Advisor Webinar Series

April 27, 2022

“Planning for the Large Estate in 2022"
Presented by Robert S. Keebler, CPA/PFS,
MST, AEP® (Distinguished), CGMA
Keebler & Associates, LLP

Planning for the Large Estate

Webinar for Professional Advisors

Program overview:

Estate tax planning in the current environment is as complicated as ever. Whether clients are under, signficantly over, or uncertain of the impact the estate tax exemption will have, they all face complicated issues that require expert guidance from their advisors. In this one-hour webinar, Robert Keebler will show advisors how to balance the benefits of certain planning strategies against issues and considerations clients may be facing now or in the future, and provide participants with the knowlege to:

- Understand the mathematics of portability;
- Effectively use intentionally defective grantor trusts (IDGTs);
- Minimize income taxation of inter-vivos (living) trusts;
- Choose the state with the best trust and income tax benefits for the client; and
- Leverage the special advantage of using split-dollar life insurance.

Robert S. Keebler, CPA/PFS, MST, AEP® (Distinguished), CGMA

Date: Wednesday, April 27, 2022
Time: 3:00 - 4:00 p.m. Eastern
(2:00 - 3:00 p.m. Central; 1:00 - 2:00 p.m. Mountain; Noon - 1:00 p.m. Pacific)

Robert S. Keebler, CPA/PFS, MST, AEP® (Distinguished), is a partner with Keebler & Associates, LLP, and a recipient of the prestigious Accredited Estate Planners (Distinguished) award from the National Association of Estate Planners & Councils. He has been named by CPA Magazine as one of the Top 100 Most Influential Practitioners in the United States and one of the Top 40 Tax Advisors to Know During a Recession. His practice includes family wealth transfer and preservation planning, charitable giving, retirement distribution planning, and estate administration. Mr. Keebler frequently represents clients before the National Office of the Internal Revenue Service (IRS) in the private letter ruling process and in estate, gift and income tax examinations and appeals, and he has received more than 250 favorable private letter rulings including several key rulings of "first impression." He is the author of over 100 articles and columns and is the editor, author or co-author of many books and treatises on wealth transfer and taxation. Mr. Keebler has been a speaker at national estate planning and tax seminars for over 20 years including the AICPA's Estate Planning, High Income and Advanced Financial Planning conferences, ABA conferences, NAPEC conferences, The Notre Dame Estate Planning conference and the Heckerling Estate Planning Institute.

Accountants can earn CPE credit by pre-registering using the link on the following page and responding to the polling questions that will be asked during the program. This course qualifies with NASBA for 1.0 hour of CPE credit in the field of study: Taxes.

Planning for the Large Estate

With Robert S. Keebler, CPA/PFS, MST, AEP® (Distinguished), CGMA

To register for and attend this session, use the link below:

https://nylife.zoom.us/webinar/register/WN_alQk8cfjSfGmyW0fANceOw

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Mobile access: Zoom runs on tablets and smartphones. Download the application from the App Store of your choice.

Learning objectives: Upon completion of this program, participants will be able to understand the mathematics of portability; effectively use intentionally defective grantor trusts (IDGTs); minimize income taxation of inter-vivos (living) trusts; choose the state with the best trust and income tax benefits for a client; and leverage the special advantage of using split-dollar life insurance.
Who should attend: This presentation is prepared for the general information and education of professional advisors who work with agents of New York Life Insurance Company. It is for educational purposes only and not intended for use with the general public.
Program level: Advanced.
Prerequisites: Practicing accountants and attorneys with significant exposure to the subject.
Advanced preparation: None required.
Delivery method: Group Internet based (GIB).
Recommended CPE credit and field of study: Participants will earn 1.0 CPE credits in the category "Taxes." In order to be awarded the full credits, participants must respond to the polling questions asked during the program, and complete and return the appropriate CE forms.
Registration requirements: To register for this program, go to https://nylife.zoom.us/webinar/register/WN_alQk8cfjSfGmyW0fANceOw.
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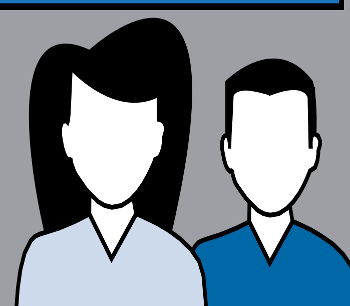

2 Accurately respond to each polling question that will appear on the Zoom platform throughout the program and complete an optional short evaluation survey at the conclusion of today's event.

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Planning for the Large Estate in 2022

New York Life Advisor Webinar
Featuring Robert S. Keebler, CPA/PFS, MST, AEP® (Distinguished)

Disclaimer

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Your New York Life host

Sarah Frances Trampe, MBA
Corporate Vice President
The Nautilus Group®

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Polling Question

Answering your questions:

Michelle M. Kenyon, JD, CLU®
Corporate Vice President
The Nautilus Group®

Chad Whitfield, JD
Corporate Vice President
The Nautilus Group®

Our guest speaker:

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

Estate Tax Planning in 2022

Exemption Reduction Math – "Use It or Lose It"

2022 gifts use this portion of the exemption first.

Old Exemption
$6,030,000

2022 gifts use this portion of the exemption second. Lost if not used before the law changes.

2018 Exemption Increase
$6,030,000

2022 Estate Tax Exemption $12,060,000

Estate Planning in 2022

- Pending estate tax reform:
  - Substantial reduction in the estate tax exemption.
  - Substantial reduction in the gift tax exemption.
  - Gift, estate, & GST tax rate increase.
  - 2022 effective date.

Estate Planning in 2022

- Pending estate tax reform:
  - Substantial limitation on grantor trusts -
    - Assets in grantor trusts included in the grantor's estate.
    - Distributions from grantor trusts during the life of the deemed owner are gifts.
    - The assets of a grantor trust are deemed to be a gift if the grantor trust status is "turned off."
    - **Changes are currently drafted to apply to trusts created or funded after enactment.**

For the 99.5% Act, Section 8
New IRC § 2901(c)

Estate Planning in 2022

- Pending estate tax reform:
  - Substantial limitations to GRATs.
  - Substantial limitation to Dynasty Trusts.
  - Annual exclusion gift changes.

Polling Question

Balancing Bet-to-Live and Bet-to-Die

Key Strategies

"Bet-to-Live" Strategies

- Lifetime Gifts
  - Annual Exclusion Gifts
  - Lifetime Gift Tax Exemption Gifts
  - Taxable Gifts
- Grantor Retained Annuity Trust (GRAT)
- Dynasty Trust
- Sale to an Intentionally Defective Grantor Trust (IDGT)

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Balancing Bet-to-Live and Bet-to-Die

Key Strategies

"Bet-to-Die" Strategies

- Self-Canceling Installment Note (SCIN)
- Private Annuity
- Life Insurance

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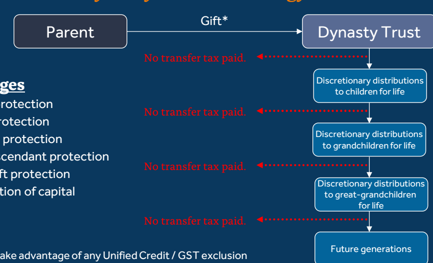
Balancing Bet-to-Live and Bet-to-Die

Dynasty Trust – Strategy Overview



Advantages

- Creditor protection
- Divorce protection
- Estate tax protection
- Direct descendant protection
- Spendthrift protection
- Consolidation of capital

* Gift should take advantage of any Unified Credit / GST exclusion remaining.

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Balancing Bet-to-Live and Bet-to-Die

Dynasty Trust – Tax Savings from Avoiding Estate Tax

	5% Growth	7% Growth	9% Growth
Value of Trust in 20 years	$ 13,266,489	$ 19,348,422	$ 28,022,054
Estate Tax Savings @ 40%	$ 5,306,595	$ 7,739,369	$ 11,208,822
Value of Trust in 40 years	$ 35,199,944	$ 74,872,289	$ 74,872,289
Estate Tax Savings @ 40%	$ 14,079,977	$ 29,948,916	$ 29,948,916
Value of Trust in 60 years	$ 93,395,929	$ 289,732,134	$ 880,156,460
Estate Tax Savings @ 40%	$ 37,358,372	$ 115,892,854	$ 352,062,584
Value of Trust in 80 years	$ 247,807,205	$ 1,121,171,938	$ 4,932,758,341
Estate Tax Savings @ 40%	$ 99,122,882	$ 448,468,775	$ 1,973,103,336

Initial investment of $5,000,000

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Balancing Bet-to-Live and Bet-to-Die

Sale to an IDGT – Summary of the Strategy

- A type of transaction whereby a grantor sells a highly appreciating asset to an IDGT in exchange for an installment note.
- To the extent that the growth rate on the assets sold to the IDGT is greater than the interest rate on the installment note taken back by the grantor, the "excess" is passed on to the trust beneficiaries free of any gift, estate, and/or GST tax.
- No capital gains tax is due on the installment sale to the trust because the trust is "defective" for income tax purposes.
- Interest income on installment note is not taxable to the grantor because the trust is "defective" for income tax purposes.

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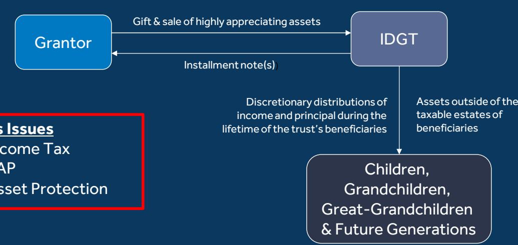
Balancing Bet-to-Live and Bet-to-Die

Sale to an IDGT – Summary of the Strategy

- However, the grantor should make an initial gift (at least 10% of the total transfer value) to the trust so that it has sufficient capital to make its payments to the grantor.
- Split-dollar life insurance planning does not have this leverage limitation.

Balancing Bet-to-Live and Bet-to-Die

Sale to an IDGT – Strategy Overview



Situs Issues
- Income Tax
- RAP
- Asset Protection

Balancing Bet-to-Live and Bet-to-Die

Sale to an IDGT – Sample AFRs (April 2022)

Short-Term AFR	1.26%
Mid-Term AFR	1.87%
Long-Term AFR	2.25%
Section 7520 Rate	2.2%

IDGT Sale – Why an IDGT Sale Works

Long-Term AFR Rate 2.25%

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (157,500)	$ 10,842,500
2	$ 10,842,500	$ 1,084,250	$ (157,500)	$ 11,769,250
3	$ 11,769,250	$ 1,176,925	$ (157,500)	$ 12,788,675
4	$ 12,788,675	$ 1,278,868	$ (157,500)	$ 13,910,043
5	$ 13,910,043	$ 1,391,004	$ (157,500)	$ 15,143,547
6	$ 15,143,547	$ 1,514,355	$ (157,500)	$ 16,500,401
7	$ 16,500,401	$ 1,650,040	$ (157,500)	$ 17,992,942
8	$ 17,992,942	$ 1,799,294	$ (157,500)	$ 19,634,736
9	$ 19,634,736	$ 1,963,474	$ (157,500)	$ 21,440,709
10	$ 21,440,709	$ 2,144,071	$ (7,157,500)	$ 16,427,280

BENEFIT: $16,427,280 transferred to beneficiaries tax free.

Assuming a $7,000,000 (after valuation adjustments) interest only, balloon payment feature installment note with a 2.25% annual interest rate (long-term AFR).

Why an IDGT Sale Works – Rate Differential

Long-Term AFR Rate 2.25%

Year	Beginning Balance	Taxable Income 2.25%	Annual Payment $ 225,000	Ending Balance
1	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
2	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
3	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
4	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
5	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
6	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
7	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
8	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
9	$ 10,000,000	$ 225,000	$ (225,000)	$ 10,000,000
10	$ 10,000,000	$ 225,000	$ (10,225,000)	$ -

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment $ 225,000	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (225,000)	$ 10,775,000
2	$ 10,775,000	$ 1,077,500	$ (225,000)	$ 11,627,500
3	$ 11,627,500	$ 1,162,750	$ (225,000)	$ 12,565,250
4	$ 12,565,250	$ 1,256,525	$ (225,000)	$ 13,596,775
5	$ 13,596,775	$ 1,359,678	$ (225,000)	$ 14,731,453
6	$ 14,731,453	$ 1,473,145	$ (225,000)	$ 15,979,598
7	$ 15,979,598	$ 1,597,960	$ (225,000)	$ 17,352,558
8	$ 17,352,558	$ 1,735,256	$ (225,000)	$ 18,862,813
9	$ 18,862,813	$ 1,886,281	$ (225,000)	$ 20,524,095
10	$ 20,524,095	$ 2,052,409	$ (10,225,000)	$ 12,351,504

BENEFIT: $12,351,504 additional wealth transferred to beneficiaries tax free ($7,594,778 is attributable to taxes paid by the grantor).

Why an IDGT Sale Works – Valuation Adjustments

Long-Term AFR Rate 2.25%

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment $ 225,000	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (225,000)	$ 10,775,000
2	$ 10,775,000	$ 1,077,500	$ (225,000)	$ 11,627,500
3	$ 11,627,500	$ 1,162,750	$ (225,000)	$ 12,565,250
4	$ 12,565,250	$ 1,256,525	$ (225,000)	$ 13,596,775
5	$ 13,596,775	$ 1,359,678	$ (225,000)	$ 14,731,453
6	$ 14,731,453	$ 1,473,145	$ (225,000)	$ 15,979,598
7	$ 15,979,598	$ 1,597,960	$ (225,000)	$ 17,352,558
8	$ 17,352,558	$ 1,735,256	$ (225,000)	$ 18,862,813
9	$ 18,862,813	$ 1,886,281	$ (225,000)	$ 20,524,095
10	$ 20,524,095	$ 2,052,409	$ (10,225,000)	$ 12,351,504

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment $ 157,500	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (157,500)	$ 10,842,500
2	$ 10,842,500	$ 1,084,250	$ (157,500)	$ 11,769,250
3	$ 11,769,250	$ 1,176,925	$ (157,500)	$ 12,788,675
4	$ 12,788,675	$ 1,278,868	$ (157,500)	$ 13,910,043
5	$ 13,910,043	$ 1,391,004	$ (157,500)	$ 15,143,547
6	$ 15,143,547	$ 1,514,355	$ (157,500)	$ 16,500,401
7	$ 16,500,401	$ 1,650,040	$ (157,500)	$ 17,992,942
8	$ 17,992,942	$ 1,799,294	$ (157,500)	$ 19,634,736
9	$ 19,634,736	$ 1,963,474	$ (157,500)	$ 21,440,709
10	$ 21,440,709	$ 2,144,071	$ (7,157,500)	$ 16,427,280

BENEFIT: $4,075,776 additional wealth transferred to beneficiaries tax free.

Why an IDGT Sale Works – Grantor-Paid Taxes

Long-Term AFR Rate 2.25%

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment $ 157,500	Less: Taxes @ 40.00%	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (157,500)	$ (400,000)	$ 10,442,500
2	$ 10,442,500	$ 1,044,250	$ (157,500)	$ (417,700)	$ 10,911,550
3	$ 10,911,550	$ 1,091,155	$ (157,500)	$ (436,462)	$ 11,408,743
4	$ 11,408,743	$ 1,140,874	$ (157,500)	$ (456,350)	$ 11,935,768
5	$ 11,935,768	$ 1,193,577	$ (157,500)	$ (477,431)	$ 12,494,414
6	$ 12,494,414	$ 1,249,441	$ (157,500)	$ (499,777)	$ 13,086,578
7	$ 13,086,578	$ 1,308,658	$ (157,500)	$ (523,463)	$ 13,714,273
8	$ 13,714,273	$ 1,371,427	$ (157,500)	$ (548,571)	$ 14,379,630
9	$ 14,379,630	$ 1,437,963	$ (157,500)	$ (575,185)	$ 15,084,907
10	$ 15,084,907	$ 1,508,491	$ (7,157,500)	$ (603,396)	$ 8,832,502

Year	Beginning Balance	Taxable Income 10.00%	Annual Payment $ 157,500	Less: Taxes @ 40.00%	Ending Balance
1	$ 10,000,000	$ 1,000,000	$ (157,500)	$ -	$ 10,842,500
2	$ 10,842,500	$ 1,084,250	$ (157,500)	$ -	$ 11,769,250
3	$ 11,769,250	$ 1,176,925	$ (157,500)	$ -	$ 12,788,675
4	$ 12,788,675	$ 1,278,868	$ (157,500)	$ -	$ 13,910,043
5	$ 13,910,043	$ 1,391,004	$ (157,500)	$ -	$ 15,143,547
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8	$ 17,992,942	$ 1,799,294	$ (157,500)	$ -	$ 19,634,736
9	$ 19,634,736	$ 1,963,474	$ (157,500)	$ -	$ 21,440,709
10	$ 21,440,709	$ 2,144,071	$ (7,157,500)	$ -	$ 16,427,280

BENEFIT: $7, 594,778 additional wealth transferred to beneficiaries tax free.

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Why an IDGT Sale Works – Summary

Long-Term AFR Rate 2.25%

Reasons for Total Wealth Transferred	
Differential Between Rates of Return	$ 4,756,726
Valuation Adjustment	4,075,776
Income Taxes Paid by Grantor	7,594,778
Total Wealth Transferred	**$16,427,280**

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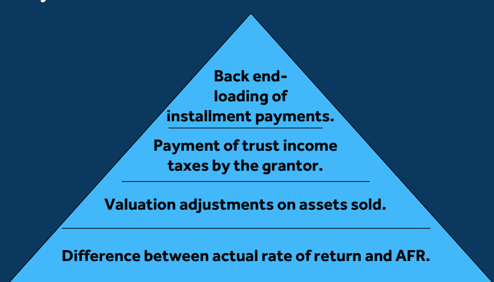
Why an IDGT Sale Works – Summary



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Polling Question

Portability

Portability Basics

- Portability allows the executor to either utilize the decedent's estate tax exclusion or transfer it to the surviving spouse.

However, the law does not allow the decedent to transfer his/her unused GST tax exemption to the surviving spouse.

IRC 2010(c)(4).

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Portability Basics

Basic Exclusion Amount (BEA)

- Prior to 2011, the basic exclusion amount was referred to as the "applicable exclusion amount."
- In simple terms, the BEA is the minimum estate tax exclusion amount allowed for a single decedent.
  - In 2022, the BEA is $12,060,000.
- Like the prior "applicable exclusion amount," the BEA is reduced by prior taxable gifts.

Portability Basics

Deceased Spousal Unused Exclusion Amount (DSUE)

- DSUE is the unused estate tax exclusion that the deceased spouse transfers to his/her surviving spouse.

Late Election Relief

- Rev. Proc. 2017-34 – basically provides for automatic relief if:
  - It's applied for by second annual anniversary of the decedent's date of death, and
  - The estate was not otherwise required to file a Form 706.

It's not quite so simple, but if your client is in the situation, getting help quickly is prudent as this is relatively simple.

Late Election Relief

- Beyond the two-year window, Section 9100-3 relief may be obtained using a private letter ruling (PLR).
- Generally, the estate must still be below the filing threshold and there must be a reason for missing the election such as a mistake or unbearable grief.

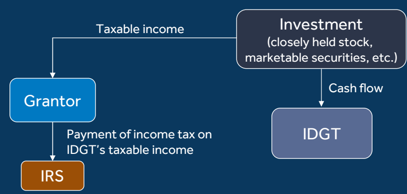
This is more complicated and it's likely necessary to engage specialized and experienced counsel.

Income Taxation of Inter Vivos Trusts

"Tax Burn" Strategy – Overview

- The "tax burn" strategy basically involves an installment sale (or other transfer) to a grantor trust. The purpose of this strategy is to reduce the grantor's gross estate by having him/her pay the annual income tax liability on behalf of the trust. In turn, the grantor's payment of income tax on the trust's behalf is a tax-free gift to the trust (see Rev. Rul. 2004-64).

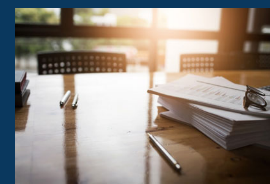
“Tax Burn” Strategy – Overview



Non-Grantor Trusts

General Tax Rules

- Trusts and estates are separate taxable entities.
  - Receive income and pay expenses.
  - Recognize income and claim deductions and credits.
  - Can have situs in a different state than the grantor or beneficiary.



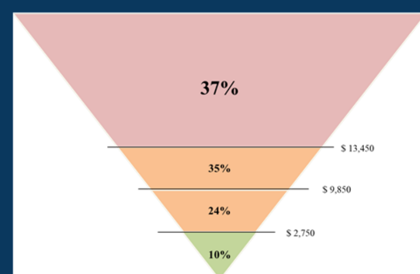
Non-Grantor Trusts

General Tax Rules

- Income taxed to either the trust/estate or the beneficiary.
- If income is accumulated, then the income is taxed to the trust/estate.
- If income is distributed, then the trust/estate gets an income tax deduction and beneficiaries report taxable income.

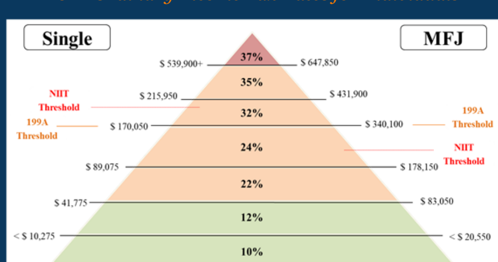
Non-Grantor Trusts

2022 Ordinary Income Tax Rates for Estates & Trusts



Non-Grantor Trusts

2022 Ordinary Income Tax Rates for Individuals



Non-Grantor Trusts

Types of Trusts

- Simple trusts
  - Required to distribute accounting income annually.
  - Cannot make principal distributions.
  - Cannot make distributions to charity.
- Complex trusts
  - May accumulate income.
  - May make either discretionary or mandatory distributions of income and/or principal.
  - May make distributions to charity.
- ESBT – Electing Small Businesses Trust
- QSST – Qualified Subchapter “S” Trust

Non-Grantor Trusts

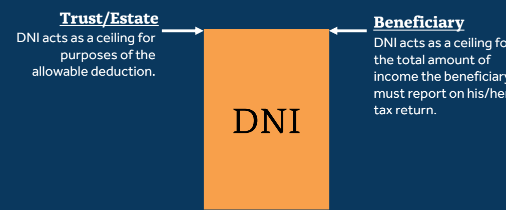
Distributable Net Income (DNI)

- Determines the amount of the trust's or estate's income distribution deduction.
- Determines how much the beneficiaries must report as income on their tax returns.
- Determines the character (e.g., interest, dividends, etc.) of the taxable income in beneficiaries' hands.

IRC § 661

Non-Grantor Trusts

Distributable Net Income (DNI)



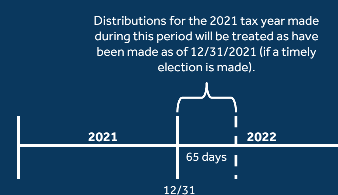
Non-Grantor Trusts

"65-Day" Rule (IRC §663(b))

- Applies to estates and complex trusts.
- Allows fiduciary to treat distributions made within 65 days after year-end to be treated as if they were made as of December 31st of the prior year.
  - Limited to DNI (reduced by distributions made during the prior year).
- Election must be made by the due date of the tax return.
  - Election is irrevocable.
  - Annual election.

Non-Grantor Trusts

"65-Day" Rule (IRC §663(b))



Non-Grantor Trusts

Charitable Deduction (IRC §642(c))

- Requirements
  - Paid from gross income.
  - Paid pursuant to the governing document.
- Must actually be paid in the current year.
  - Exception: pre-1969 trusts.
- Unlimited in amount.
- Taken as a deduction in computing adjusted gross income (AGI).

Non-Grantor Trusts

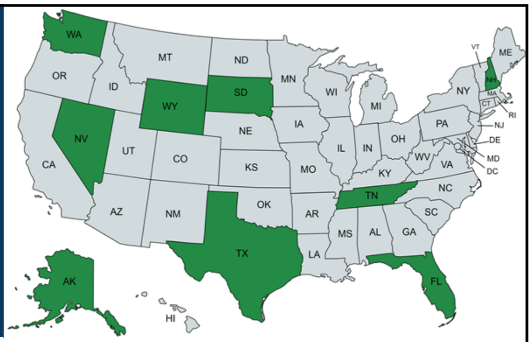
IRC §691(c) Deduction

- To the extent that a decedent's taxable estate includes items of income in respect of a decedent (IRD) and a federal estate tax is assessed, the estate and/or its beneficiaries are entitled to an income tax deduction for the estate tax attributable to IRD.

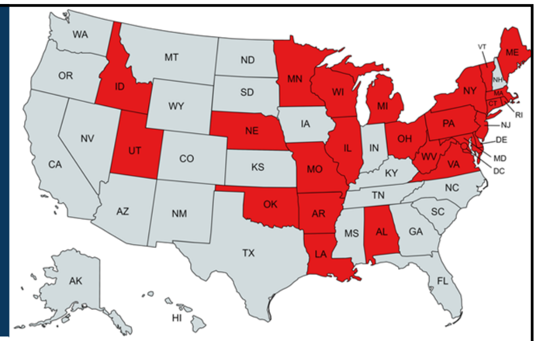
Polling Question

Choice of Situs

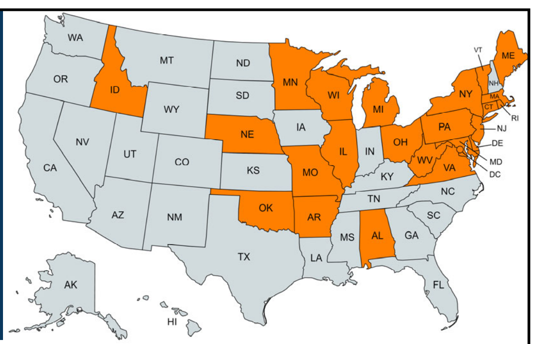
States Which Do Not Impose Income Tax on Non-Grantor Trusts



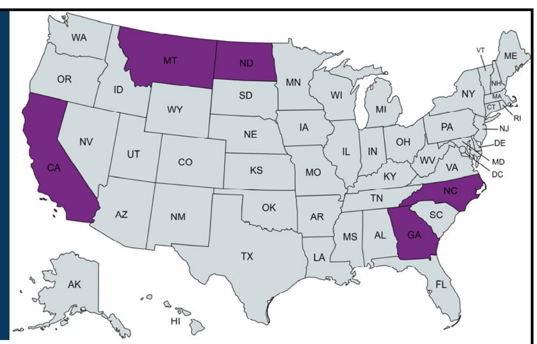
States Which Tax Trusts Created By Will of Resident



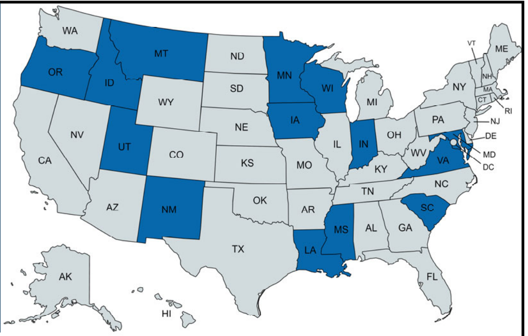
States Which Tax Inter Vivos Trusts Created by a Resident



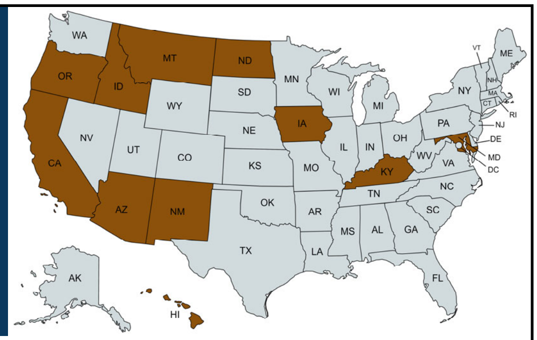
States Which Tax Trusts with a Resident Beneficiary



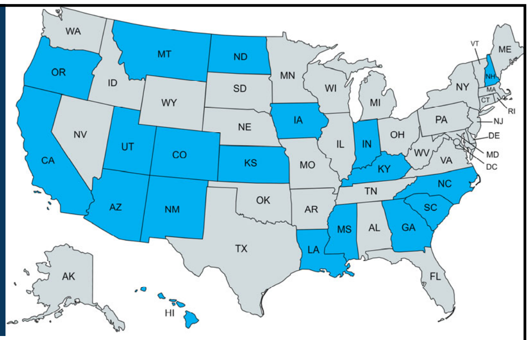
States Which Tax Trusts Adminis-tered in the State



States Which Tax Trusts with a Resident Trustee

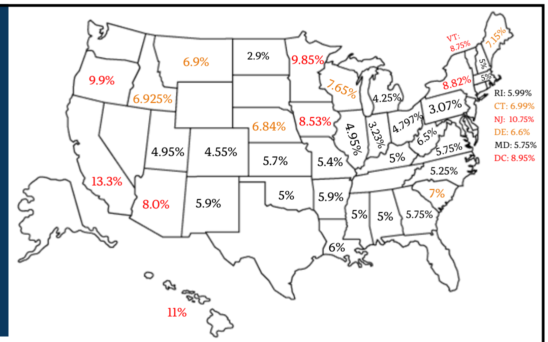


States Which Impose Income Tax BUT not on an Inter Vivos Trust Created by a Resident



If you have a client living in any of these states, they may be able to settle a trust to avoid their state's income tax.

Top State Income Tax Rates



Split-Dollar Life Insurance

Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

- A type of premium financing arrangement in which two or more private parties (e.g., employer/employee, corporation/shareholder) choose to split the economic benefits of a life insurance policy whereby one party pays for all or a portion of the annual premium.

DEBT TO EQUITY ADVANTAGE

Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

Traditional Methods of Reporting Split-Dollar (Pre-Final Regulations)

- Endorsement Method
  - Employer/company owns policy.
  - Employee/shareholder sometimes entitled to receive policy equity.
- Collateral Assignment Method
  - Employee/shareholder owns policy.
  - Employer/company has a right to receive cumulative premiums paid.

Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

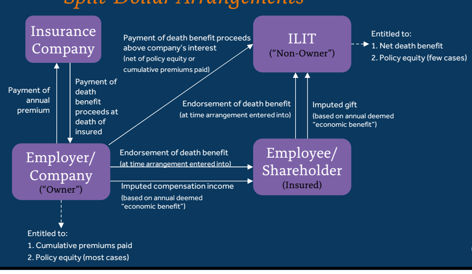
Current Methods of Reporting Split-Dollar (Final Regulations – Post 9/17/2003 Arrangements)

- Economic Benefit Method
  - Employer/company ("owner") owns the policy and endorses the policy death benefit to the employee/shareholder ("non-owner").
  - "Non-owner" does not have an investment or an ownership interest in the policy.
- Loan Method
  - Employee/shareholder ("owner") owns the policy, and the employer/company ("non-owner") is entitled to recover its cumulative premiums advanced to the employee/shareholder.
  - The cumulative premiums advanced are secured by the policy cash value.

Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

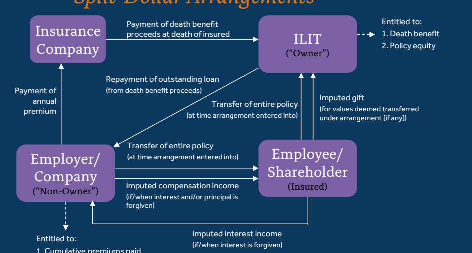
Economic Benefit Method - Overview



Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

Loan Method - Overview



Split-Dollar & Other Estate Tax Financing Options

Split-Dollar Arrangements

Loan Method - Types of Loans & Taxation

- Demand loan
  - A split-dollar loan payable in full on demand.
  - Forgone interest is treated as first being transferred from the lender to the borrower and then from the borrower back to the lender.
  - Interest rate used to impute income and gift is the "blended" annual AFR for the current tax year.
- Term loan
  - A split-dollar loan which is due at a specific point in time.
  - Forgone interest is treated as first being transferred from the lender to the borrower as taxable income and then from the borrower back to the lender as original issue discount (OID).
  - OID to lender is recognized over the term of the loan whereas the borrower must recognize all the income in the year the loan originated.
  - Interest rate used to calculate the present value of the payment due to the lender is the AFR at the time the loan originated.

Questions?

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Partner
Keebler & Associates, LLP


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Wednesday, Nov. 30 – Christopher Hoyt
Advisor Symposium
Wednesday, Nov. 9
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Thank you.
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