

Opportunities in Today's Environment

Understanding Wealth Planning Strategies

Michael J. Degenhart, Executive Director of Gift Planning

with

Edward J. Beckwith, Esq., and

Thomas J. Kozlowski Jr., Esq.



For the future

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Topics to be Covered

1. Wealth transfer landscape today
2. Life income arrangements
3. Grantor trusts
4. Grantor retained annuity trusts (GRATs)
5. Intra-family loans/sales
6. Charitable lead annuity trusts

- Disclaimer - Penn State University does not provide tax, legal or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.
- These slides include materials previously developed for Penn State by Paul S. Lee, JD, LL.M., Bernstein Global Wealth Management.

Wealth Transfer Landscape Today

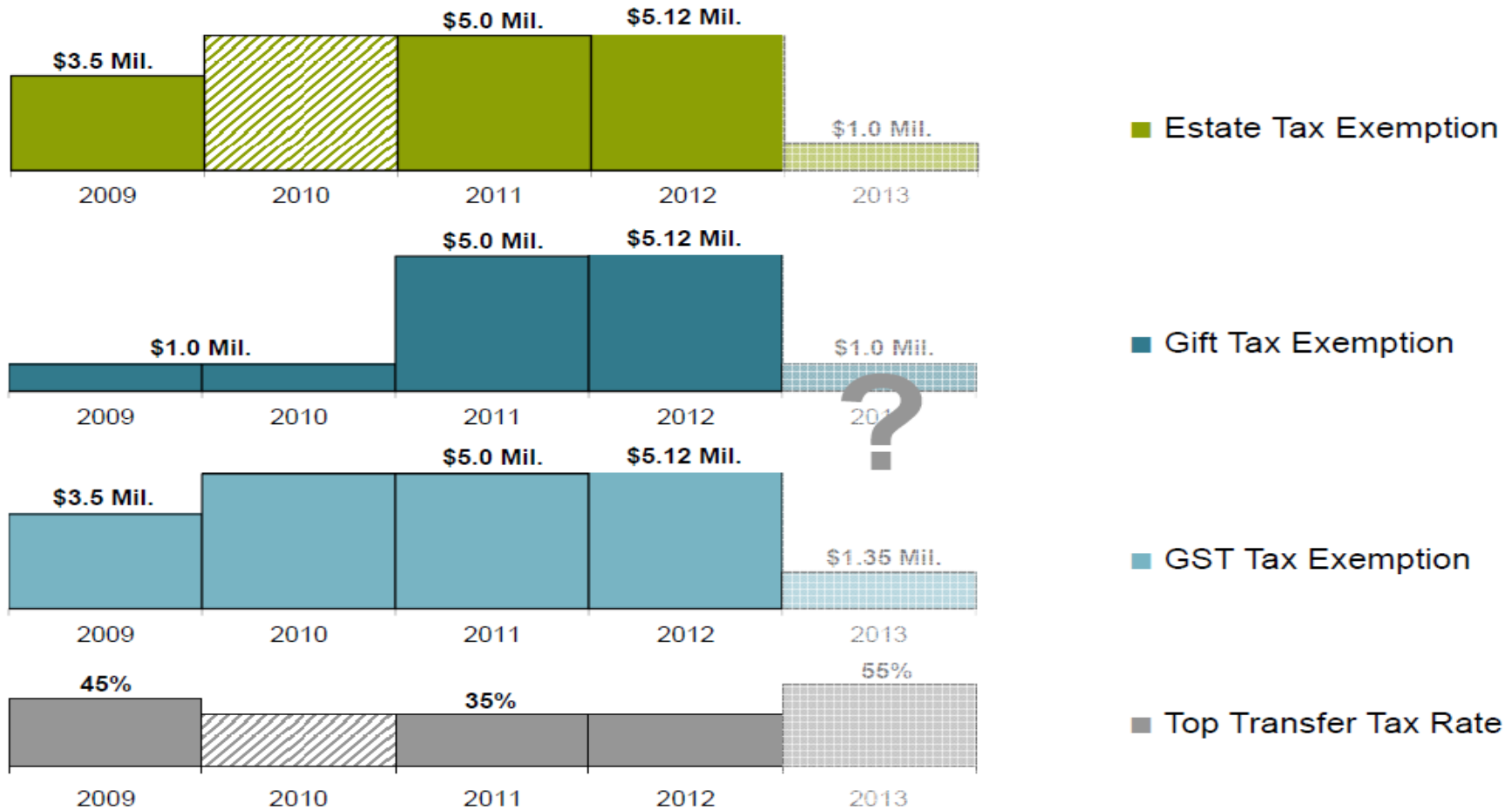
The Temporary “Tax Relief . . . Act of 2010”

“

- Unification of Gift, Estate and GST Tax
- \$5.12 million Applicable Exclusion Amount
- 35% Maximum Rate
- Portability of “deceased spousal unused exclusion amount”
- Sunset in 2013

Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted December 17, 2010 (“TRA 2010”)

What's Next?



Should You Make A \$5 (\$10) Million Gift Now?

Why Yes?

GST exemption can be applied

Growth out of the estate

Grantor trust

Avoid state death/inheritance tax

Why No?

You can't afford it

Gifted asset might lose value

Lose step up at death

Risk of recapture?

The Real Risk Today . . .

What if you live far beyond your life expectancy?

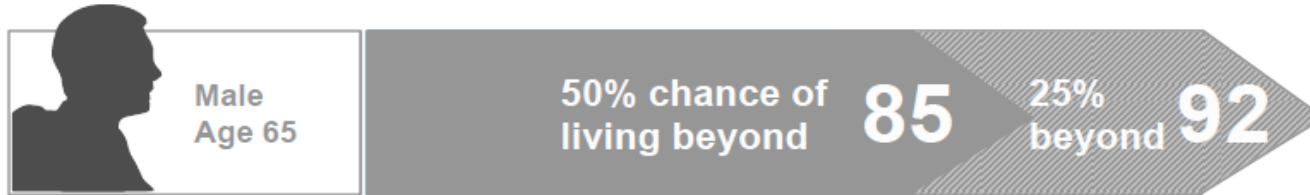
What if inflation runs rampant?

What if you have a financial set back?

What if income tax rates rise dramatically and grantor trust tax liability goes up with it?

What if markets disappoint in the future?

Longevity Plays Significant Role



Source: Society of Actuaries RP-2000 Mortality Tables

President's Wealth Transfer Tax Wish List*

- Reduce applicable exclusion amount:
 - \$3.5 million (not indexed) for estate and GST transfer tax
 - \$1.0 million for gift tax
- Increase transfer tax rate to 45%
- Eliminate or reduce valuation discounts
- Eliminate wealth transfer benefits of grantor trusts
- Limit short-term & “zero-out” GRATs
- Limit GST exemption (“Dynasty Trusts”) to 90 years

* General Explanations of the Administration's Fiscal Year 2013 Revenue Proposals, Department of Treasury, February 2012

Life Income Arrangements

Charitable Remainder Annuity Trusts

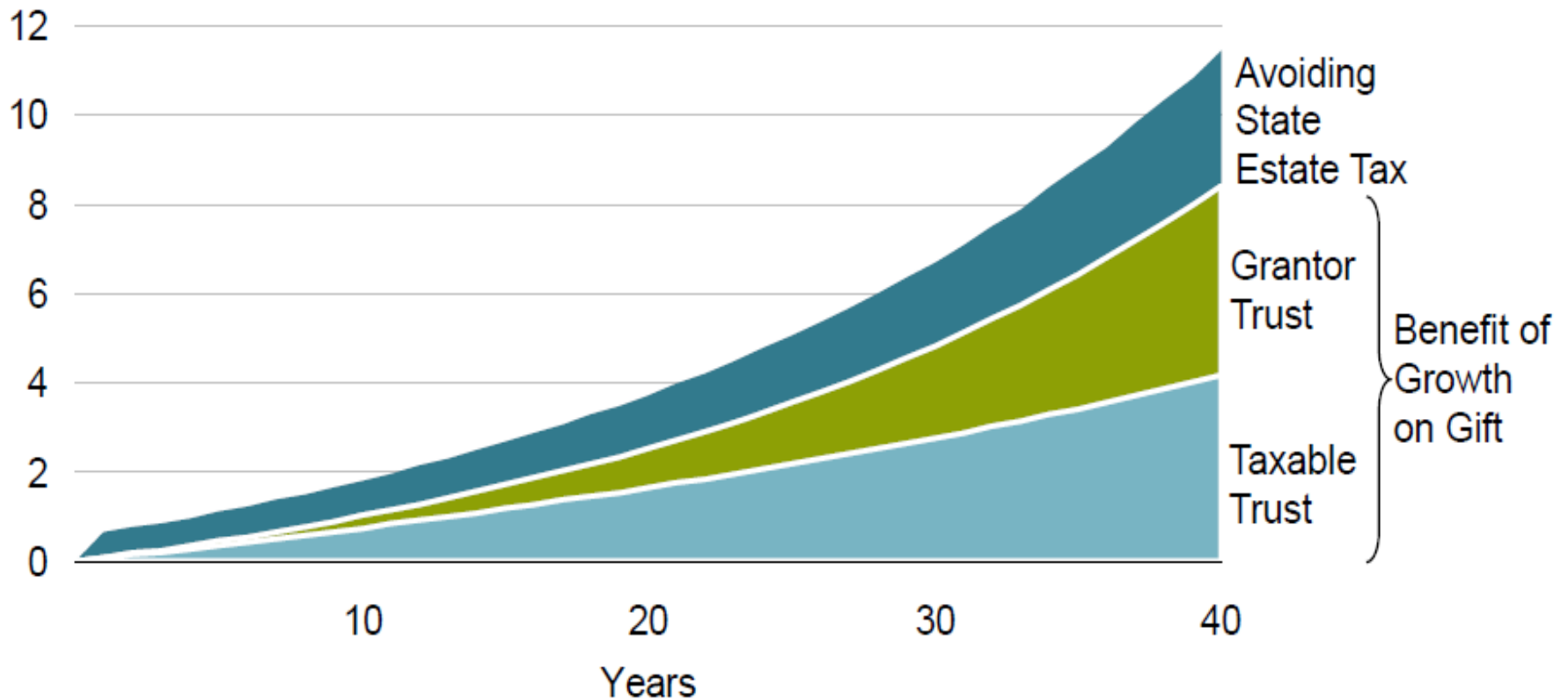
Charitable Remainder Unitrust

Charitable Gift Annuities

Grantor Trusts

Leveraging the Benefit of a \$5 Million Gift

Benefit per \$5 Mil. Gift*
Median, Inflation Adjusted (\$ Millions)



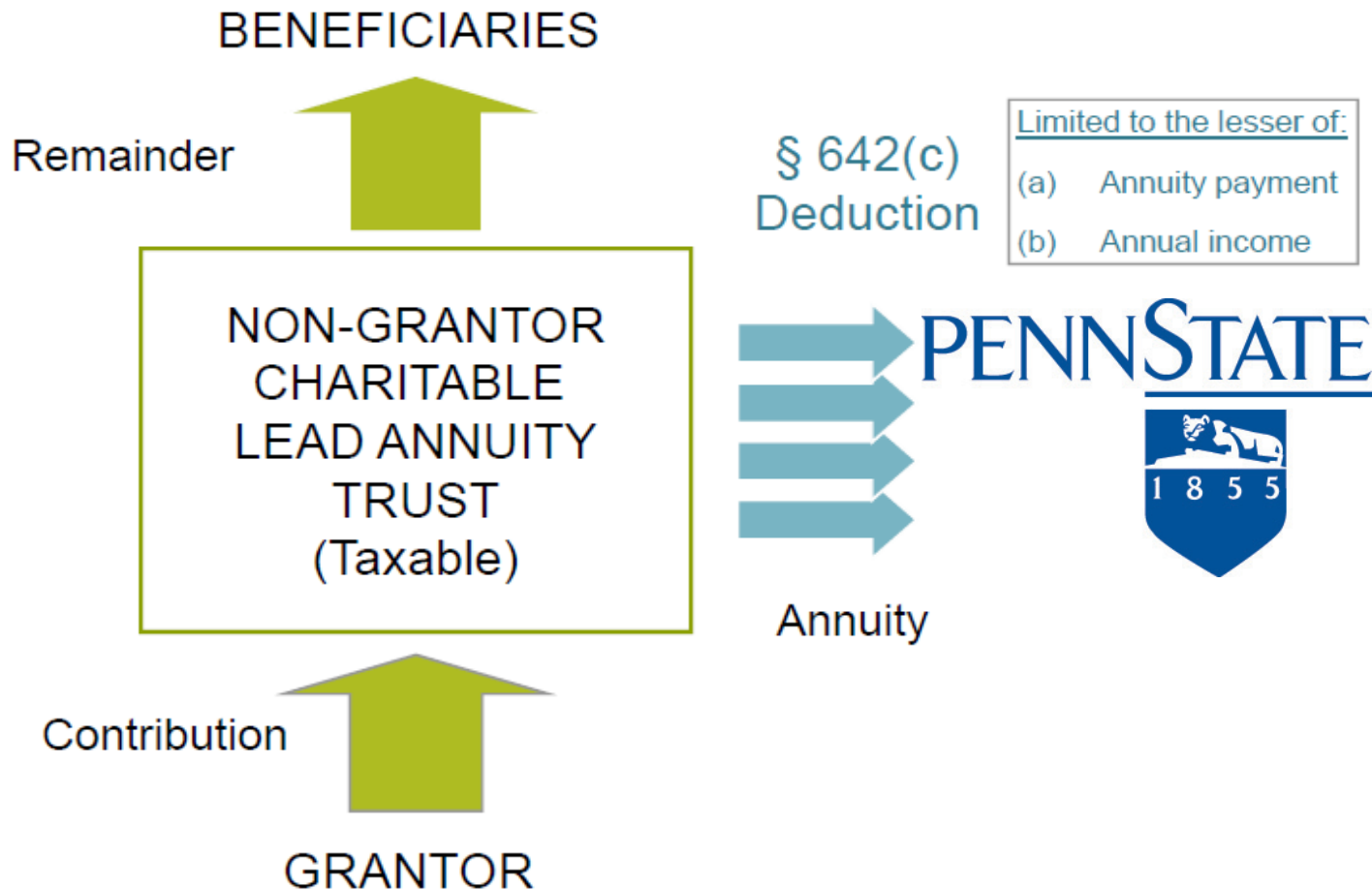
Grantor Retained Annuity Trusts (GRATs)

- Lifetime transfer of cash or property in trust in exchange for an annuity
- Annuity is generally payable for a fixed term of years
- Whatever property remaining in trust after expiration of annuity term can benefit other family members, i.e. children
- Effective way to transfer “growth” at little or no transfer tax cost

Intra-Family Loans/Sales

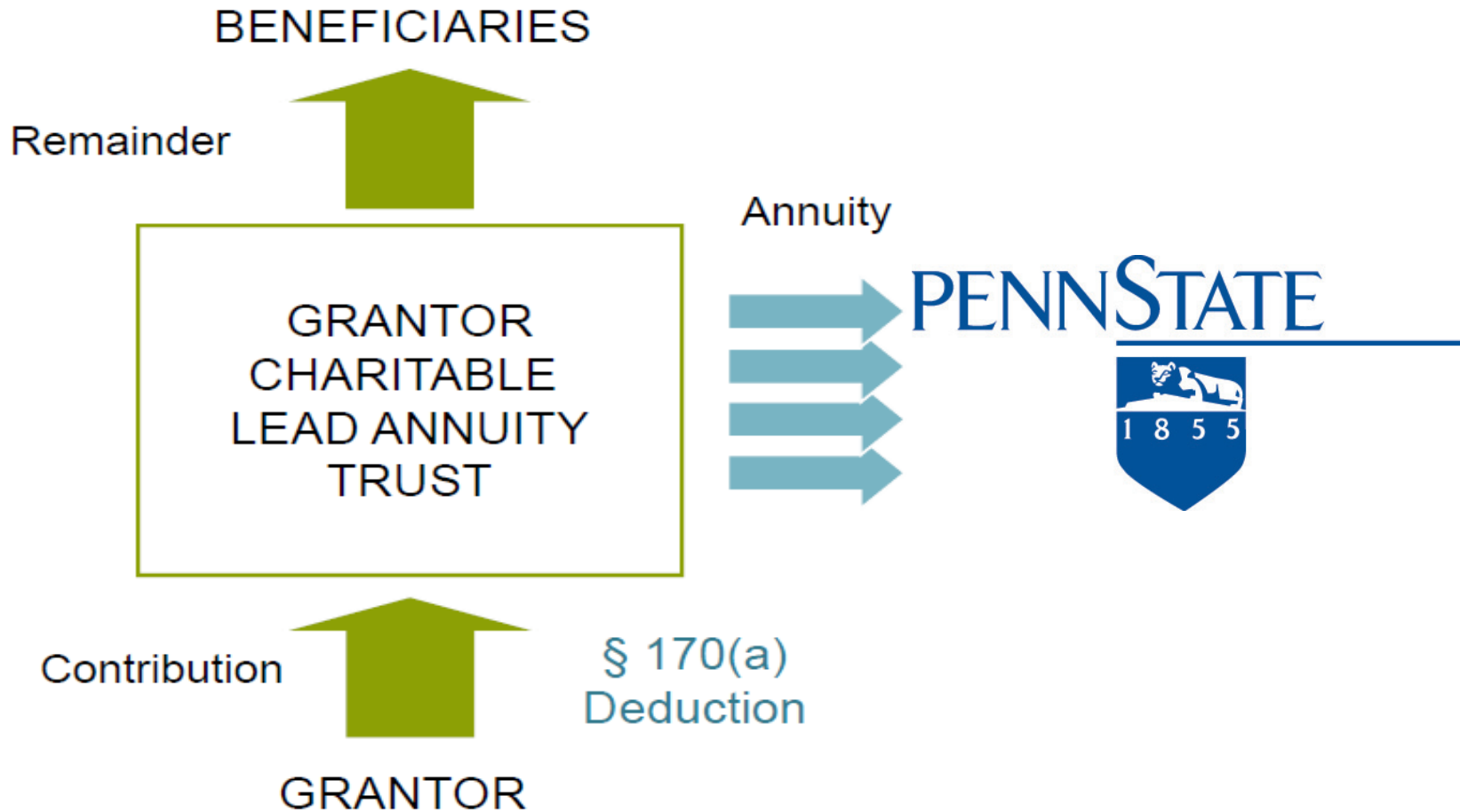
Charitable Lead Annuity Trusts (CLATs)

Non-Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Treasury Regulations thereunder.

“Intentionally Defective” Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), and the Treasury Regulations thereunder.

Questions, Thoughts & Comments

contact: Mike Degenhart, 814-865-0872, mjd33@psu.edu