

# Testing Financial Tolerance for Charitable Gift of Annuity Assets

## Preface

While your annuity assets may be among your most valuable assets while you are alive, they are severely taxed -- over 75% in some cases -- when you die. In the accompanying report, you will find an analysis of retaining your annuity assets in your estate compared to naming a charity as the ultimate beneficiary of any annuity assets remaining at your death. The strategy includes a look at replacing the value of the annuity assets to your heirs in a wealth replacement trust funded with life insurance. The material covers the following two situations:

Strategy 1 examines retaining your annuity assets in your estate at death. It also takes into account the effect of your cash flow requirements on your overall net worth as well as the wealth transferred to your heirs at your death. This Strategy is designed primarily to produce a snapshot of your current situation and answer the question, "Can our estate assets tolerate the cash flow needed with enough left over to cover unforeseen emergencies and other contingencies?" The purpose of Strategy 1 is to help you determine if your current spendable cash flow desires can be met while maintaining a desirable long-range "comfort zone" of net worth.

Strategy 3 is identical to Strategy 1 in all respects except: 1) At death, annuity assets are illustrated going to charity and 2) intra-family gifts are illustrated that fund a life insurance death benefit for heirs designed to offset any loss of annuity assets that might otherwise be inherited by them. The purpose of Strategy 3 is to: 1) demonstrate a significant gift to charity; 2) produce an increase in wealth to heirs; 3) generate a reduction in your death transfer taxes; and 4) illustrate an acceptable comfort zone of net worth for you.

The accompanying report is presented in three parts, as follows:

1. Comparison of Strategy 1 to Strategy 3;
2. Details of Strategy 1 (see Annuity in Estate);
3. Details of Strategy 3 (see Annuity to Charity plus WRT).

Although all the material should be reviewed, you may find the most valuable information to be in the Comparison section. The important studies in the two Detail sections are the Cash Flow Analysis and the Wealth Transfer Analysis. The balance of the material in each Detail section provides backup for these two analyses.

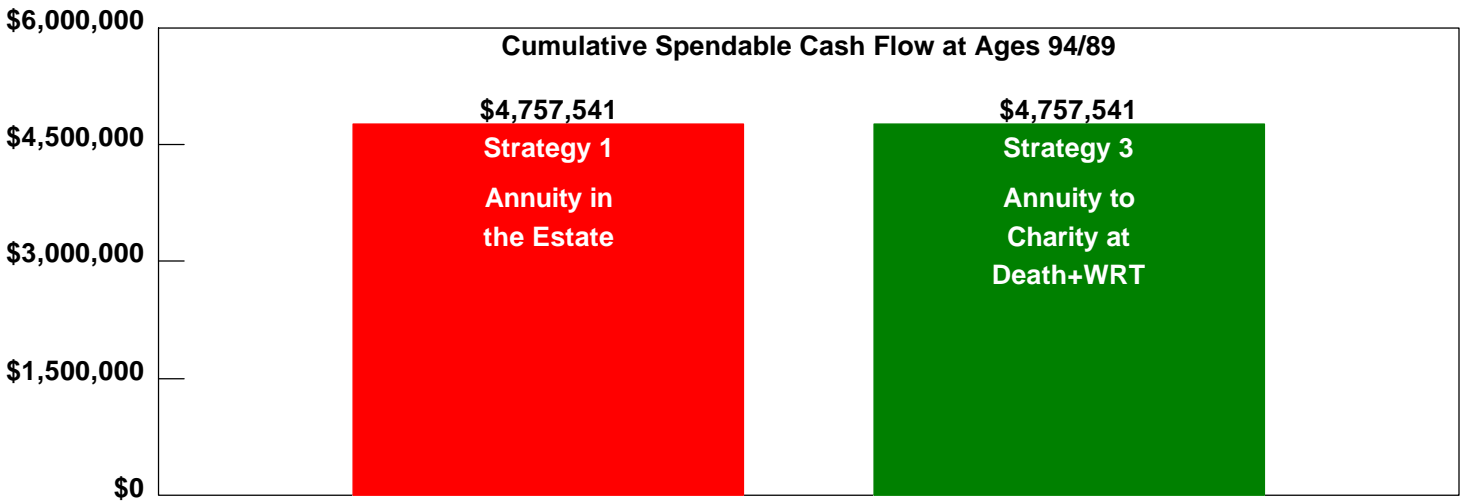
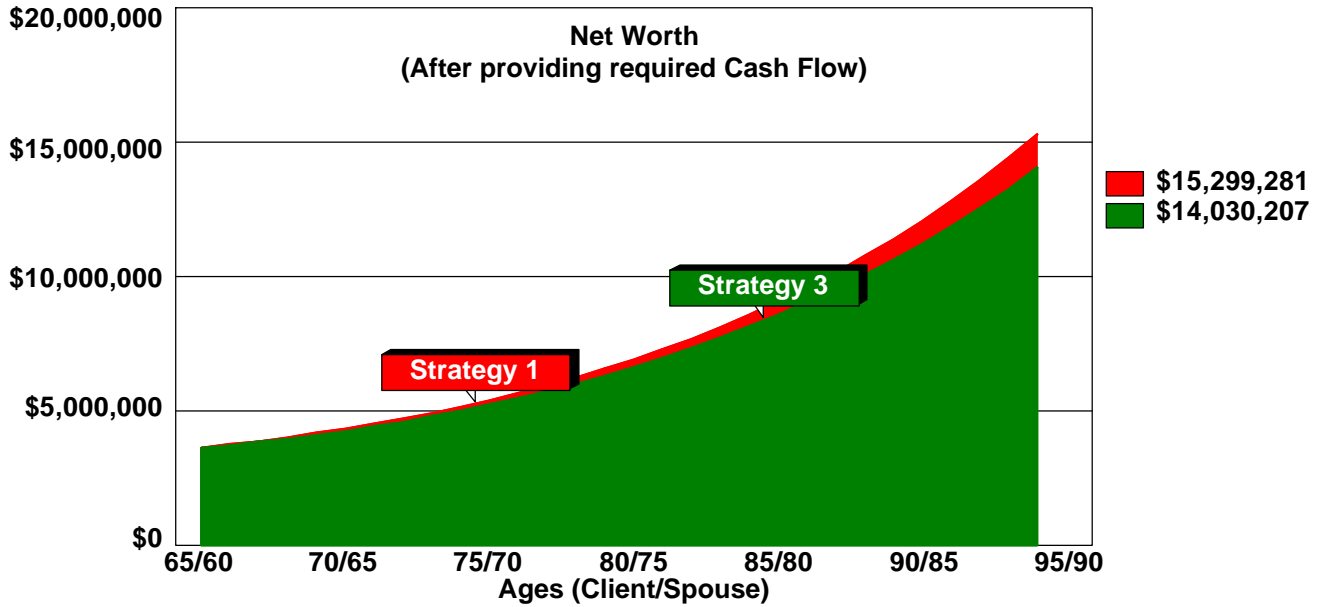
The material presented should provide a sound basis for evaluating your current situation as well as the effect that this planning strategy has on preservation of your family's wealth.

# Comparison of Alternatives

Presented By: [Licensed user's name appears here]  
 Date: 07/08/2001

For: Paul Montgomery  
 & Sarah Montgomery

## Comparative Analysis

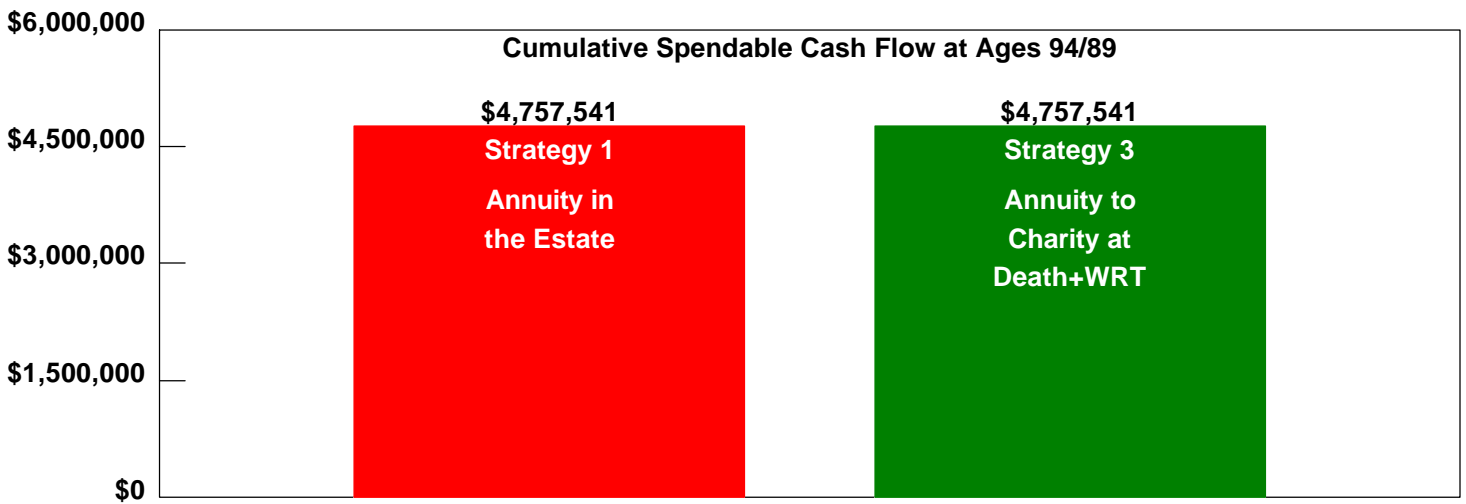
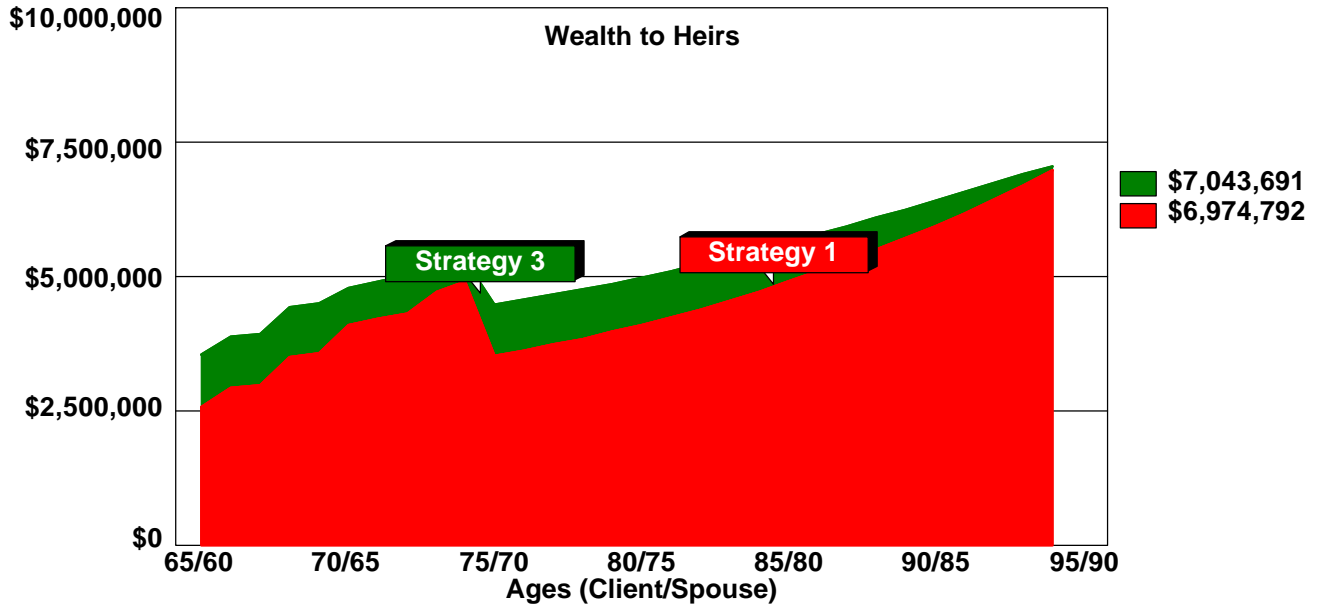


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### Comparative Analysis



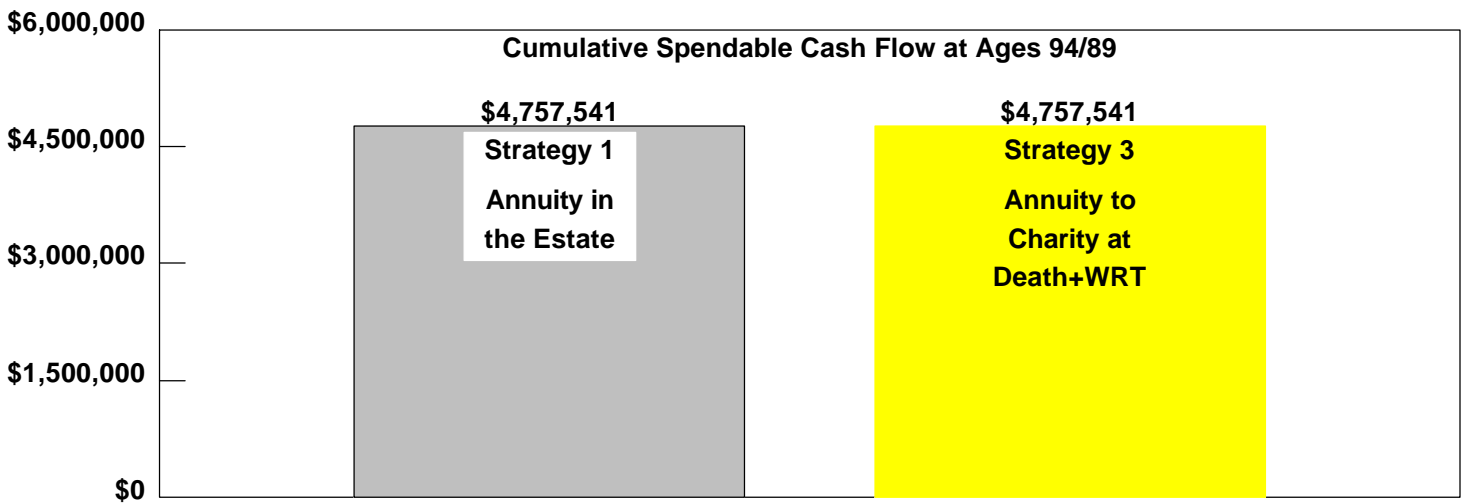
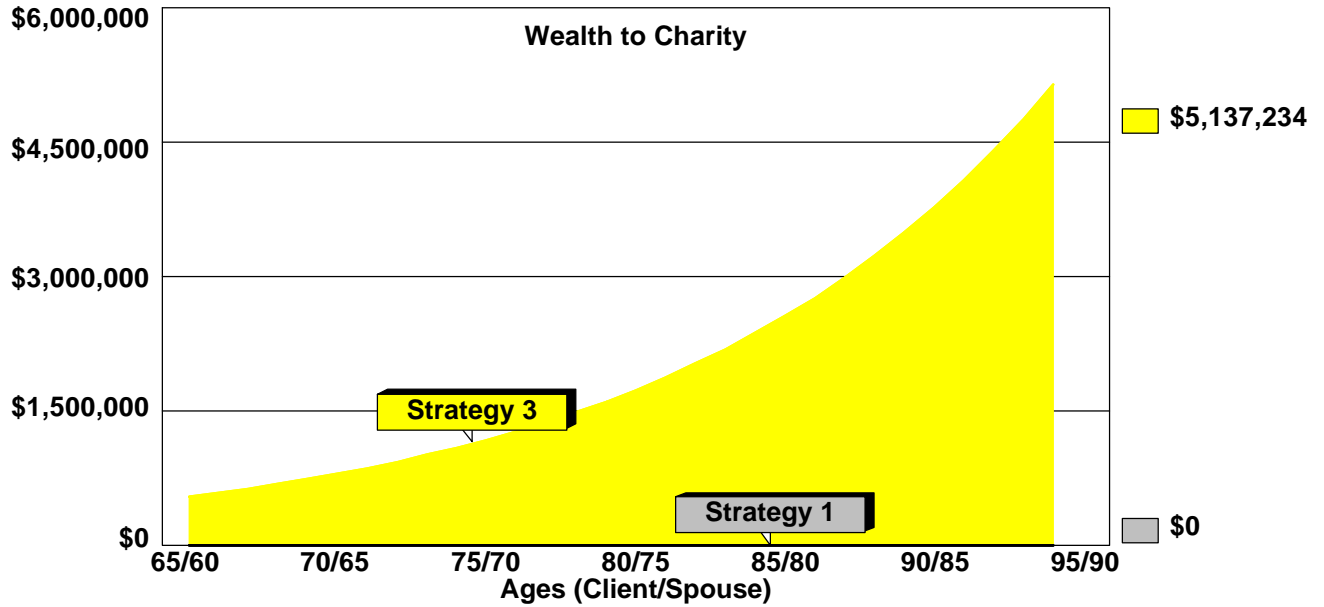
Heirs' values reflect life insurance proceeds that may include non-guaranteed values. If so, results are likely to vary. This graph is not valid unless accompanied by a life insurance basic illustration that details non-guaranteed and guaranteed elements.

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## Comparative Analysis

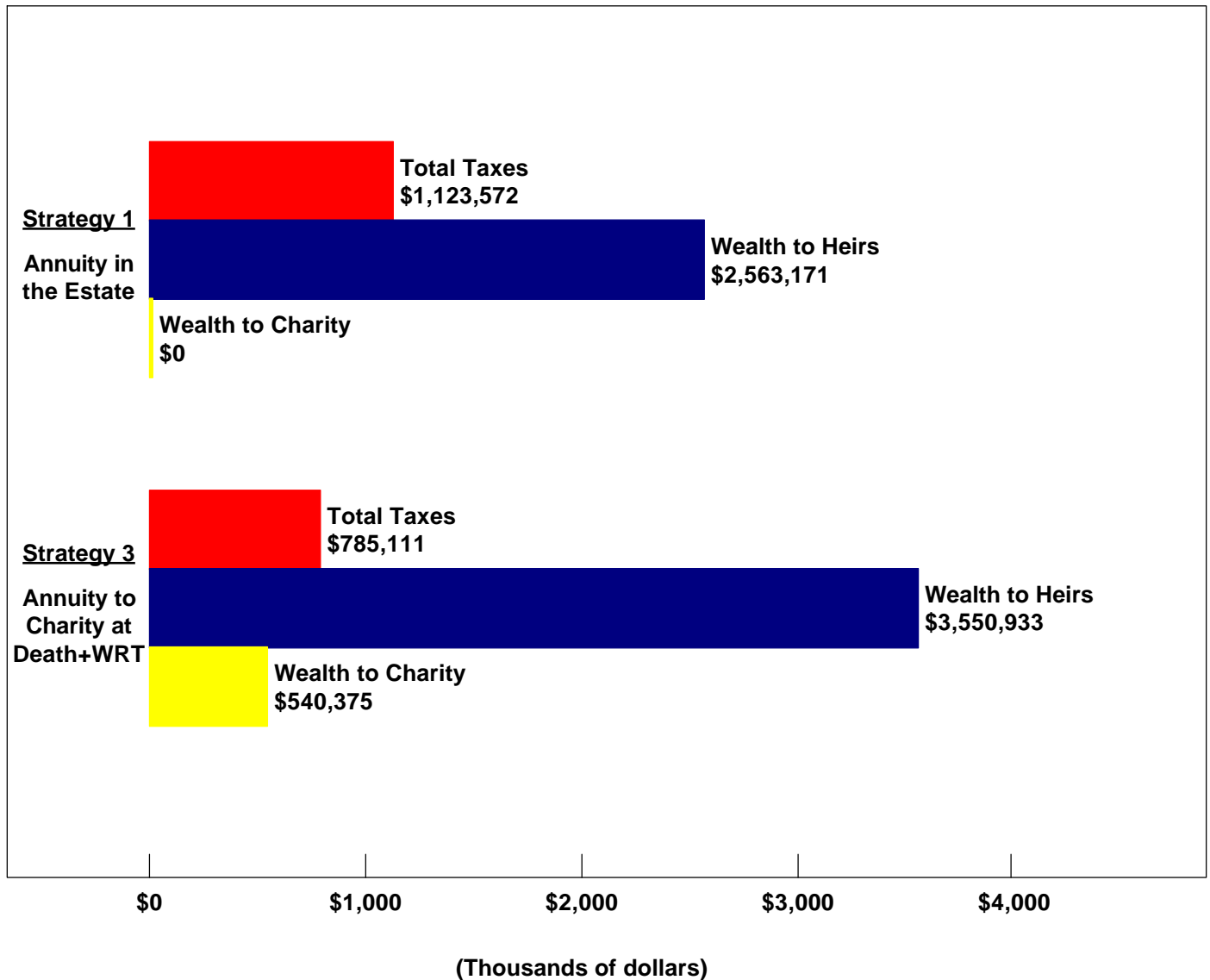


## Comparison of Alternatives

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### Comparative Analysis at ages 65/60



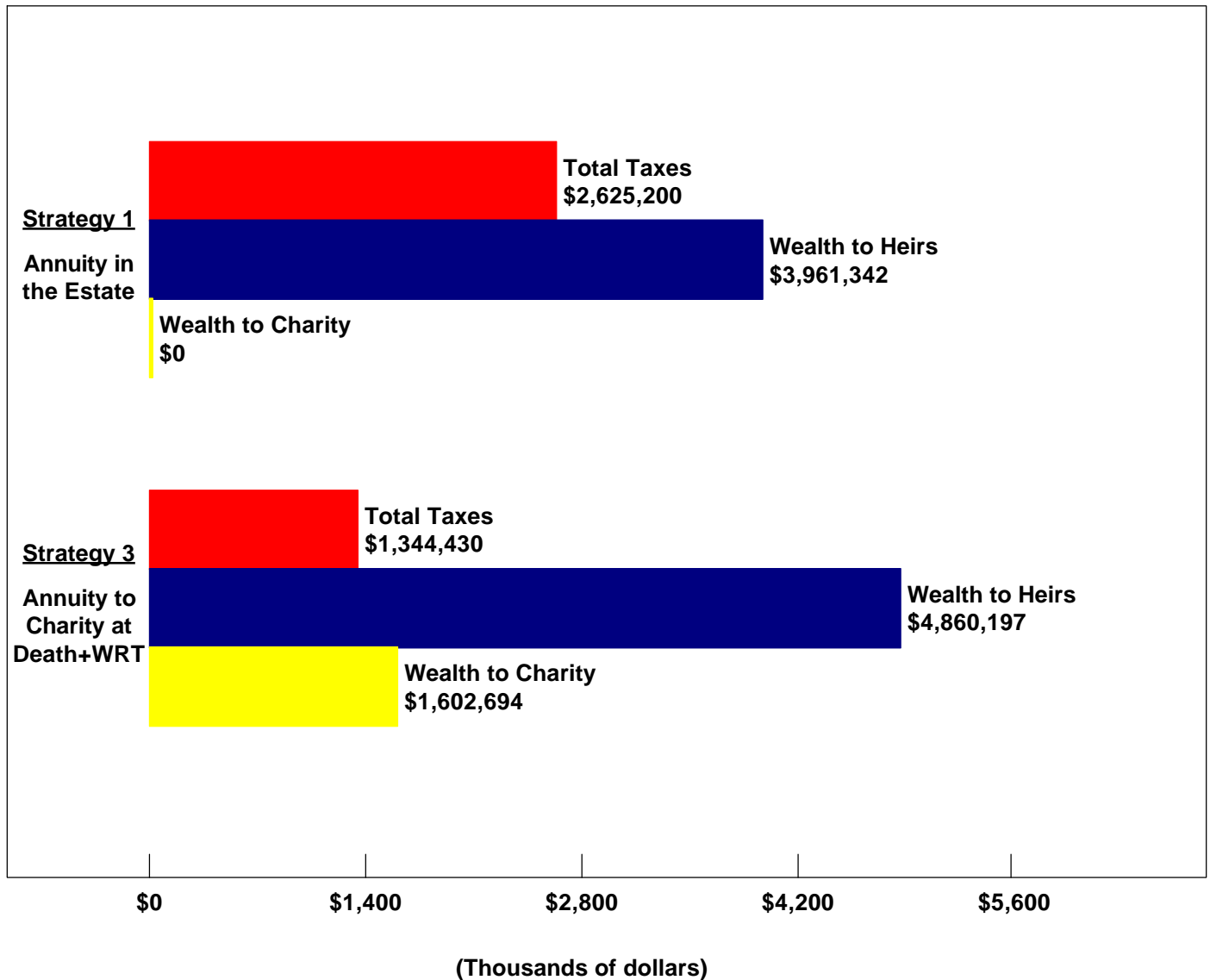
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## Comparison of Alternatives

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### Comparative Analysis at ages 79/74



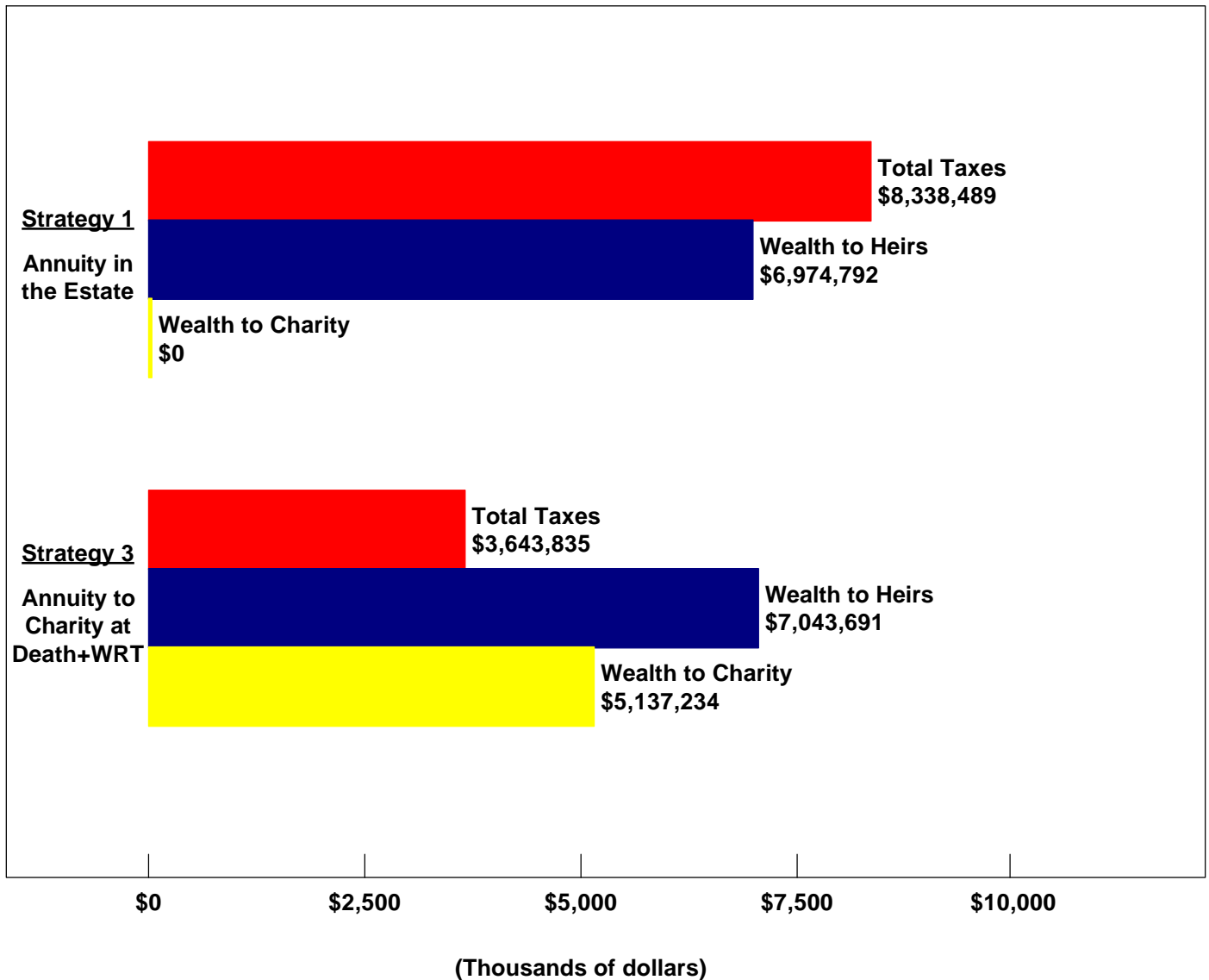
Heirs' values reflect life insurance proceeds that may include non-guaranteed values. If so, results are likely to vary. This graph is not valid unless accompanied by a life insurance basic illustration that details non-guaranteed and guaranteed elements.

## Comparison of Alternatives

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Date: 07/08/2001

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### Comparative Analysis at ages 94/89



Heirs' values reflect life insurance proceeds that may include non-guaranteed values. If so, results are likely to vary. This graph is not valid unless accompanied by a life insurance basic illustration that details non-guaranteed and guaranteed elements.

# Comparison of Alternatives

Comparison Page: 1  
Date: 07/08/2001

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For: Paul Montgomery  
& Sarah Montgomery

Year	Client Age	Spouse Age	Spendable Cash Flow		Net Worth*		Wealth to Charity		Wealth to Heirs	
			Strategy 1	Strategy 3	Strategy 1	Strategy 3	Strategy 1	Strategy 3	Strategy 1	Strategy 3
			Annuity in the Estate	Annuity to Charity at Death+WRT	Annuity in the Estate	Annuity to Charity at Death+WRT	Annuity in the Estate	Annuity to Charity at Death+WRT	Annuity in the Estate	Annuity to Charity at Death+WRT
1	65	60	100,000	100,000	3,617,743	3,605,275	0	540,375	2,563,171	3,550,933
2	66	61	103,000	103,000	3,739,400	3,713,978	0	584,011	2,917,151	3,879,799
3	67	62	106,090	106,090	3,869,745	3,830,863	0	631,170	2,977,612	3,927,528
4	68	63	109,273	109,273	4,009,524	3,956,658	0	682,137	3,500,650	4,427,450
5	69	64	112,551	112,551	4,159,537	4,092,141	0	737,220	3,576,000	4,486,202
6	70	65	115,927	115,927	4,327,305	4,244,813	0	796,751	4,097,299	4,781,566
7	71	66	119,405	119,405	4,507,606	4,409,429	0	861,089	4,202,865	4,897,631
8	72	67	122,987	122,987	4,701,509	4,587,035	0	930,622	4,295,083	5,023,035
9	73	68	126,677	126,677	4,910,181	4,778,775	0	1,005,770	4,716,989	5,158,303
10	74	69	130,477	130,477	5,134,886	4,985,887	0	1,086,986	4,911,372	5,304,255
11	75	70	134,392	134,392	5,377,004	5,209,463	0	1,174,761	3,526,769	4,469,614
12	76	71	138,423	138,423	5,638,030	5,449,807	0	1,269,623	3,624,125	4,558,528
13	77	72	142,576	142,576	5,918,594	5,708,360	0	1,372,145	3,728,866	4,652,885
14	78	73	146,853	146,853	6,220,029	5,986,684	0	1,482,946	3,840,874	4,753,026
15	79	74	151,259	151,259	6,544,094	6,286,482	0	1,602,694	3,961,342	4,860,197
16	80	75	155,797	155,797	6,892,698	6,609,606	0	1,732,111	4,090,933	4,975,040
17	81	76	160,471	160,471	7,267,919	6,958,073	0	1,871,979	4,229,793	5,097,954
18	82	77	165,285	165,285	7,672,017	7,333,440	0	2,023,141	4,378,798	5,228,729
19	83	78	170,243	170,243	8,107,444	7,717,973	0	2,186,510	4,539,642	5,358,419
20	84	79	175,351	175,351	8,577,713	8,127,027	0	2,363,071	4,712,564	5,493,219
21	85	80	180,611	180,611	9,067,719	8,562,367	0	2,553,889	4,891,411	5,633,308
22	86	81	186,029	186,029	9,590,664	9,025,889	0	2,760,116	5,080,534	5,778,785
23	87	82	191,610	191,610	10,149,001	9,519,635	0	2,982,996	5,282,514	5,929,553
24	88	83	197,359	197,359	10,745,379	10,045,809	0	3,223,873	5,496,307	6,085,365
25	89	84	203,279	203,279	11,382,654	10,606,779	0	3,484,200	5,710,511	6,245,381
26	90	85	209,378	209,378	12,063,907	11,205,099	0	3,765,549	5,930,731	6,408,010
27	91	86	215,659	215,659	12,792,463	11,843,520	0	4,069,617	6,165,643	6,571,440
28	92	87	222,129	222,129	13,571,914	12,525,009	0	4,398,239	6,417,437	6,733,706
29	93	88	228,793	228,793	14,406,125	13,252,756	0	4,753,397	6,686,430	6,892,460
30	94	89	235,657	235,657	15,299,281	14,030,207	0	5,137,234	6,974,792	7,043,691
			4,757,541	4,757,541						

\*After providing required cash flow.

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