STRATEGY PROFILE

CLIENT SUITABILITY

- Comfortably financially independent and are willing to make permanent transfers of wealth
- Have an estate of $5 million or, for married couples, a combined estate of $10 million or more
- Have developed an opinion about how much inheritance is enough for their family members
- Very charitably inclined

HYPOTHETICAL RESULT

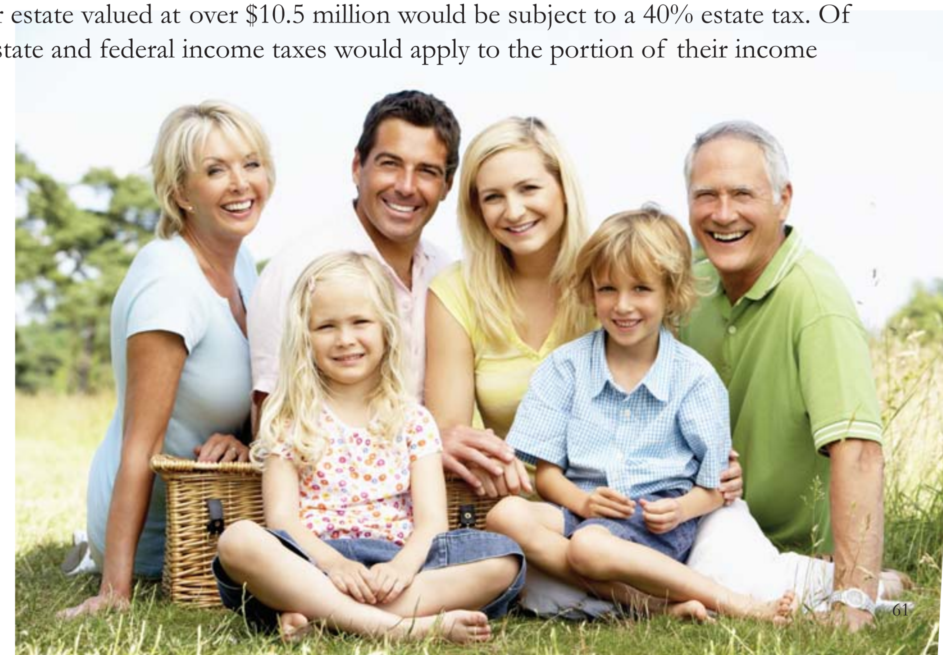
- Family wealth transfer goals can be achieved
- Some family wealth passes to one or more charities selected by the client
- Estate tax may be reduced or eliminated

Zero Tax Estate Planning

OBJECTIVE: **To implement a flexible estate plan that addresses five goals of 1) providing for a secure retirement, 2) transferring appropriate inheritance amounts to children, 3) redirecting tax money to charity, 4) reducing or eliminating federal estate taxes, and 5) lowering income taxes.**

For nearly 40 years, Thomas and Virginia Smith reinvested their profits in an enterprise that prospered. They used cash from the business to buy a primary federal residence and a secondary home with reasonable leverage. Deductions from their real estate investments, coupled with large retirement plan deductions, allowed the Smiths to invest very tax efficiently. The real estate and qualified plan investments grew tax efficiently, as did the equity in the business. The cash flow from the business could be capitalized at a fairly high value because of intellectual property in the business that gave the company a strong niche in its industry. When the business value was added to the value of the other assets, the Smiths realized they would have much more wealth than they needed to live comfortably.

The Smiths saw that the portion of their estate valued at over $10.5 million would be subject to a 40% estate tax. Of greater concern, they realized that 57% state and federal income taxes would apply to the portion of their income that exceeded what they spent on their lifestyle. They also feared that they would lose much more than half of their retirement plan assets to estate and IRD taxes.

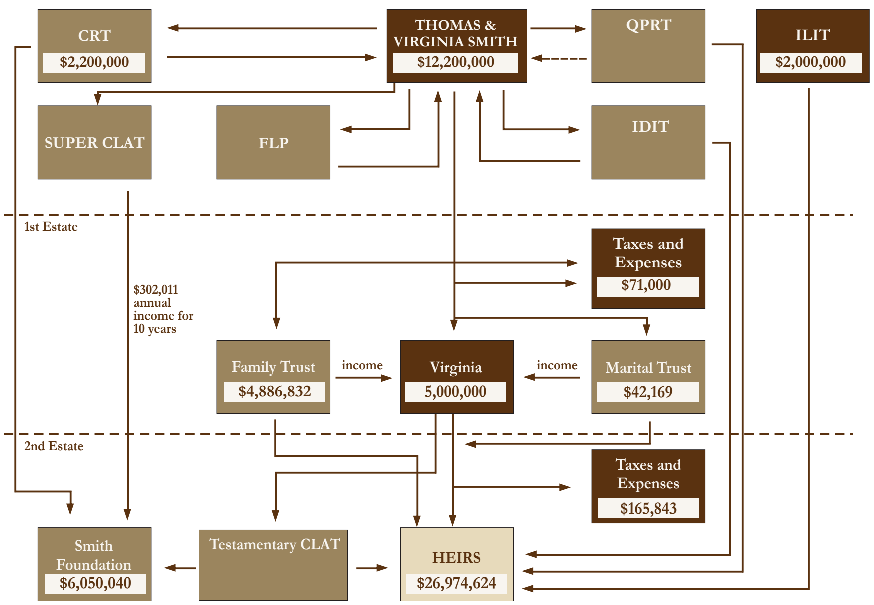


The Smiths' wealth counselor suggested ways to design trusts that would lower estate, gift, capital gains, income, and IRD taxes. These trusts also included incentive provisions that helped the Smiths pass on to Generation 2 and 3 the values that contributed to the success of Generation 1.

The Zero Estate Tax Design

The Smiths started with a plan that transferred just $14,971,000 to their family. By integrating tools, as shown on the flowchart below,the Smiths progressed from having basic, leveraged, and wealth control plans until – after several years – they had an optimized blueprint that integrated twelve planning tools. The optimized blueprint increased the inheritance to $26.97 million, redirected $6,050,000 to charity, zeroed-out $4,435,000 of taxes, and generated $3,445,000 of income tax deductions.

	Current	Basic Blueprint	Leveraged Blueprint	Total Wealth Control Blueprint	Optimized Blueprint
Heirs Receive	$14,971,000	$19,134,000	$23,147,000	$26,416,000	$26,974,000
Charity Receives	-	-	-	$6,050,000	$6,050,000
Estate Tax Savings	-	$4,422,000	$2,812,000	$4,435,000	$4,435,000
Income Tax Deductions	-	-	-	$2,035,000	$3,445,000



The flowchart to the left of this page summarizes more than 100 pages of integrated diagrams, spreadsheets, and graphics in the Optmized Family Wealth Blueprint®. This particular optimized blueprint integrates twelve strategies. This flowchart is supported with additional content described at www.FamilyWealthBlueprint.com.

Matsen Voorhees Mintz LLP

MVM LAW

Maximizing Value with Integrated Estate, Business, Tax, and Asset Protection Planning™

695 Town Center Drive 7th Floor
Costa Mesa, CA 92626
800.447.7090 Office
714.384.6580 Direct
866.447.7090 Fax
www.MVMLawyers.com