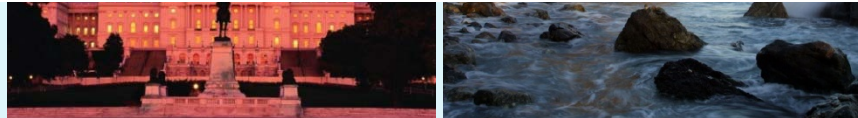
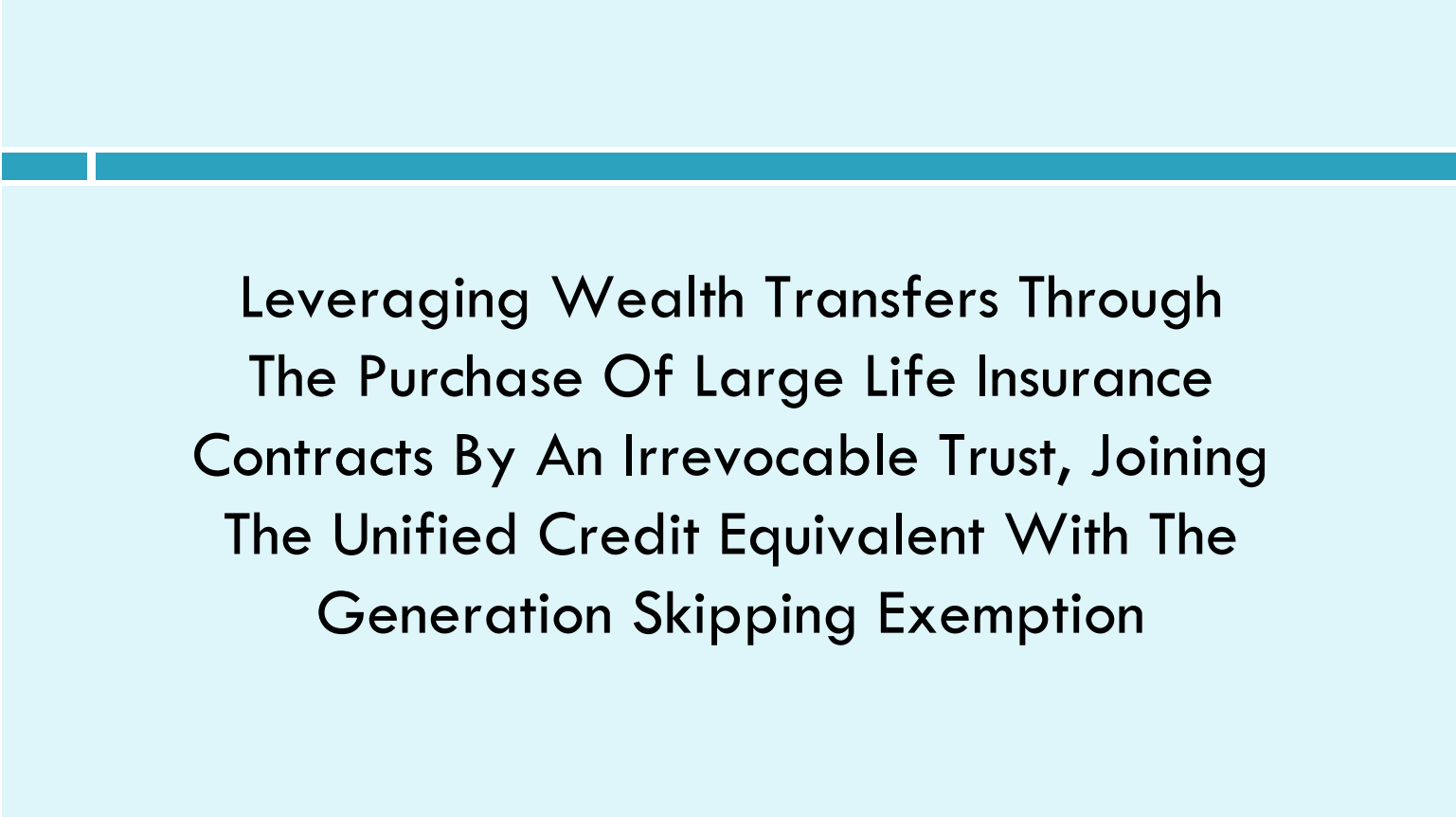


Preserving Wealth for Generations



THE O'NEILL COMPANY
INCORPORATED



Leveraging Wealth Transfers Through
The Purchase Of Large Life Insurance
Contracts By An Irrevocable Trust, Joining
The Unified Credit Equivalent With The
Generation Skipping Exemption

Assumptions

Current Net Worth: \$ 8,000,000

Existing Life Insurance Of: \$ 2,000,000

Mr. and Mrs. Smith Want To:

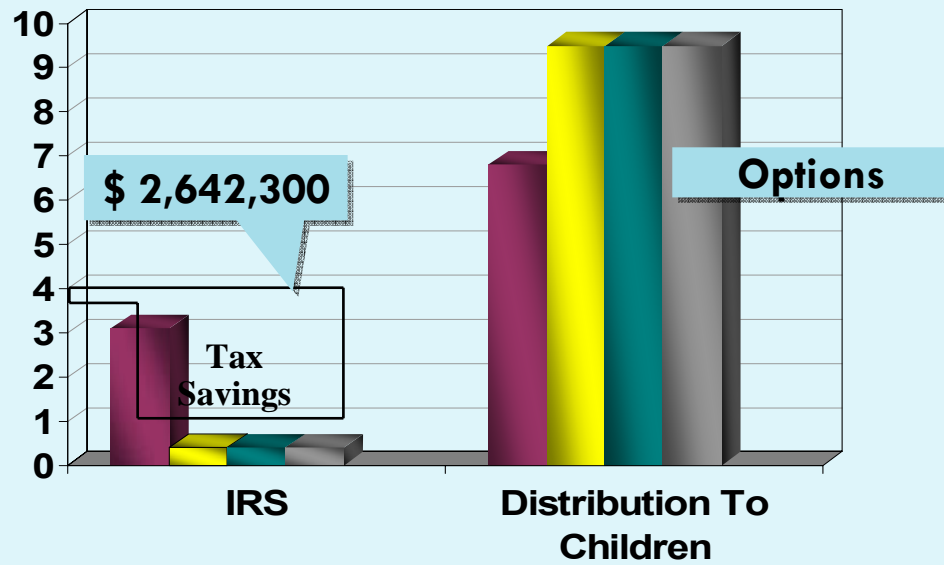
- Maintain control of their assets during their lifetime.
- Insure that the predeceased spouse's share of the community property remains available for the surviving spouses' subsequent death, the share is distributed to the predeceased spouse's children.
- Avoid the expense, publicity, and delays of the probate process

Assumptions

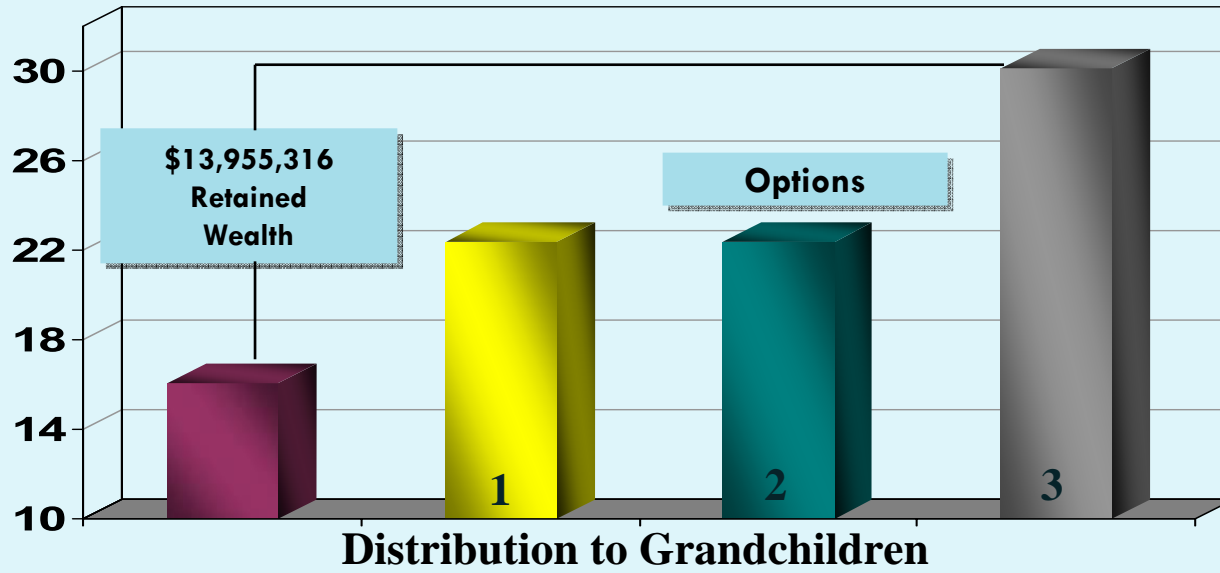
Mr. and Mrs. Smith Want To:

- Maximize the estate tax savings upon the ultimate distribution to children and grandchildren.
- Keep the inheritance within the family, i.e., protection from creditors, lawsuits, divorce, etc.

Millions \$\$\$



Millions \$\$\$





Anticipated Estate Distribution

Cash, IRAs,
Pension Fund
\$1,500,000

Personal Property
Collectables
\$500,000

Real Estate
\$3,000,000
<\$1,000,000>

Business Interest
\$4,000,000

Life Insurance
\$2,000,000

Total Estate
\$10,000,000 To
Surviving Spouse

Total Estate
\$10,000,000 To
Surviving Children

Estate Tax Rates

Tax Rate	Estate Value	
45%	\$21,000,000	Estate Value
	<\$7,875,000>	Estate Tax
45%	\$10,000,000	Estate Value
	<\$2,925,000>	Estate Tax
45%	\$5,000,000	Estate Value
	<\$675,000>	Estate Tax
45%	\$3,500,000	Estate Value
	Zero*	Estate Tax
*Unified Credit: \$1,455,800		

Unlimited Marital Deduction

- No Tax Between Husband and Wife
- Second Marriage Causes Special Concerns
- His, Hers, and Our Children Cause Special Concerns
- Full Use of this Deduction will Cost \$655,110 in Additional Estate Tax

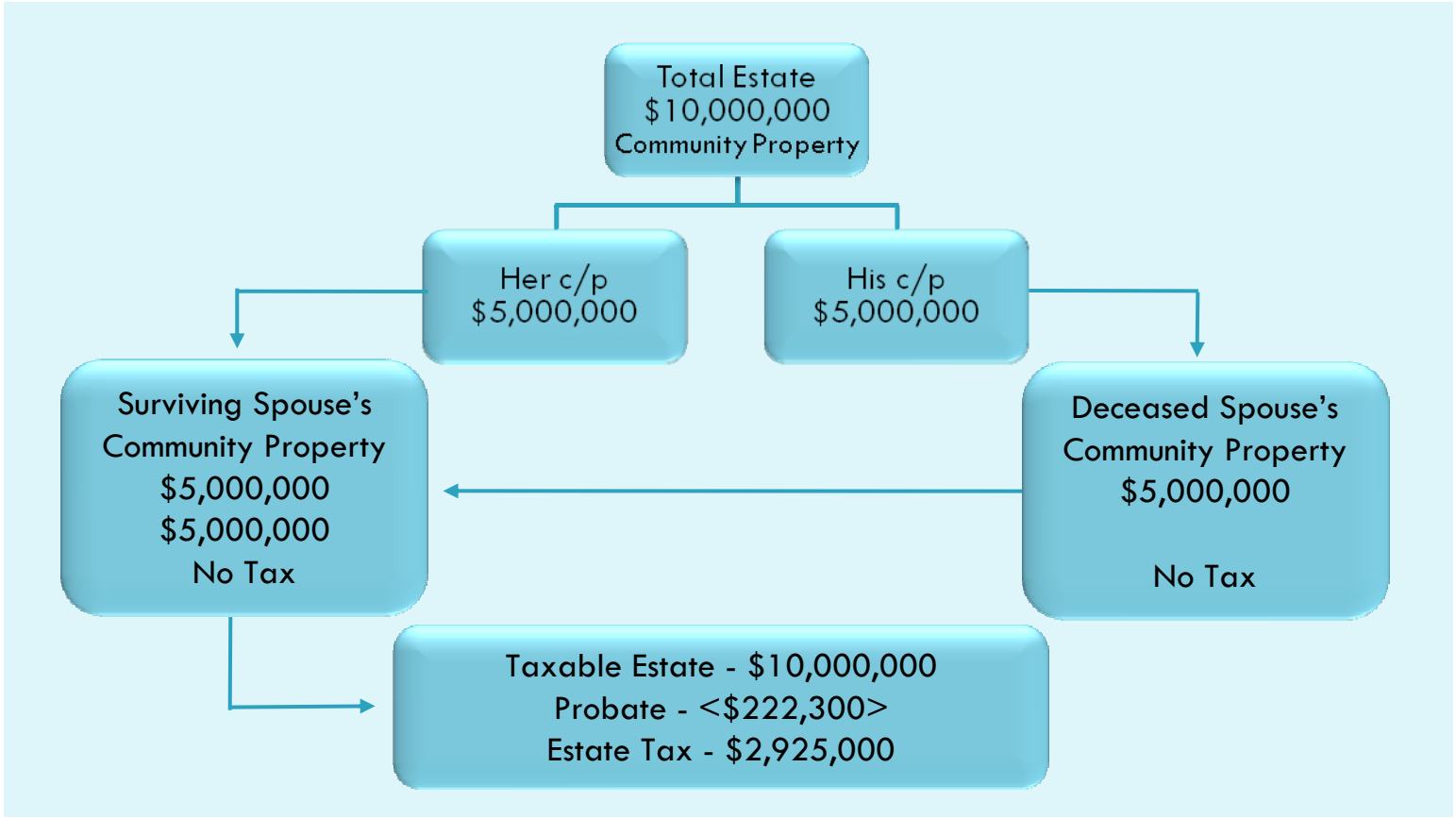
Increase in Estate & Gift Tax Unified Credit

2004	\$345,800	\$555,800
2005	\$345,800	\$555,800
2006	\$345,800	\$780,800
2007	\$345,800	\$780,800
2008	\$345,800	\$780,800
2009	\$345,800	\$1,455,800

Actual Estate Distribution

-No Trust-



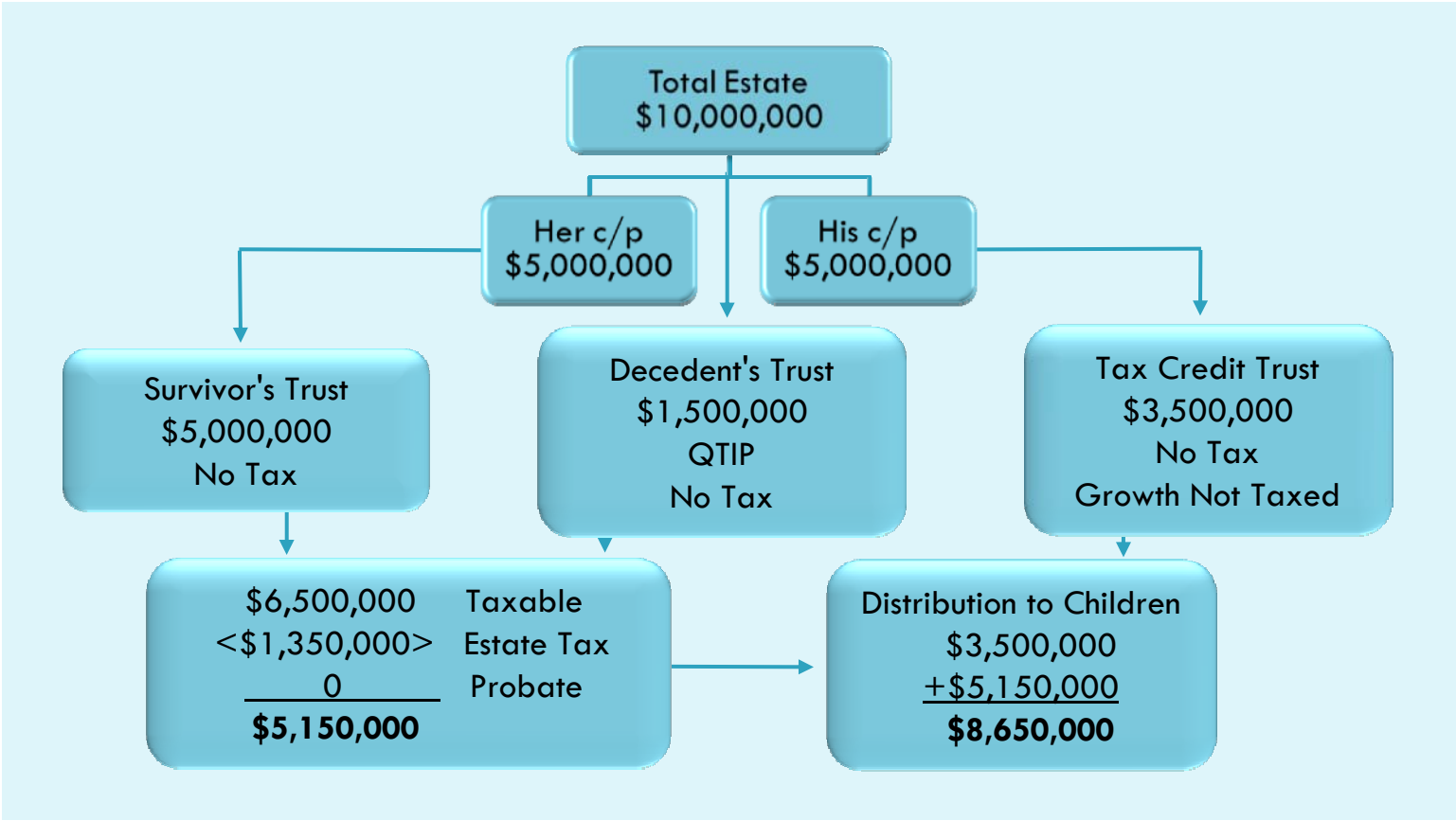


IRS : \$3,147,300

Children: \$6,852,700

Option 1

Distribution Using Revocable
Living Trust



Total Estate
\$10,000,000

Her c/p
\$5,000,000

His c/p
\$5,000,000

Survivor's Trust
\$5,000,000
No Tax

Decedent's Trust
\$1,500,000
QTIP
No Tax

Tax Credit Trust
\$3,500,000
No Tax
Growth Not Taxed

\$6,500,000	Taxable Estate Tax Probate
<\$1,350,000>	
----- 0	
\$5,150,000	

Distribution to Children
\$3,500,000
+ \$5,150,000

\$8,650,000

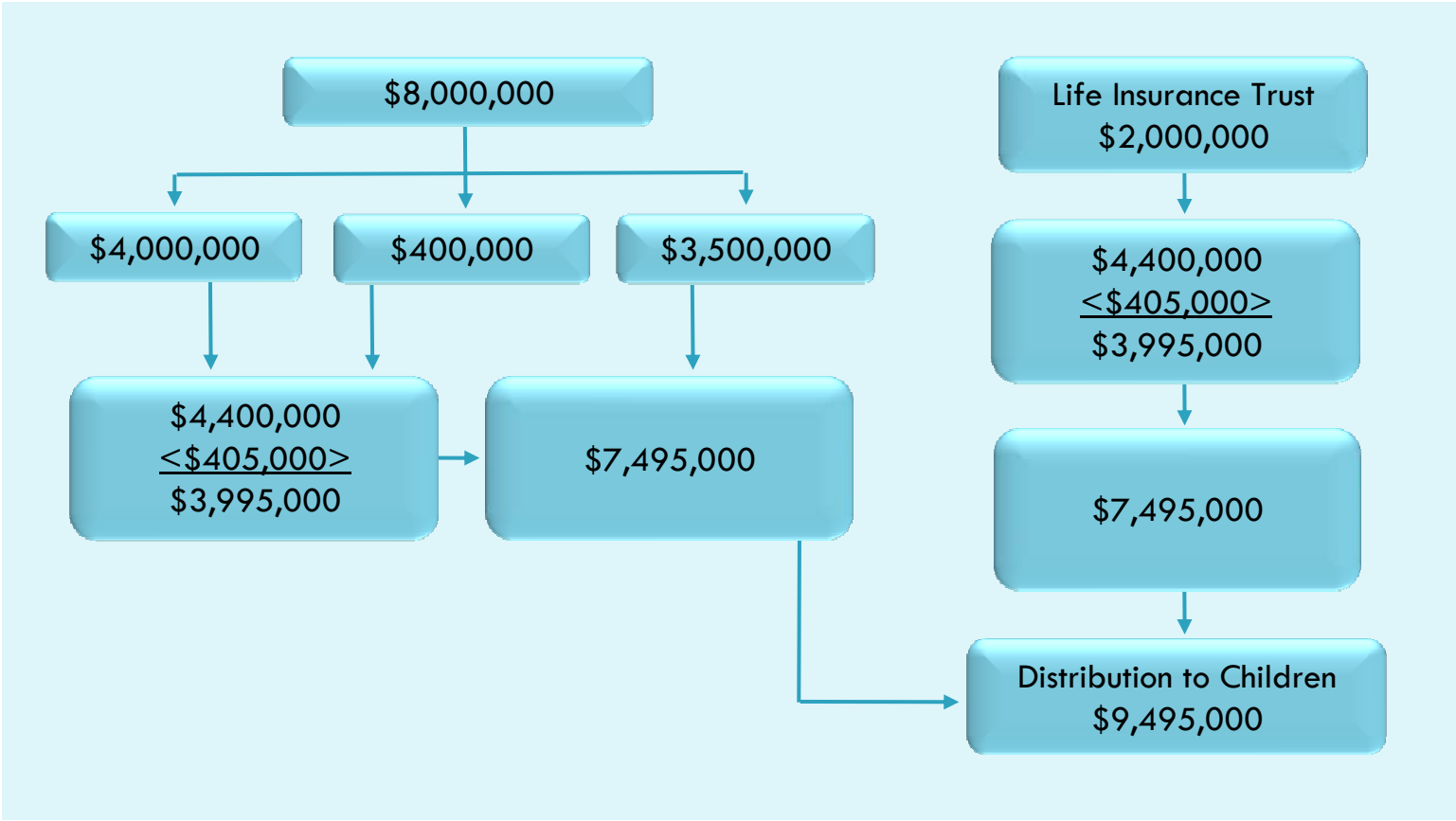
IRS : \$1,350,000

Children: \$8,650,000

Savings: \$1,797,300

Option 2

Distribution Using Revocable
Living Trust and Life
Insurance Trust



IRS : \$405,000

Children: \$9,495,000

Savings: \$2,642,300

Distribution to Children

John (40)
Daughter-In-Law
2 Children

Jane (38)
Son-In-Law
2 Children

Typical Distribution
Ages 30-35-40
"Outright"

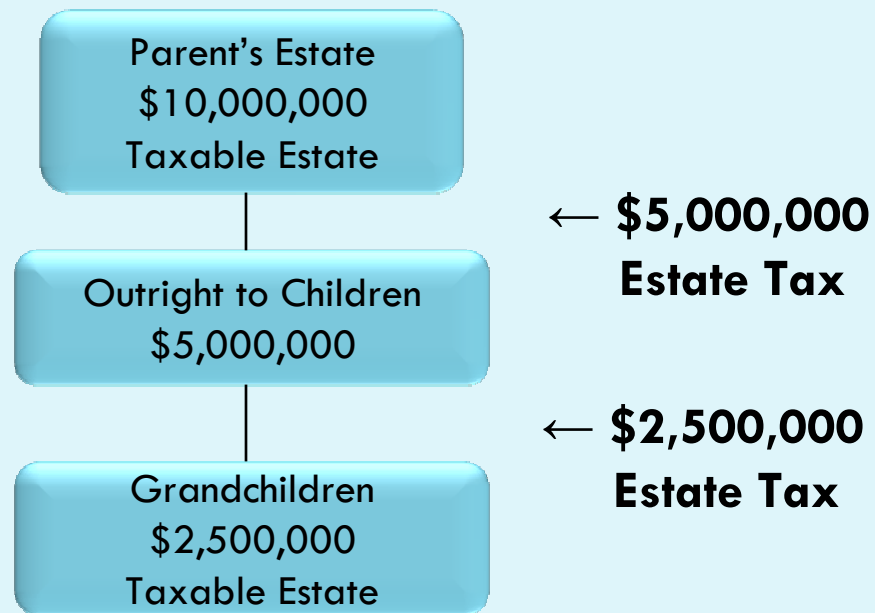
\$4,747,500

\$4,747,500

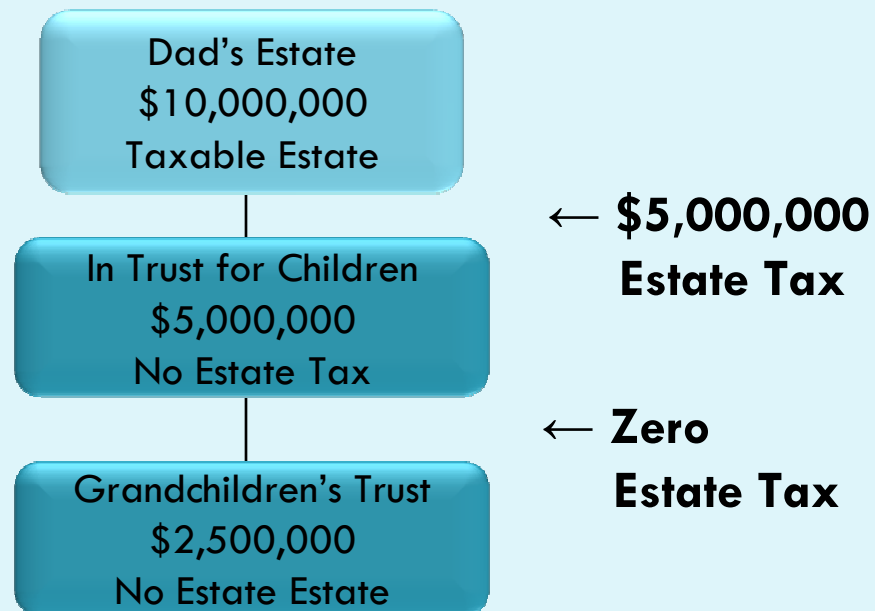
John and Jane Outright Inheritance

- r Separate Property?
- r Divorce?
- r Creditors?
- r Lawsuit Judgements?
- r Estate Tax?

Outright Distribution



Old Generation Skipping Trusts



New Generation Skipping Tax

- r Highest Estate Tax Bracket

- r No Credits To Offset Tax

However

- r \$1,000,000 Exemption for Husband

- r \$1,000,000 Exemption for Wife

\$2,000,000 Planning Opportunity

Jane's Trust

John's Trust

Trustee: John

Primary Beneficiary: John

Contingent Beneficiary: John's Children

**Non-Exempt
Portion**

\$3,747,500

Spend From This Trust

Taxable At Death

**Exempt Generation
Skipping Trust**

\$1,000,000

**Growth Assets In This
Trust Estate Tax Free
To Grandchildren**

John and Jane, Inheritance in Trust

- r Separate Property?
- r Divorce?
- r Creditors?
- r Lawsuit Judgements?
- r Estate Tax?

Option 3

Distribution Using Generation
Skipping Exemption Revocable
Living Trust and Life Insurance Trust

Jane's Trust

John's Trust

Trustee: John

Primary Beneficiary: John

Contingent Beneficiary: John's Children

**Non-Exempt
Portion**

\$2,747,500

Spend From This Trust

Taxable At Death

**Exempt Generation
Skipping Trust**

\$2,000,000

**Growth Assets In This
Trust Estate Tax Free
To Grandchildren**

Jane's Trust

John's Trust

Trustee: John

Primary Beneficiary: John

Contingent Beneficiary: John's Children

Non-Exempt Portion

\$11,800,000

Spend From This Trust

Taxable At Death

Exempt Generation Skipping Trust

\$8,500,000

**Growth Assets In This
Trust Estate Tax Free
To Grandchildren**

Tax Savings = \$13,955,316



Summary – No Trust

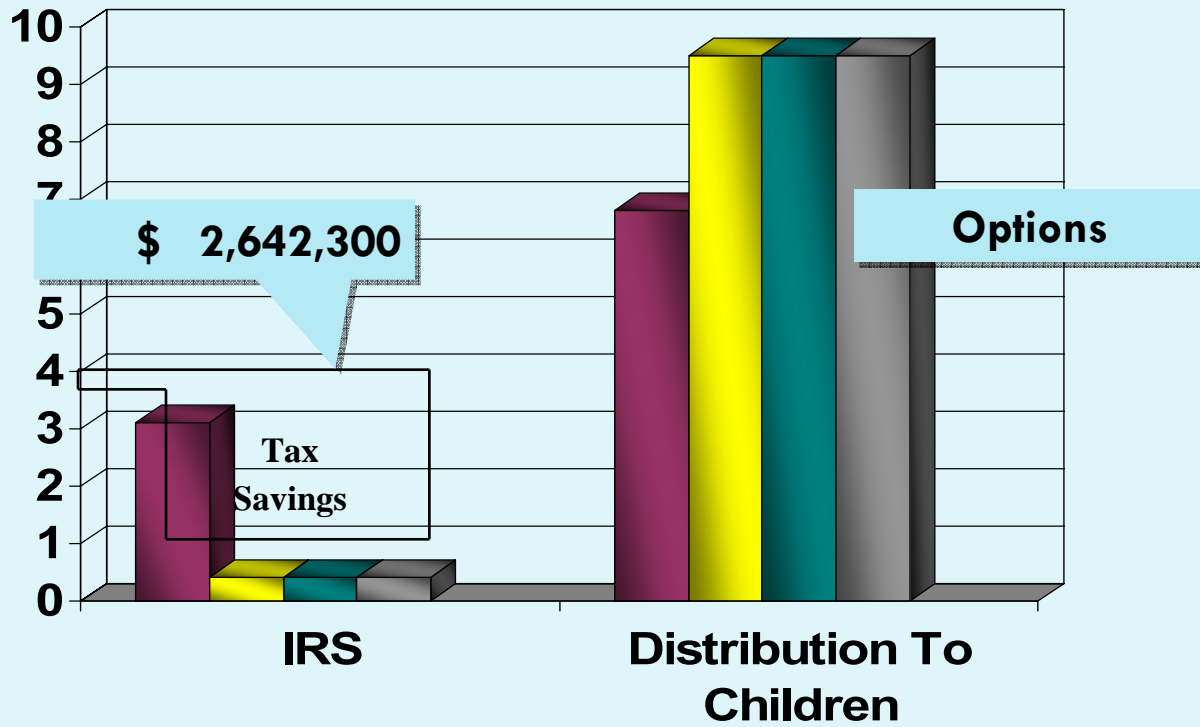
r	Current Assets	\$ 10,000,000
r	Tax at 1st Death	\$ 0
r	Tax at 2nd Death	<u>\$ 3,147,300</u>
r	Value To Children	\$ 6,852,700
r	Savings	None
r	Value of Assets @ 6%	\$29,410,902
	(in 25 yrs.)	
r	Tax Payable	<u>\$13,234,906</u>
r	Value To Grandchildren	\$ 16,175,996
r	Savings	None

Summary – Revocable Living Trust

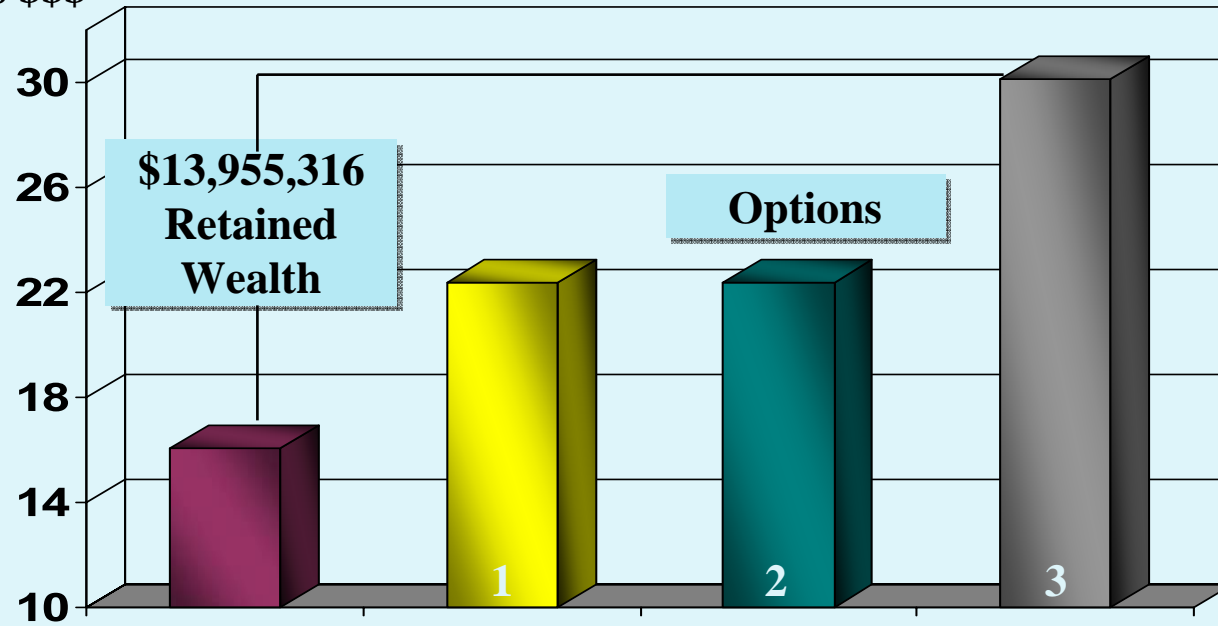
r	Current Assets	\$ 8,000,000
r	Tax at 1st Death	\$ 0
r	Tax at 2nd Death	<u>\$ 405,000</u>
r	Value To Children	\$ 9,495,000
r	Savings	\$ 2,642,300
r	Value of Assets @ 6% (in 25 yrs.)	\$40,751,312
r	Tax Payable	<u>\$ 18,338,090</u>
r	Value To Grandchildren	\$ 22,413,222
r	Savings	\$ 6,237,226

	Revocable Living Trust Life Ins. Trust	Generation Skipping
Current Assets	\$8,000,000	\$8,000,000
Tax at 1 st Death	\$0	\$0
Tax at 2 nd Death	<u>\$405,000</u>	<u>\$405,000</u>
Value to Children	\$9,495,000	\$9,495,000
Savings	\$2,642,300	\$2,642,300
Value of Assets at 6% (After 25 Years)	\$40,751,312	\$40,751,312
Tax Payable	<u>\$18,338,090</u>	\$10,620,000
Value to Grandchildren	\$22,413,222	\$30,131,312
Savings	\$6,237,226	\$13,995,316

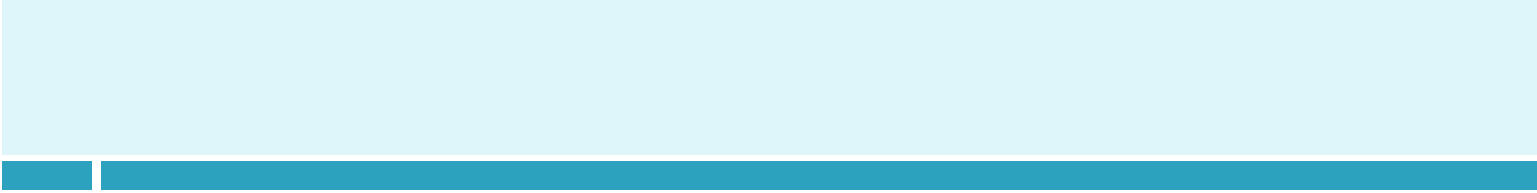
Millions \$\$\$



Millions \$\$\$



Distribution to Grandchildren



***Long-range planning does not deal with
future decisions, but with the future of
present decisions.***

--Peter Drucker

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