
- Two primary concerns:
  - Will the income continue?
  - Will the business value remain intact?

169

Owner's death causes concerns: For the business

- Employees are asking:
  - Is my job secure?
  - What will happen now?
- Vendors are asking:
  - Will I get paid?

170

What are the chances?

1 Owner

Age	Chances of death before retirement
35	14.4%
40	13.8%
45	13.0%
50	11.6%

2 Owners

Age	Chances of death before retirement
35	25.7%
40	25.2%
45	24.2%
50	21.8%

3 Owners

Age	Chances of death before retirement
35	37.3%
40	36.0%
45	34.1%
50	30.9%

Source: 2001 CSO Ultimate Table Male Composite (Unismoke)

171

Family strategies

- Continue the business long term.
- Maintain the business short term to sell.
- Execute a buy-sell agreement to sell the business.
- Provide needed cash through a life insurance policy so the business value is not needed.

172

No value without the owner

- Businesses without employees:
  - Roughly 75% of all businesses.
- Won't maintain any income.
- No significant asset value except in unique circumstances.

SBA: Frequently Asked Questions about Small Business, September 2012, pg 1

173

Businesses with one owner

- 28 million small businesses.
  - 23 million are sole proprietors.
  - 2.6 million are S Corps with one shareholder.
  - 6 million are employers.
- 4 million out of 6 million small business employers have one owner.

Internal Revenue Service: 2012 S-Corporation Tax Stats
Internal Revenue Service: 2012 Sole Proprietor Tax Stats

174

Businesses with partners

- An up-to-date buy sell agreement with funding is critical.
- No buy-sell agreement can lead to significant stress:
  - Replace the owner's duties.
  - Forge a working relationship with other owners.

175

Implementing family strategies

Planning vs. discussing -

- Planning involves documenting the strategy.
- Discussing ensures the beneficiary knows how to execute the strategy.

176

Three building blocks

1. An active management team.
2. An active succession plan to replace the key business functions performed by the owner.
3. A life insurance policy death benefit that provides cash in order to give the business a cushion.

177

Real estate is popular

Two primary purposes for the real estate during lifetime:

- Income
- Appreciation

178

Real estate to heirs - Challenges

- Course corrections are always required.
  - Most are only subtle changes or slight maneuvers.
  - But a series of slight changes not made results in significant long-term deviation from the goal.

179

Real estate to heirs - Challenges

- Other than real estate, what is available to fund lifestyle needs in future years?
- Is your spouse interested and able to manage properties?
- What other assets are available to provide for your family?

180

Real estate to heirs - Challenges

- Could some additional cash provide them the "breathing room" they will need to liquidate your real estate to maximize values received (i.e., their inheritance)?

181

2016 Feldman Forum

Strategic planning for various levels of wealth.

Case study – Part 3

Gib Surles, CLU®, ChFC®, CFP®, AEP®, MSFS and Heather Davis, JD, CLU®, ChFC®, AEP®, CAP®

Robert and Kelly: Solutions

Robert:

- Full family trust for the benefit of Jimmy ($5.45M); Jimmy's children are the remaindermen.
- Marital trust to Kelly.
- ILIT with $5M of life insurance ($3M UL, $2M term) for Kelly; Claire is the remainderman.

184

Robert and Kelly: Solutions

Kelly:

- Will receive the house outright.
- Keep existing $2M of term on Robert and have Kelly be the outright beneficiary.
- Have beneficial use of IRA for Kelly's lifetime.

185

Meet Richard and Martha

Richard

- 71 years old
- Married to Martha
- Owner of Wildcatter Oil Company
- Petroleum engineer

Martha

- 71 years old
- Married to Richard

Children

- Robert, 51, runs Wildcatter Oil

Grandchildren

- Jimmy, 18, son of Robert
- Claire, 14, daughter of Kelly

186

Richard and Martha

Balance sheet	
Home	$2,000,000
IRAs	$1,000,000
Marketable securities	$10,000,000
Private equity	$3,000,000
Ranch #1	$6,000,000
Ranch #2	$18,000,000
Business	$20,000,000
Total assets	**$60,000,000**
Income – business	$4,000,000
Income – other	$1,000,000

187

Richard and Martha

Planning goals and objectives:

- No one had ever asked Richard about his goals.
- Uncovered, he wants to leave his son, Robert, his business and his land.
  - If he can do it during his life, great. If not, he will pass his inheritance at his death.
  - He doesn't want his gifting to affect his current lifestyle.

188

Richard and Martha

Planning goals and objectives:

- Provide financial security for Martha.
- He wants to leave money to Texas A&M, possibly through a foundation.
- He'd like to pay the college tuition for his grandson, Jimmy, and the private school and college tuition for his step-granddaughter, Claire.

189

Richard and Martha

Proposed solution:

- Exhaust the exemption.
- Martha and Richard to each gift $5M of the business at a discount to get it out of their estates now.

190

Networking break

2016 Feldman Forum

Strategic planning for various levels of wealth.

Planning for a $60 million estate

John Bergner, JD

Tax-free transfers

- Spouse (US citizen)
- Qualified charity
- $5,450,000 gift/estate tax exemption
- $5,450,000 GST tax exemption
- $14,000 annual exclusion gifts
- Tuition expenses
- Medical expenses

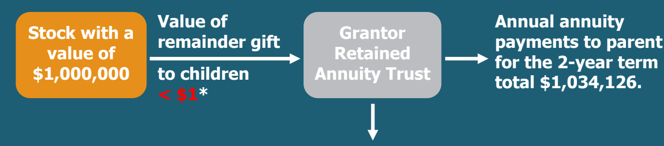
194

Valuation discount planning

- Transfer tax is imposed on "fair market value" of an asset.
- Willing buyer / willing seller.
- Features justifying discounts:
  - Fractional interests in property.
  - Minority interests in an entity.
  - Restrictions on transfer.
- Discounted values on some transfers may be limited by regulations under IRC section 2704(b).

195

GRAT planning



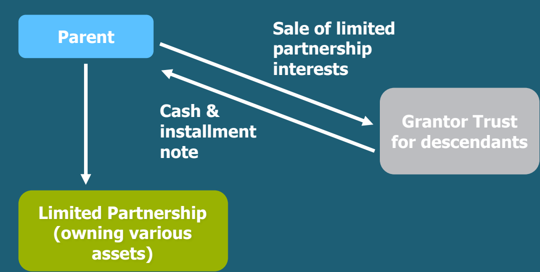
At the end of the 2-year term, the remaining trust assets are distributed to children. With 25% annual growth, $417,801 will be shifted to children.

Requirement: Parent must survive 2-year term.

*Gift is computed under *Walton* case, using a Section 7520 rate of 2.2% and annuity payments increasing by 20% per year.

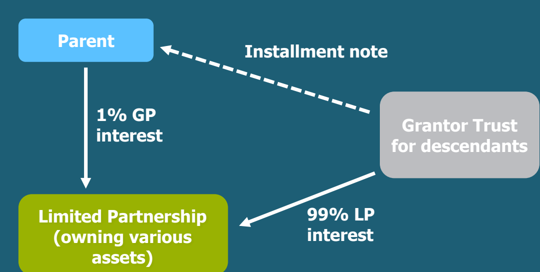
196

Installment sale to a grantor trust



197

Resulting ownership



198

Life insurance planning

Purposes:

- Financial security for family members.
- Liquidity for estate taxes.
- Funding buy-sell agreements.

Funding:

- Use of BEAs and annual exclusion gifts.
- GRAT or grantor trust that engaged in an installment sale.
- Split dollar arrangements.
- Premium financing.

199

1682835

Gifts to individuals: Lifetime vs. testamentary

- Gift taxes are calculated on a tax exclusive basis, while estate taxes are calculated on a tax inclusive basis.
- Assets needed to transfer $1,000,000 to a child during lifetime:
  - Donor's assets: $1,400,000
  - 40% gift tax on amount received by child: $400,000
  - Amount received by child: $1,000,000

200

Gifts to individuals: Lifetime vs. testamentary

- Assets needed to transfer $1,000,000 to a child at death:
  - Donor's assets: $1,667,000
  - 40% estate tax on donor's net worth $667,000
  - Amount received by child: $1,000,000

201

Gift planning opportunity

Solution:

- Richard's estate plan leaves the ranch and business interests (and cash equal to 40% of the value of such assets) to Martha if she survives with a precatory request that Martha gift the ranch and business interests to Robert. If Martha fails to survive, bequest to Robert is made.
  - Bequest to Martha qualifies for the marital deduction.
  - Martha makes the lifetime gift to Robert and only pays a 40% gift tax.

202

Charitable gifts: Lifetime vs. testamentary

- Charitable transfers during lifetime obtain both gift tax and income tax deductions.
  - Potential federal income tax savings: 39.6%
  - Potential state income tax savings: -0- to >10%
  - Avoidance of gift/estate tax: 40%
- Charitable transfers upon death only obtain an estate tax deduction.
  - Federal income tax savings: -0-
  - State income tax savings: -0-
  - Federal estate tax savings: 40%

203

Charitable planning opportunity

Solution:

- Richard's estate plan leaves $2M to Martha if she survives with a precatory request that Martha gift the funds to Texas A&M University. If Martha fails to survive, charitable bequest is made.
  - Bequest to Martha qualifies for the marital deduction.
  - Martha makes lifetime gift, obtains $2M charitable income tax deduction.

204

2016 Feldman Forum

Strategic planning for various levels of wealth.

Retirement assets in a $60 million estate

Christopher Hoyt, JD

Distributions after death

Income taxation
Mandatory ERISA distributions
Estate taxation

Collision of three tax worlds at death.

207

History of the estate tax

Year	Threshold
2001	$675,000
2002-2003	$1,000,000
2004-2005	$1,500,000
2006-2008	$2,000,000
2009	$3,500,000
2010	REPEALED! (Carryover basis)
2011-2015	$5,000,000 inflation indexed
2016	$5,450,000 inflation indexed

208

Married?

- 61% of male decedents.
- 24% of female decedents.
- Marital deduction!!
- Defer estate tax until death of surviving spouse.

209

Retirement accounts and portability

For a surviving spouse of a taxable estate, rollovers of retirement assets (combined with portability) will usually be your first choice.

210

Retirement accounts and portability

Portability provides:

- The estate tax benefit of double exemptions, ***plus***
- The income tax benefit that a surviving spouse can do a rollover.
  - A rollover of retirement assets by a surviving spouse is better than having retirement assets paid to a trust for the surviving spouse.

211

Mandatory distributions

Assume inherit IRA at age 80 and die at 92.

Age	Own IRA	Accumulation Trust	Conduit Trust
80	5.35%	9.80%	9.80%
85	6.76%	19.23%	13.16%
90	8.78%	100.00%	18.18%
91	9.26%	Empty	19.23%
92	9.81%	Empty	20.41%

212

Retirement accounts and portability

For a surviving spouse of a taxable estate, rollovers of retirement assets (combined with portability) will usually be your first choice.

213

Not married?

- 39% of male decedents.
- 75% of female decedents.
- No marital deduction.
- **Estate tax will be due on IRD.**

214

What is the combination of income tax & estate tax?

QUESTION: If a wealthy person receives $100 of interest income in February and dies in August, how much will the heirs inherit?

- Income tax?
- Estate tax?

215

What is the combination of income tax & estate tax?

Income	$100
Income tax (40%? 43.8%?)	$40
Net	$60

216

What is the combination of income tax & estate tax?

Income	$100
Income tax (40%)	$40
Net	$60
Estate tax (40%)	$24
Net to heirs: (a **64%** *federal* tax rate — *state income & state estate taxes are extra!)*	$36

217

What is the combination of income tax & estate tax on IRD?

QUESTION: If a wealthy person dies with $100 in a traditional retirement account, how much will the beneficiary inherit after taxes?

- Income tax?
- Estate tax?

218

What is the combination of income tax & estate tax on IRD?

- Assume Mom died and had not yet taken that year's RMD of $100,000.
- Assume the $100,000 is paid from the retirement plan to beneficiary (Robert).
- Assume the estate or a trust will pay the estate tax; Robert pays income tax.

WHAT IS THE TOTAL TAX AMOUNT?

219

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan		$100,000
Minus: Total estate tax paid by the probate estate		(40,000)

220

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan		$100,000
Minus: Total estate tax paid by the probate estate		(40,000)
Minus: Income tax on distribution		
Gross taxable income	$100,000	

221

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan		$100,000
Minus: Total estate tax paid by the probate estate		(40,000)
Minus: Income tax on distribution		
Gross taxable income	$100,000	
Reduced by §691(c) deduction for *federal* estate tax *(only)*		

222

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan			$100,000
Minus: Total estate tax paid by the probate estate			(40,000)
Minus: Income tax on distribution			
Gross taxable income		$100,000	
Reduced by §691(c) deduction for *federal* estate tax *(only)*			
Total estate tax	$ 40,000		
State tax credit	zero		
Deduction for federal estate tax		(40,000)	

223

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan			$100,000
Minus: Total estate tax paid by the probate estate			(40,000)
Minus: Income tax on distribution			
Gross taxable income		$100,000	
Reduced by §691(c) deduction for *federal* estate tax *(only)*			
Total estate tax	$ 40,000		
State tax credit	zero		
Deduction for federal estate tax		(40,000)	
Net taxable income		$ 60,000	

224

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan			$100,000
Minus: Total estate tax paid by the probate estate			(40,000)
Minus: Income tax on distribution			
Gross taxable income		$100,000	
Reduced by §691(c) deduction for *federal* estate tax *(only)*			
Total estate tax	$ 40,000		
State tax credit	zero		
Deduction for federal estate tax		(40,000)	
Net taxable income		$ 60,000	
Times income tax rate		x 39.6%	
Net income tax on income in respect of decedent			(23,760)

225

What is the combination of income tax & estate tax on IRD?

Beginning balance in retirement plan			$100,000
Minus: Total estate tax paid by the probate estate			(40,000)
Minus: Income tax on distribution			
Gross taxable income		$100,000	
Reduced by §691(c) deduction for *federal* estate tax *(only)*			
Total estate tax	$ 40,000		
State tax credit	zero		
Deduction for federal estate tax		(40,000)	
Net taxable income		$ 60,000	
Times income tax rate		x 39.6%	
Net income tax on income in respect of decedent			(23,760)
NET AFTER-TAX AMOUNT TO SON (after about 64% tax rate)			$ 36,240

226

If rich enough to pay estate tax…

Idea:

- Lifetime withdrawals from taxable retirement accounts.
- Use after-tax proceeds to purchase life insurance outside estate (Irrevocable Life Insurance Trust [ILIT]).

227

If rich enough to pay estate tax…

Idea:
- Lifetime withdrawals from taxable retirement accounts.
- Use after-tax proceeds to purchase life insurance outside estate (ILIT).

Name charities as beneficiaries of retirement assets.
- Compare: 100% of pre-tax dollars paid to a charity that the donor likes, to 64%+ of assets paid to taxes.

228

Charity and philanthropy

CLIENT: "I have no charitable intent!"

229

Charity and philanthropy

CLIENT: "I have no charitable intent!"

Advice: Be sensitive.
- Clients can get defensive if they perceive that an advisor is trying to take money away from them to support a cause that the advisor likes.

230

Charity and philanthropy

CLIENT: "I have no charitable intent!"

2014 federal estate tax returns:
- All *taxable* estates?
  - 30% charitable deduction (70% did not)
- Taxable estates over $50 million?
  - 55% charitable deduction (45% did not)

231

Charity and philanthropy

CLIENT: "I have no charitable intent!"
2014 federal estate tax returns:
- All *taxable* estates?
  - 30% charitable deduction (70% did not)
- Taxable estates over $50 million?
  - 55% charitable deduction (45% did not)

55% of taxable estates had retirement assets.

232

Charity and philanthropy

CLIENT: "I have no charitable intent!"
- "Does your estate have IRD? Then you are already making a charitable gift. You are giving 64%+ to the federal government in taxes (perhaps 80%+ if state income taxes and state estate taxes apply)."

233

Charity and philanthropy

CLIENT: "I have no charitable intent!"
- "Does your estate have IRD? Then you are already making a charitable gift. You are giving 64%+ to the federal government in taxes (perhaps 80%+ if state income taxes and state estate taxes apply)."
- Way to leave IRD to your children and to your community: philanthropy.

234

Charity and philanthropy

CLIENT: "I worry about my kids. Affluenza?"

235

Charity and philanthropy

CLIENT: "I worry about my kids. Affluenza?"

- Community involvement can get people out of their shells; make them productive members of society.
- Benefit at a low cost: 100% of IRD goes to a private foundation or a donor advised fund to support charitable causes that the family cares about, compared to 64% (or 80%+) going to the government in taxes.

236

Charity and philanthropy

CLIENT: "I worry about my kids. Affluenza?"

- Community involvement can get people out of their shells; make them productive members of society.
- Benefit at a low cost: 100% of IRD goes to a private foundation or a donor advised fund to support charitable causes that the family cares about, compared to 64% (or 80%+) going to the government in taxes.
- Tie-in with business succession planning.

237

Charity and philanthropy

CLIENT: "Do my kids have what it takes to handle money dedicated to charity?"

238

Charity and philanthropy

CLIENT: "Do my kids have what it takes to handle money dedicated to charity?"

- Advice: Establish donor advised funds while the children are alive. Can be done with as little as $10,000. Get experience and training. Big IRD deposits at death.
- Avoid "the reading of the will surprise" — "To each child, a private foundation!"

239

IRD to charity: Opportunity

Best type of bequest: Taxable income!

- Administratively easier than the formality of a will: Name charity as beneficiary of retirement plan.
  - No need for attorney to draft.
  - No need for witnesses, etc.

240

IRD to charity: Opportunity

"You can't make a charitable bequest unless you have a will."

Wrong.

- A retirement plan is a trust with its own beneficiary designations.
- A person can die without a will and still leave something to charity.
- Like other trusts, assets pass outside probate.

241

IRD to charity: Challenges

What can go wrong?

- Estate or trust has taxable income from receiving IRA distribution, but maybe there is no offsetting charitable income tax deduction when the IRA check is given to a charity.

242

IRD to charity: Challenges

What can go wrong?

- Estate or trust has taxable income from receiving IRA distribution, but maybe there is no offsetting charitable income tax deduction when the IRA check is given to a charity.
  - IRS Private Letter Ruling 201438014 (May 5, 2014)
  - IRS Chief Counsel Memorandum ILM 200848020

243

IRD to charity: Solutions

Background: There are two ways to transfer IRD to a charity:
#1 – Name a charity as the beneficiary of a retirement account.
#2 – Name the estate or trust as beneficiary of retirement account, and draft charitable bequest from the estate or trust.

244

IRD to charity: Solutions

Background: There are two ways to transfer IRD to a charity:
#1 – Name charity as the beneficiary of a retirement account.
#2 – Name the estate or trust as beneficiary of retirement account, and draft charitable bequest from the estate or trust.

Method number one is much better.

245

IRD to charity: Solutions

- Solution #1 – Keep IRD off of estate's/trust's income tax return.
  - ***Name charity as beneficiary of IRA.***
  - "Distribute" IRA to charity, if document allows.
- Solution #2 – Draft documents to assure an offsetting charitable income tax deduction.
  - "Pay charitable bequests (if any) with IRD (if any)."

246

2016 Feldman Forum

Strategic planning for various levels of wealth.

Core solutions for a $60 million estate

Greg Holmgren, CLU®, ChFC®

How do we fund a life insurance trust?

- Starts with estate objectives:
  - Buy a policy?
  - Build wealth for the benefit of heirs?

249

Paying the premium

- How much gifting capability is available?
  - Lifetime?
  - Annual?
- How much of that gifting do we want to consume making cash gifts?

250

Paying the premium

- Typically, wealthier clients want to gift assets other than cash.
  - Cash is not usually a preferred asset.
    - Cannot be discounted.
    - Will not grow on its own.
  - Preferred assets:
    - Can be discounted by the use of restrictions.
    - Has the potential for more rapid growth.

251

Gift, shift, or loan

Shift

- Asset is gifted.
  - Future premiums can be paid by:
    - Cash flow from the asset, or
    - Proceeds from the sale of the asset.

252

Gift, shift, or loan

253

Gift, shift, or loan

Shift and loan – Asset is sold and premium is loaned to allow time for shift.

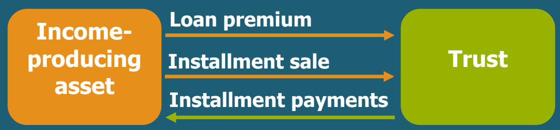
- Asset is sold.
- Premiums are loaned and interest either gifted or accrued until asset sale is complete.
- Loan, loan interest due, and/or future premiums can be paid by:
  - Cash flow from the asset, or
  - Proceeds from the sale of the asset.

254

Gift, shift, or loan

255

Gift, shift, or loan



256

Gift, shift, or loan

257

The premium

- Amount
  - Would you rather pay more for a short time or less for a longer time?
    - Compare issue in overall cost vs. other opportunities for cash.
  - 65m/65f $10M face amount:
    - 1 pay x $2,620,487 = $2,620,487
    - 10 pay x $321,505 = $3,215,050
    - 20 pay x $197,942 = $3,958,852
    - Life pay x $151,738 = $4,400,402 (29 years)
  - About equal at 4.8%

258

Reducing the annual gift

Example:
- Male, age 65, best rating
- $1M life policy
  - Life pay premium: $21,255
  - One pay premium: $339,874

259

Reducing the annual gift

- Loan one-pay premium:
  - Long term AFR: 2.3%
  - Annual interest: $7,817
- Add enough death benefit to repay the loan at death and give $1M to the trust.
  - Premium: $515,000
  - Death benefit: $1,515,000
  - Annual loan interest: $11,845

Hypothetical information for educational purposes only. Not a product specific description or recommendation. Not an offer or solicitation for the sale of insurance.

260

Why cash value?

How could cash value benefit the client to allow more effective achievement of his or her objectives?

- Create flexibility in the premium commitment.
- A rising interest rate could allow a lower premium.

261

Why cash value?

How do I access cash value?

- Withdrawal – remember principal 1st for a non-MEC.
- Loan:
  - Most UL policies have fixed loan rate.
  - Credit some of the loan interest to the cash value.
  - Example:
    - 4.5% loan interest rate guaranteed.
    - Minimum crediting – 2.5% guaranteed.

Policy loans accrue interest at the current rate. Loans and withdrawals will reduce the policy's cash value and death benefit.

262

The cash value

What else could I do?

- Use to purchase other assets from the estate.
- Source to satisfy other trust objectives (GRAT, sales, other).
  - Enables a down payment from the trust without an additional gift.
  - Enables a full purchase rather than carrying a purchase.
- Use to invest in business opportunities.

Policy loans accrue interest at the current rate. Loans and withdrawals will reduce the policy's cash value and death benefit.

263

1682835

2016 Feldman Forum

Strategic planning for various levels of wealth.

Case study – Wrap up

Gib Surles, CLU®, ChFC®, CFP®, AEP®, MSFS and
Heather Davis, JD, CLU®, ChFC®, AEP®, CAP®

Richard and Martha: Solutions

Initial proposal: Exhaust the exemption. Martha and Richard to each gift $5M of the business at a discount to get it out of their estate.

Richard's response: "I'm not going to do that."

266

Richard and Martha: Solutions

Richard said he would gift 10% of his business interest, or $2M.

- The $2M gift creates a 20% return, so he has $400K to pay the life insurance premium and the tax.
- He puts $2M in a GST trust to pay the premium on a life insurance policy.
  - Buys $20M of survivorship life insurance with a $10M rider.
  - Later, if he wants to make additional gifts, he can do so to convert the $10M term rider to permanent insurance.

267

Richard and Martha: Solutions

Implemented solution:

- Pay the school tuition for Robert's son, Jimmy, and Richard and Martha's step-granddaughter, Claire.
- Leave the house, the qualified plan, and the private equity to Texas A&M or a donor advised fund.

268

6th Annual Domestic Asset Protection Trust State Rankings Chart

Rank	State	State Income Tax (60% weight)	Statute of Limitations (Future Creditor) (5% weight)	Statute of Limitations (Preexisting Creditor) (5% weight)	Spouse/Child Support Exception Creditors (Spouse 3% weight/ Alimony 1% weight/Child Support 1% weight)	Preexisting Torts Exception Creditors/Other Exception Creditors (5% weight)	Ease of Use–Is a new Affidavit of Solvency required for every new transfer? (7.5% weight)	Fraudulent Transfer Standard (5% weight)	Decanting State Ranking (7.5% weight)	Total Score
1	Nevada	No	2 Yrs.	2 Yrs. or 0.5 Yr. Discovery	No	No	No Affidavit Required	Clear and convincing	Ranked #2	99
2	South Dakota	No	2 Yrs.	2 Yrs. or 0.5 Yr. Discovery	Divorcing Spouse; Alimony; Child Support (only if indebted at time of transfer)	No	No Affidavit Required	Clear and convincing	Ranked #1	98
3	Tennessee	No (except dividends/ interest on residents)	2 Yrs.	2 Yrs. or 0.5 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	No	Affidavit Required	Clear and convincing	Ranked #3	86.5
4	Ohio	No (except residents)	1.5 Yrs.	1.5 Yrs. or 0.5 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	No	Affidavit Required	Clear and convincing	Ranked #6	85
5 (tie)	Delaware	No (except residents)	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	Preexisting Torts	No Affidavit Required	Clear and convincing	Ranked #5	79
5 (tie)	Missouri	No (except Missouri source income)	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Alimony; Child Support	State/U.S. to extent state/ federal law provides	No Affidavit Required	Clear and convincing	Ranked #11 (tie)	79
7	Alaska	No	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Divorcing Spouse	No	Affidavit Required	Clear and convincing	Ranked #7	77
8	Wyoming	No	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Child Support	Property listed on app. to obtain credit – but only as to that lender	Affidavit Required	Clear and convincing	Ranked #11 (tie)	75.5
9	Rhode Island	No	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	Preexisting Torts	No Affidavit Required	Clear and convincing	Ranked #19 (tie)	75
10	New Hampshire	No (except dividends/ interest on residents)	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	Preexisting Torts	No Affidavit Required	Limited clear and convincing evidence standard	Ranked #4	74.5
11	Hawaii	No (except residents)	2 Yrs.	2 Yrs. Pers. Injury; 6 Yrs. Contract	Divorcing Spouse; Alimony; Child Support	Preexisting Torts/ Certain Lenders/ Hawaii Tax	No Affidavit Required	Limited clear and convincing evidence standard	None	72
12	Utah	Very uncertain ability to avoid	None (immediate protection)	2 Yrs. or 1 Yr. Discovery (also 120-day mailing/ publication option)	No	No	Affidavit Required	Missing clear and convincing evidence standard	None	70*
13	Virginia	Yes	None (immediate protection)	5 Yrs.	Child Support	Creditor who has provided services to protect trust/ U.S./city, etc.	No Affidavit Required	Clear and convincing	Ranked #8 (tie)	29.5
14	Oklahoma	Yes	4 Yrs.	4 Yrs. or 1 Yr. Discovery	Child Support	Must be majority Oklahoma assets	No Affidavit Required	Clear and convincing	None	16.5
15	Mississippi	Yes	2 Yrs.	2 Yrs. or 0.5 Yr. Discovery	Divorcing Spouse; Alimony; Child Support	Preexisting Torts, State/Criminal Restitution/Up to $1.5M if no $1M Umbrella Policy	Affidavit Required	Clear and convincing	None	14.5

6th Annual Domestic Asset Protection Trust State Rankings Chart created in April 2015. Original State Rankings Chart created in April 2010.

The Decanting State Ranking column is based on the 2nd Annual Trust Decanting State Rankings Chart created in January 2015 and updated in February 2015 at http://www.oshins.com/images/Decanting_Rankings.pdf.
*Utah's law is great for Utah residents, but is ranked low primarily because of its state income tax uncertainty for non-residents.

Provided as a courtesy by Steve Oshins, a member of the Law Offices of Oshins & Associates, LLC in Las Vegas, Nevada. He is rated AV by the Martindale-Hubbell Law Directory and is listed in The Best Lawyers in America®. He was inducted into the NAEPC Estate Planning Hall of Fame® in 2011 and has been named one of the 24 "Elite Estate Planning Attorneys" by The Trust Advisor and one of the Top 100 Attorneys in Worth. He can be reached at 702-341-6000, ext. 2 or soshins@oshins.com. His law firm's website is www.oshins.com.

RICP®

Retirement Income Certified Professional®

With the flood of baby boomers heading toward retirement, effective retirement income planning has become the focus of many financial advisors. More than 5,000 advisors have registered for The American College's fastest growing designation to date, the RICP®. **What are you waiting for?**

START TODAY

RICP.TheAmericanCollege.edu

Or Call: **888-263-7265**

THE LEADING PROVIDER OF FINANCIAL EDUCATION.

TheAmericanCollege.edu

THE AMERICAN COLLEGE OF FINANCIAL SERVICES®

The mark of RICP® is the property of The American College and may be used by individuals who have successfully completed the initial and ongoing certification requirements for this designation.

Our experience. Your advantage.

What makes working with a New York Life agent different? The backing of 170 years of aquired knowledge and exclusive access to the vast resources of one of America's premier financial companies—including professionals with estate planning, taxation, accounting, business succession, executive compensation, life insurance, and philanthropic backgrounds—all to help you better protect your clients' financial security.

Strength. Integrity. World-class resources.
Learn more at www.NYLAdvisors.com.

Trust you've done the best for your clients by working with New York Life:

- Received the highest financial strength ratings awarded to any life insurer from all four major ratings agencies.*
- A 170-year history of stability, reliability and promises kept.
- In 2014, our surplus and asset valuation reserve grew to an all-time high.**

* Source: Individual third-party ratings reports as of 8/13/14.
** Please visit newyorklife.com for our full financial information on New York Life and its insurance subsidiaries. Total surplus, which includes the Asset Valuation Reserve, is referenced on a consolidated basis of the company.

Life Insurance. Retirement. Investments.

KEEP GOOD GOING

NEW YORK LIFE

Federal tax rates and limits for 2016

Individual income tax rates

Taxable income		Flat amount	+ %	of amount over
Unmarried individuals				
$ 0 to	$ 9,275	$ 0	10%	$ 0
9,275 to	37,650	928	15%	9,275
37,650 to	91,150	5,184	25%	37,650
91,150 to	190,150	18,559	28%	91,150
190,150 to	413,350	46,279	33%	190,150
413,350 to	415,050	119,935	35%	413,050
415,050 to	—	120,530	39.6%	415,050
Married filing jointly and surviving spouses				
$ 0 to	$ 18,550	$ 0	10%	$ 0
18,550 to	75,300	1,855	15%	18,550
75,300 to	151,900	10,368	25%	75,300
151,900 to	231,450	29,518	28%	151,900
231,450 to	413,350	51,792	33%	231,450
413,350 to	466,950	111,819	35%	413,350
466,950 to	—	130,579	39.6%	466,950
Head of household				
$ 0 to	$ 13,250	$ 0	10%	$ 0
13,250 to	50,400	1,325	15%	13,250
50,400 to	130,150	6,898	25%	50,400
130,150 to	210,800	26,835	28%	130,150
210,800 to	413,350	49,417	33%	210,800
413,350 to	439,000	116,259	35%	413,350
441,000 to	—	125,936	39.6%	441,000
Married filing separately				
$ 0 to	$ 9,275	$ 0	10%	$ 0
9,275 to	37,650	928	15%	9,275
37,650 to	79,950	5,184	25%	37,650
75,950 to	115,725	14,759	28%	75,950
115,725 to	206,675	25,896	33%	115,725
206,675 to	233,475	55,909	35%	206,675
233,475 to	—	65,289	39.6%	233,475
Estates and trusts				
$ 0 to	$ 2,550	$ 0	15%	$ 0
2,550 to	5,950	383	25%	2,550
5,950 to	9,050	1,233	28%	5,950
9,050 to	12,400	2,101	33%	9,050
12,400 to	—	3,206	39.6%	12,400

Exemption amounts for Alternative Minimum Tax

Filing status	2016 exemption	Exemption amounts phase out at	2016 AMT income in excess of exemption	AMT rate
Single	$53,900	$119,700	First $186,300	26%
			Above $186,300	28%
Married filing jointly	$83,800	$159,700	First $186,300	26%
			Above $186,300	28%
Married filing separately	$41,900	$79,850	First $93,150	26%
			Above $93,150	28%

Capital gains tax rates

Taxable income	Tax rate
Less than 25% income tax bracket	0%
Over 25% but less than 39.6% income tax bracket	15%
39.6% income tax bracket	20%
Taxes on un-recaptured Sec. 1250 gains	25%
Capital gains rates on collectibles	28%

Standard deductions

Filing status	Standard deduction
Single	$ 6,300
Married filing jointly	12,600
Head of household	9,300
Married filing separately	6,300

Additional deductions for certain taxpayers (provided they don't itemize): Age 65 or blind -- $1,250 if married; $1,550 if unmarried and not a surviving spouse. Dependents may take only a limited standard deduction which cannot exceed the greater of (i) $1,050 or (ii) $350 plus earned income (up to the regular standard deduction).

Personal exemption

Filing status	Personal exemption amount	2% phase out begins at AGI of:
Single	$4,050	$259,400
Married filing jointly	4,050	311,300
Head of household	4,050	285,350
Married filing separately	4,050	155,650

This compilation is a summary of information and data available on tax related items at www.irs.gov. This is provided for informational purposes only and should not be used for tax reporting requirements. In the event of any discrepancy between this information and related data from the Internal Revenue Service, the Internal Revenue Service data should be relied upon. New York Life, its affiliates, and agents and employees thereof cannot provide legal, tax or accounting advice. This material includes a discussion of one or more tax-related topics. This tax-related discussion was prepared to assist in the promotion or marketing of the transactions or matters addressed in this material. It is not intended (and cannot be used by any taxpayer) for the purpose of avoiding any IRS penalties that may be imposed upon the taxpayer.

Gift and estate tax

Unified rax rates:		Flat amount	+%	of amount over
$ 0 to	$ 10,000	$ 0	18%	$ 0
10,000 to	20,000	1,800	20%	10,000
20,000 to	40,000	3,800	22%	20,000
40,000 to	60,000	8,200	24%	40,000
60,000 to	80,000	13,000	26%	60,000
80,000 to	100,000	18,200	28%	80,000
100,000 to	150,000	23,800	30%	100,000
150,000 to	250,000	38,800	32%	150,000
250,000 to	500,000	70,800	34%	250,000
500,000 to	750,000	155,800	37%	500,000
750,000 to	1,000,000	248,300	39%	750,000
1,000,000 to	—	345,800	40%	1,000,000

Estate tax and lifetime gift tax applicable exclusion amount:

(Unified Credit): $5,450,000
Annual Gift Tax Exclusion: $14,000 per donee
Annual Gift Tax Exclusion for a Noncitizen Spouse: $148,000

Social Security

Benefits: Full retirement age is 66, if born between 1943 and 1954. Estimated maximum monthly benefit is $2,639, if full retirement begins in 2016.

Retirement earnings exempt amounts:

Before full retirement age:	$ 15,720
If full retirement age is reached during the year:	41,880
After full retirement age:	No limit

Income taxation of Social Security benefits:

To calculate the special tax base for determining whether a taxpayer's Social Security retirement benefits are subject to tax, add one-half of Social Security benefits, plus all other income (including tax-exempt).

Filing status	Tax base	% of benefits taxed
Single or head of household	$25,000 - $34,000 Over $34,000	50% 85%
Married filing jointly	$32,000 - $44,000 Over $44,000	50% 85%
Married filing separately	Depends on whether or not spouses lived together during tax year.	Up to 85%

FICA: Social Security tax paid on income up to $118,500

	% withheld	Maximum tax payable
Employee pays	6.2%	$ 7,347
Employer pays	6.2%	7,347
Self-employed pays	12.4%	14,694

Retirement plan contribution limits

Defined Contribution Plans [IRC Sec. 415(c)] Annual Contribution Limit:	$ 53,000
Defined Benefit Plans [IRC Sec. 415(b)] Annual Benefit Limit:	210,000
401(k), 403(b), SARSEPS, and 457(b) Plans Elective Deferrals: Age 50+ catch-up provisions:	 18,000 6,000
SIMPLE Plans Elective Deferral: Age 50+ catch-up provisions:	 12,500 3,000
Maximum annual compensation used to calculate contributions for most plans:	265,000

Individual Retirement Accounts

Contribution limit of $5,500, with an age 50+ catch-up provision of $1,000, subject to the following income limits:

Type	Adjusted gross income range where allowable contributions phase out
Traditional (non-deductible)	None
Traditional (deductible)	If covered by a retirement plan: $98,000 to $118,000 - Joint $61,000 to $71,000 - Single or HOH $10,000 - Married filing separately If married and only one spouse is covered by plan: $184,000 to $194,000 - Joint
Roth	$184,000 to $194,000 - Joint $117,000 to $132,000 - Single or HOH $10,000 - Married filing separately, or active retirement plan participant. (No income limit for Roth conversions.)

Required Minimum Distributions

Uniform Lifetime Table

Calculate RMDs from qualified retirement plans and IRAs by dividing the account balance on Dec. 31 of the preceding year by the factor that corresponds to the account owner's attained age in the year of the distribution. Married owners with spouses more than ten years younger use the Joint and Last Survivor Table to calculate RMDs.

Age	Factor	Age	Factor	Age	Factor	Age	Factor
70	27.4	80	18.7	90	11.4	100	6.3
71	26.5	81	17.9	91	10.8	101	5.9
72	25.6	82	17.1	92	10.2	102	5.5
73	24.7	83	16.3	93	9.6	103	5.2
74	23.8	84	15.5	94	9.1	104	4.9
75	22.9	85	14.8	95	8.6	105	4.5
76	22.0	86	14.1	96	8.1	106	4.2
77	21.2	87	13.4	97	7.6	107	3.9
78	20.3	88	12.7	98	7.1	108	3.7
79	19.5	89	12.0	99	6.7	109	3.4

Advanced Planning Group

Alan Chew, JD, CPA, CLU®, ChFC®
Christi Cottrell, JD
Jeremy Curtis, JD, MS, CFP®
Dale Facey, JD
Gerry Gaeta, JD, MSFS
David Grebber, JD, LL.M., LUTCF
J.D. Harness, JD
Jeanmarie Holm, JD
Greg Holmgren, CLU®, ChFC®
John Irvin, CLU®, ChFC®, CPA
Mark Jansen, JD, CPA, CLU®, ChFC®
Austin Jarvis, JD, MBA
Bruce Kardon, JD, CLU®, ChFC®
Jeff Klein, CFP®
Tony Li
Jack Loney, JD, CLU®, CFP®
Brian McKenna, JD, CLU®, ChFC®
Lillie Nkenchor, JD
Pratik Patel, JD
Geoff Pfeiffer, JD, CLU®, ChFC®, AEP®
Rick Popper, JD
Amanda Sarp, JD
Aridaman "Ari" Shah Singh, JD, MA
Gary Underwood, JD, CLU®, ChFC®
R. Jason Varnell
Carlos Vicent, JD, CLU®, ChFC®, MSFS, MBA, LL.M.
David Wilcox, CLU®, ChFC®, LUTCF
Melissa Winn, JD, LL.M.
Aaron Yen, JD
Daniel Yoon, JD

Your agent works in collaboration with the entire Advanced Planning Group - a team experienced as legal and tax professionals, and insurance and financial service providers with advanced degrees and designations such as Chartered Life Underwriter®, Certified Financial Planner®, Chartered Financial Consultant®, AEP®, Juris Doctor and Certified Public Accountant - all of whom share one common goal: to ensure you get the best solutions for your unique situation.

NEW YORK LIFE

To learn more about the Advanced Planning Group, visit

www.newyorklife.com/apg

The Nautilus Group®

The Nautilus Group, located in Dallas, TX, is staffed by an elite team of professionals experienced in law, taxation, accounting, business, insurance, finance and philanthropic planning.

CEO Brooke Zrno Grisham, ChFC®, CLU®, AEP®

Richard Baier, JD, CLU®, ChFC®, AEP®, CRPC®, CFP®, FLMI, CAP®

James S. Barry, JD, LL.M., CLU®, ChFC®

Bart Bradshaw, JD, CLU®

Joon Cho, JD

Heather Davis, JD, CLU®, ChFC®, CAP®, AEP®

Karen Fishell, CLU®

Michelle M. Kenyon, JD, CPA

(Robert) Matt Pate, JD, LL.M.

Kathryn Rodgers, JD, LL.M.

Eva Stark, JD, LL.M.

Brett Thornock, JD

This team provides dedicated support for Nautilus Member Agents, an elite group of over 200 experienced insurance and financial industry leaders, firmly committed to a team planning concept. Selected Member Agents of The Nautilus Group are also affiliated as financial advisers with Eagle Strategies LLC, a Registered Investment Adviser. Although Nautilus does not provide financial planning or investment advice, Nautilus Member Agents who are Investment Adviser Representatives with Eagle may give investment advice and provide financial planning services.

To learn more about The Nautilus Group, visit

www.thenautilusgroup.com

The Nautilus Group® is a Service of New York Life Insurance Company. Neither The Nautilus Group, its member agents, nor its staff provide tax, legal or accounting advice. Clients are urged to seek the advice of their own professional advisors before implementing any planning strategies.

Retirement Planning

Social Security Talking Points for 2016

There are several important things happening with Social Security benefits in 2016 that may impact many Americans who are at or near retirement age.

Here are a few of the key points.

There won't be a Cost of Living Adjustment (COLA) for 2016 – so benefits will remain the same.

- This is unusual, since it's only the third time in the past 40 years that there has not been an increase (the last time was 2011). But, COLA increases are based on inflation and there wasn't enough this past year to trigger a rise in benefits.
- COLAs never go down, yet when there is no COLA increase combined with an increase in the national average wage index, the maximum possible Social Security benefit can decrease slightly.
- Because there wasn't a COLA increase, the maximum amount of earnings subject to the Social Security portion of the payroll tax also will not change in 2016 – remaining at $118,500.
- In addition, the earnings limit for those who work and also get Social Security benefits remains the same as in 2015.

The "File and Suspend" strategy.

This strategy has been used for years to help retired couples – particularly those with one spouse who was the only (or primary) breadwinner – maximize benefits.

Here is how it worked in the past:

- The primary earner spouse would file for Social Security benefits at full retirement age (usually 66) and then immediately suspend them, at which time the other spouse would file for spousal benefits equal to half what the primary's benefits would have been. The primary earner's benefits would then grow by 8% each year until age 70, at which time he or she would remove the suspension and have a much higher benefit amount.

The new rule:

- Under the new rule, which goes into effect May 1, 2016, if the primary earner suspends Social Security benefits, a spouse or child who are receiving benefits based on the primary's earnings history can no longer receive any benefits. Thus, suspending the benefits of one, suspends them for everyone.
- Those who file for suspension prior to May 1, 2016, are grandfathered in, and their eligible family members can still apply for and receive Social Security benefits beyond that date.

The "Filing as a Spouse" strategy.

This strategy allowed couples to have one spouse initially file a restricted application for spousal Social Security benefits, resulting in higher overall benefits for the couple down the line.

Here is how it worked in the past:

- Once someone reaches full retirement age, they would file for a restricted application to only receive Social Security benefits as the other's spouse. If only one files, they are entitled to receive the greater of their own retirement benefit or that of their spouse, thus the first to file always gets the higher amount. Their own benefit would then earn delayed retirement credits up until age 70. This strategy only worked if you waited until full retirement age to file for benefits, since if either filed before that time you were treated as having filed for benefits for both spouses.

The new rule:

- The new rule, which goes into effect May 1, 2016, moves the age from 66 to 70, effectively eliminating the ability of one spouse to file for spousal benefits without triggering his or her own.
- Even though the new rule goes into effect next year, a person who turned 62 by the end of 2015 is grandfathered under the old rule, though will still have to wait until at least age 66 to take advantage of it.

1674363 12.8.2016

Taxation - Income, Estate and Gift

Inflation-adjusted amounts for 2015 and 2016 income taxes.

Several income tax and employee benefit factors are adjusted annually to reflect changes in the Consumer Price Index. In Rev. Proc. 2015-53 and IR-2015-118, Oct. 21, 2015, the Internal Revenue Service released certain inflation adjusted income tax and employee benefit provisions for 2016. Inflation adjustments that are effective for 2016 are very modest, and in many cases, no adjustment is made at all.

	2015	2016
Income Threshold for 39.6% Marginal Rate and 20% Dividend or LTCG Rates ▪ Single Taxpayer ▪ Married Filing Jointly	 $413,200 $464,850	 $415,050 $466,950
Standard Deduction ▪ Single or Married Filing Separately ▪ Married Filing Jointly ▪ Head of Household	 $6,300 $12,600 $9,250	 $6,300 $12,600 $9,300
Personal Exemption (subject to phase-out)	$4,000	$4,050
Limitation on Itemized Deductions Begins ▪ Single Taxpayer ▪ Married Filing Jointly	 $258,250 $309,900	 $259,400 $311,300
Alternative Minimum Tax (AMT) Exemption ▪ Single Taxpayer ▪ Married Filing Jointly	 $53,600 $83,400	 $53,900 $83,800
Flexible Spending Account (FSA) Limit	$2,550	$2,550
Foreign Earned Income Exclusion	$100,800	$101,300
Defined Benefit Plan Dollar Limits	$210,000	$210,000
Defined Contribution Plan Limits	$53,000	$53,000
Elective Deferrals ▪ 401(k), 457, and SAR-SEP Plans ▪ SIMPLE IRAs and SIMPLE 401(k)s	 $18,000 $12,500	 $18,000 $12,500
Catch-Up Contributions: Age 50 and Older ▪ 401(k), 457, and SAR-SEP Plans ▪ SIMPLE IRAs and SIMPLE 401(k)s	 $6,000 $3,000	 $6,000 $3,000
Maximum Compensation Amount for Qualified Plans, VEBAs, SEPs and TSAs	$265,000	$265,000
Highly Compensated Employee Definition	$120,000	$120,000
Key Employee Definition in Top Heavy Plan	$170,000	$170,000
Traditional/Roth IRA Contribution Limit	$5,500	$5,500
IRA Catch-Up Contribution (Age 50+)	$1,000	$1,000

1674363 12.8.2016

Inflation-adjusted amounts for 2015 and 2016 transfer taxes.

Several transfer tax exemptions are adjusted annually to reflect changes in the Consumer Price Index, which were comparatively minor for 2016. The 2016 amounts were published in IRS Rev. Proc. 2015-53. Inflation adjustments that are effective for 2016 are very modest, and in some cases, no adjustment is made at all.

	2015	2016
Estate and Gift Tax Exemption Amount	$5,430,000	$5,450,000
Generation-Skipping Transfer Tax Exemption	$5,430,000	$5,450,000
Gift Tax Annual Exclusion	$14,000	$14,000
§2032A Special Use Valuation Limit on Decrease in Value Due to Special Valuation	$1,100,000	$1,110,000
Portion of Decedent's Estate Eligible to Calculate Interest at 2% under §6166 for Installment Payment of Estate Tax	$1,470,000	$1,480,000
Annual Exclusion for Gifts to Noncitizen Spouse	$147,000	$148,000

1674363 12.8.2016

www.nyladvisors.com

FOR TRUSTED ADVISORS
Working together to better serve our clients

Like 306 1 0 53 1

Educational Opportunities | Video Library | Read Our Newsletter | Professional Support | Locate an Agent

Working with New York Life is Good Business

Since our founding in 1845, New York Life has been helping individuals, families and businesses plan for the future. Our professionals take a personal interest in providing clients with dependable tools and reliable information to help them make smart decisions.

Now these resources are available to support professionals like you -- attorneys, accountants, trust officers, and other financial advisors who are committed to helping clients reach their goals. This site provides complimentary technical materials, educational opportunities, and practice management ideas. To be notified of updates, please sign up for our quarterly enewsletter.

If your practice could benefit from the financial strength, integrity, and exclusive resources that only the nation's largest mutual life insurer[1] can offer, let's work together to better serve our clients.

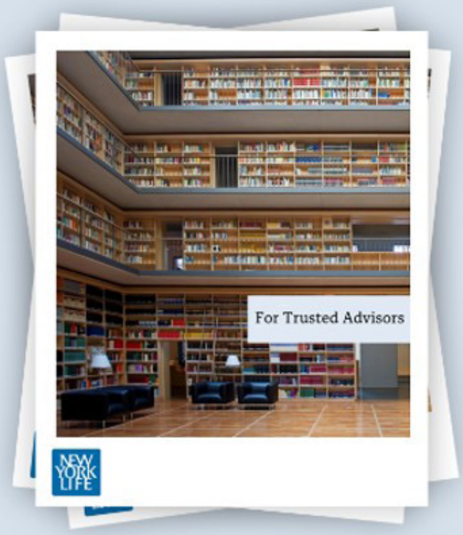
Sign Up For Our Newsletter

I am (select all that apply):

- ☐ CPA/Accountant
- ☐ Attorney
- ☐ Agent
- ☐ Other: New York Life
- ☐ Other: Non-New York Life

How did you hear about us?

SUBMIT



Trust you've done the best for your clients by working with New York Life:

When you work with a New York Life agent, you can trust that you're doing the best to protect your clients' financial security.

Received the highest financial strength awarded to any life insurer from all four major rating agencies.[2]

A 170-year history of stability, reliability, and promises kept.

In 2014, our surplus and asset valuation reserve grew to an all-time high.[3]

[1] Based on revenue as reported by "Fortune 500 Ranked within Industries, Insurance: Life and Health (Mutual)," Fortune magazine, June 15, 2015
[2] Individual third-party ratings reports as of 8/13/14.
[3] Please visit newyorklife.com for our full financial information on New York Life and its insurance subsidiaries. Total surplus which includes the Asset Valuation Reserve, is referenced on a consolidated basis of the company.

Qualified Longevity Annuity Contracts add flexibility for retirement distributions.

On July 1, 2014, the Internal Revenue Service (IRS) and the U.S. Treasury Department released finalized regulations regarding longevity annuities and their application to defined contribution qualified retirement plans and individual retirement accounts (IRAs). Prior to the final regulations, longevity contracts were not used in defined contribution plans or IRAs. As a result of the final regulations, individuals now have greater flexibility to align retirement income needs with distributions since IRAs and certain qualified retirement plans can now invest in Qualified Longevity Annuity Contracts (QLACs) without running afoul of required minimum distribution (RMD) requirements.

Generally, under the RMD rules of Internal Revenue Code §401(a)(9), individuals must begin taking annual withdrawals from qualified retirement plans and IRAs at age 70½. RMDs from qualified retirement plans or IRAs are taxed at ordinary income rates. RMDs are calculated by dividing the account balance by a life expectancy factor. Prior to the regulations, deferred annuities were not a suitable investment for defined contribution plans and IRAs since the present value of the annuity's benefit was required to be included in the individual's RMD calculation with no offsetting income (during the deferral period) to pay the resulting tax. The new regulations open the door for defined contribution plans and IRAs to invest in deferred annuities since the value of a QLAC will be excluded from an individual's account balance for the purposes of determining RMDs. As a result, QLACs can be used to defer required annuity payments beyond an individual's age 70½ without violating the RMD rules. Annuity payments from a QLAC can begin as late as age 85 (though payments could begin earlier under the terms of the contract). For individuals who do not need RMDs for ongoing retirement income needs, the ability to defer the income tax liability resulting from RMDs may reduce current income tax liability. QLACs also may be useful to individuals who don't necessarily need RMDs to support ongoing retirement income needs by providing those individuals with the flexibility to better plan for income needs later on in life when expenses may be appreciably higher.

Longevity annuities are similar to immediate fixed income annuities in that they are funded with a single premium payment. However, unlike payments from an immediate fixed income annuity, longevity annuity payments do not begin immediately but instead start at a designated age. Since longevity annuity payments last for an individual's lifetime, a longevity annuity helps protect against the risk of outliving retirement assets.

QLAC requirements:

- The QLAC must be purchased on or after July 2, 2014. A longevity annuity in existence before July 2, 2014, can be exchanged for a new contract after July 2, 2014, and will be considered a QLAC if all other requirements are met.
- The contract must specifically state at inception that it is intended to be a QLAC. The issuing company must file annual reports to the IRS and the contract holder regarding QLAC values and status.
- QLACs can be funded with money from IRAs and the following defined contribution plans: 401(k), 403(b), and eligible governmental 457(b).
- The IRS placed limitations on the amount of qualified retirement plan or IRA money that can be used to invest in a QLAC. QLAC premiums are limited to the lesser of $125,000 (adjusted for cost-of-living increases) or 25% of the individual's account balance. The 25% limitation applies to qualified retirement plans on a plan-by-plan basis and to IRAs on an aggregate basis.
- Income payments must begin no later than the first day of the month following the owner's age 85. Income payment options can be single life only, joint life only, single life with cash refund, or joint life with cash refund. After payments begin, the payments must satisfy the RMD rules.
- The annuity contract must be a fixed-rate deferred income annuity contract and the contract cannot have any cash surrender value or commutation benefit.

1668564 10.7.2016

Financial strength matters...

New York Life's financial strength

Industry leading ratings

Highest ratings currently awarded to any life insurer for financial strength

A++	AAA	Aaa	AA+
Superior	**Exceptionally Strong**	**Exceptional**	**Very Strong**
A.M. Best	Fitch	Moody's	Standard & Poor's

Source: Individual third-party ratings report. Ratings pertain to both New York Life Insurance Company and New York Life Insurance & Annuity Corporation.[1]

Key events

- According to Fortune, New York Life Insurance Company is the largest mutual life insurance company in the U.S.[2]
- In 2016, New York Life Insurance Company will pay dividends to eligible participating policyholders for the 162nd consecutive year. On November 18, 2015, New York Life's Board of Directors voted to approve a total dividend payout to participating policyholders of $1.7 billion in 2016. This is the highest payout in our company's 170-year history[3] and represents a 5.2% gain over the 2015 level. Furthermore, New York Life has increased its dividend payout 37% over the 2012 level.
- A.M. Best, Fitch, Moody's, and Standard & Poor's assign ratings that reflect an organization's financial strength and stability. Out of 825 life insurers in the U.S. today, New York Life is one of only two to earn the highest ratings for financial strength currently awarded to any life insurer from each of these four agencies.
- As of Aug. 1, 2015, New York Life Insurance Company has dominated the Million Dollar Round Table (MDRT)[4] in the U.S. for the 61st consecutive year with 2,464 qualifying New York Life agents.[5]
- In 2015, New York Life Insurance Company launched its new Mutual Income annuities, the first time dividend eligible products have been offered to our income annuity clients.

Investment philosophy

At New York Life, our investment philosophy is based upon careful risk-return analysis. Listed below are some of the guiding principles and disciplines we believe form the basis for sound investing:

- We maintain diversification
- We conduct our own research
- We insist on getting paid for taking risk
- We take a long-term view
- We maintain ample liquidity
- We don't blindly follow the crowd

Financial highlights as of 9/30/15[6]

Consolidated Surplus and Asset Valuation Reserve (AVR) is $22.1 billion, which is the total of the $21.1 billion surplus and AVR reflected below for New York Life Insurance Company and the AVR of its subsidiaries.

New York Life Insurance Company

- Statutory Admitted Assets totaled $163.9 billion
- Total Statutory Liabilities totaled $142.8 billion
- Surplus and AVR totaled $21.1 billion

New York Life Insurance and Annuity Corporation

- Statutory Admitted Assets totaled $130.4 billion
- Total Statutory Liabilities totaled $121.4 billion
- Surplus and AVR totaled $9 billion

NEW YORK LIFE

[1] Individual independent rating agency commentary as of 8/11/15.

[2] Based on revenue as reported by "Fortune 500 Ranked within Industries, Insurance: Life and Health (Mutual)," Fortune magazine, June 15, 2015. For methodology, please see http://fortune.com/fortune500/.

[3] Dividends are payments made to eligible policyholders from divisible surplus. Dividends are not guaranteed.

[4] MDRT, The Premier Association of Financial Professionals, is recognized throughout the industry as the standard of excellence in life insurance sales performance.

[5] MDRT Headquarters, August 2015.

[6] New York Life Insurance Company's AVR, a special reserve that stabilizes surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, and other invested assets, totaled $2.6 billion and surplus totaled $18.5 billion. New York Life Insurance and Annuity Corporation's AVR totaled $1.0 billion and surplus totaled $8 billion. The AVR for NYLIFE Insurance Company of Arizona totaled less than $1 million.

New York Life Insurance Company

51 Madison Avenue
New York, NY 10010

www.newyorklife.com

SMRU1674154 (Exp.06.30.2016)

2016 Feldman Forum

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010
www.newyorklife.com

The Company You Keep®