

# **Irrevocable Non-Dynasty Trust**

**vs.**

# **Irrevocable Dynasty Trust**

## **Preface**

### **Irrevocable Trust**

An Irrevocable Trust is one that cannot be modified or terminated without the permission of the beneficiary. Once assets have been transferred into the trust, the grantor has effectively removed all ownership rights to the assets and the trust. Beneficiaries of such trusts are typically the grantor's children.

The assets held by the trust can include a variety of items; for example: a business, investment assets, cash, life insurance. Assuming the trust has been properly drawn, executed, and administered, assets in an irrevocable trust should not be included in the estate of the grantor.

### **Irrevocable Dynasty Trust**

An Irrevocable Dynasty Trust is one in which assets are passed down in trust to the grantor's children, grandchildren, great grandchildren, etc., thus avoiding the estate taxes due at the death of each generation.

In many states, there is currently no limit to the number of generations that can benefit from an Irrevocable Dynasty Trust; however, there is talk in Washington, DC, to limit such estate tax-free trusts to 90 years -- so the perpetual value of this technique could be significantly affected. (As proposed, new legislation would not be applicable to trusts in effect prior to such legislation.) Coupled with the \$5,000,000 per person gift exemption in 2011-2012, use of this strategy for those with significant wealth should be considered sooner rather than later.

States that allow Irrevocable Dynasty Trusts are: Alaska, Delaware, District of Columbia, Idaho, Illinois, Kentucky, Maine, Maryland, Michigan, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Virginia, Wisconsin, and Wyoming. (There is no requirement to reside in the state selected.)

### **Irrevocable Insured Dynasty Trust**

An Irrevocable Insured Dynasty Trust is identical to an Irrevocable Dynasty Trust except gifts from the grantor are used to acquire a life insurance policy.

The accompanying material compares and contrasts variations of an Irrevocable Trust as indicated below:

<b>Gift Details</b>	<b>Irrevocable Non-Dynasty Trust</b>	<b>Irrevocable Dynasty Trust</b>	<b>Irrevocable Insured Dynasty Trust</b>
Initial Gift to Trust	\$10,000,000	\$10,000,000	\$10,000,000
Use of Gifts	Investment @ 4.00% Net	Investment @ 4.00% Net	Premium for Life Insurance*

\* Name of Policy: Survivor Universal Life (SUL)  
 Insured: Arthur Bennett/Elaine Bennett, Ages: 65/60  
 Initial Death Benefit: 35,000,000  
 Initial Premium: 10,000,000  
 Death Benefit in Year 30: 42,784,960

\* \$42,784,960 death benefit of life insurance at the end of Year 30 assumed invested in the Insured Dynasty Trust. Thereafter, all Trusts are illustrated to compound at the same 4.00% net rate.

Important Note: The information in this report and any referred material is for educational purposes only. In all cases, the approval of legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

Important Note: Values on this page may include non-guaranteed life insurance values. If so, actual results are likely to vary, and this report is not valid unless accompanied by a life insurance basic illustration that details non-guaranteed and guaranteed elements.

# All Generations

## Irrevocable Trust Comparison of Values

All Generations Page: 1  
Date: 09/25/2012

Presented By: Kenneth B. Sapon, R.Ph., LUTCF, CLU

Generation #1: Arthur Bennett/Elaine Bennett  
Insureds: Arthur Bennett/Elaine Bennett

Initial Gift to Trust 10,000,000	Trust Net Growth Rate 4.00%	Estate Tax Rate At End of Each Generation 55.00%	Years Illustrated for Each Generation 30
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	(1) Irrevocable Non-Dynasty Trust (no life insurance) Growth at Net 4.00%	(2) Irrevocable Dynasty Trust (no life insurance) Growth at Net 4.00%	(3) Irrevocable Insured Dynasty Trust Funded with 35,000,000* Life Insurance
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### Generation #1 (Parents):

Illustrated Gift to the Trust	10,000,000	10,000,000	10,000,000
Trust Owned Life Insurance	0	0	35,000,000*
Value After 30 Years	32,433,975	32,433,975	42,784,960**
<b>Gain Over Non-Dynasty Trust</b>	<b>n/a</b>	<b>0.00%</b>	<b>31.91%</b>

### Generation #2 (Children):

Beginning Value of Trust	32,433,975	32,433,975	42,784,960**
Value After 30 Years	105,196,274	105,196,274	138,768,633
Less Estate Tax @ 55.00%	(57,857,951)	0	0
Trust's Hypothetical Value	47,338,323	105,196,274	138,768,633
<b>Gain Over Non-Dynasty Trust</b>	<b>n/a</b>	<b>122.22%</b>	<b>193.14%</b>

### Generation #3 (Grandchildren):

Beginning Value of Trust	47,338,323	105,196,274	138,768,633
Value after 30 Years	153,537,000	341,193,333	450,081,838
Less Estate Tax @ 55.00%	(84,445,350)	0	0
Trust's Hypothetical Value	69,091,650	341,193,333	450,081,838
<b>Gain Over Non-Dynasty Trust</b>	<b>n/a</b>	<b>393.83%</b>	<b>551.43%</b>

### Generation #4 (Great-Grandchildren):

Beginning Value of Trust	69,091,650	341,193,333	450,081,838
Value after 30 Years	224,091,686	1,106,625,608	1,459,794,312
Less Estate Tax @ 55.00%	(123,250,427)	0	0
Trust's Hypothetical Value	100,841,259	1,106,625,608	1,459,794,312
<b>Gain Over Non-Dynasty Trust</b>	<b>n/a</b>	<b>997.39%</b>	<b>1,347.62%</b>

Note: Growth results are hypothetical and may be higher or lower than indicated.

\*\$35,000,000 is the initial policy death benefit.

\*\*42,784,960 death benefit of life insurance assumed invested in the Insured Dynasty Trust at the end of Year 30. Thereafter, all Trusts are illustrated to compound at the same 4.00% net rate.

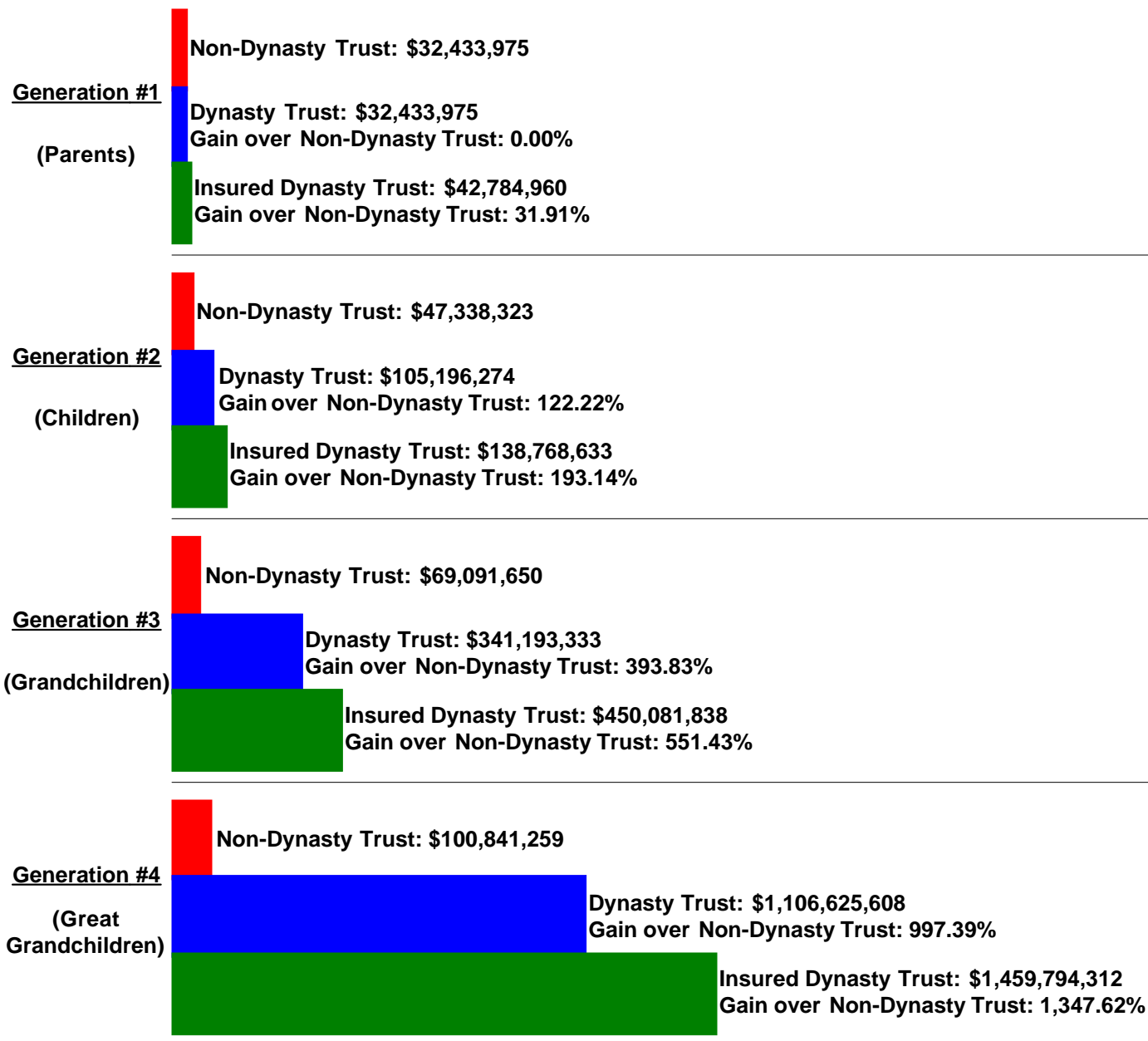
# All Generations Bar Graph

Date: 09/25/2012

Presented By: Kenneth B. Sapon, R.Ph., LUTCF, CLU

For: Arthur Bennett/Elaine Bennett

## Irrevocable Trust Comparison of Values



# Illustration of Policy Values Funding the Irrevocable Insured Dynasty Trust

Values Page: 1  
Date: 09/25/2012

Presented By: Kenneth B. Sapon, R.Ph., LUTCF, CLU

Generation #1: Arthur Bennett/Elaine Bennett  
Insureds: Arthur Bennett/Elaine Bennett

M/F Age		SUL Interest Rate	Initial Premium	Initial Policy Death Benefit	
65/60		5.00%	10,000,000	35,000,000	
Year	Ages	(2) Premium Payment	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Policy Death Benefit
1	65/60	10,000,000	9,730,530	8,799,531	35,000,000
2	66/61	0	10,257,921	9,326,921	35,000,000
3	67/62	0	10,812,376	9,881,376	35,000,000
4	68/63	0	11,395,491	10,464,491	35,000,000
5	69/64	0	12,007,522	11,076,524	35,000,000
6	70/65	0	12,648,307	11,763,857	35,000,000
7	71/66	0	13,312,701	12,474,801	35,000,000
8	72/67	0	14,012,239	13,220,890	35,000,000
9	73/68	0	14,743,223	13,998,423	35,000,000
10	74/69	0	15,506,552	14,808,302	35,000,000
11	75/70	0	16,298,448	15,670,022	35,000,000
12	76/71	0	17,122,298	16,563,698	35,000,000
13	77/72	0	17,971,806	17,483,030	35,000,000
14	78/73	0	18,848,722	18,429,772	35,000,000
15	79/74	0	19,766,590	19,417,464	35,000,000
16	80/75	0	20,729,546	20,450,246	35,000,000
17	81/76	0	21,738,710	21,529,234	35,000,000
18	82/77	0	22,792,378	22,652,728	35,000,000
19	83/78	0	23,890,934	23,821,110	35,000,000
20	84/79	0	25,039,632	25,039,631	35,000,000
21	85/80	0	26,246,572	26,246,572	35,000,000
22	86/81	0	27,520,674	27,520,673	35,000,000
23	87/82	0	28,871,684	28,871,685	35,000,000
24	88/83	0	30,311,586	30,311,585	35,000,000
25	89/84	0	31,854,422	31,854,423	35,000,000
26	90/85	0	33,548,820	33,548,820	35,226,260
27	91/86	0	35,321,540	35,321,541	37,087,620
28	92/87	0	37,173,016	37,173,015	39,031,670
29	93/88	0	39,102,960	39,102,961	41,058,110
30	94/89	0	41,139,384	41,139,384	42,784,960
		10,000,000			

\*This is an example of an InsMark supplemental illustration for survivor universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details,

### 30 Year Summary

Cum. Premium Payments	10,000,000
Cash Value	41,139,384
Death Benefit	42,784,960

# Gift Details

## Irrevocable Trust Analysis

Gift Details Page: 1  
Date: 09/25/2012

Presented By: Kenneth B. Sapon, R.Ph., LUTCF, CLU

Generation #1: Arthur Bennett/Elaine Bennett  
Insureds: Arthur Bennett/Elaine Bennett

		Male/Female Age 65/60		Initial Death Benefit Irrevocable Insured Dynasty Trust 35,000,000			
		Irrevocable Non-Dynasty Trust		Irrevocable Dynasty Trust		Irrevocable Insured Dynasty Trust	
Year	Ages	(1a) Gifts to Trustfor Investment	(1b) Gifts to Trust Growth at Net 4.00%	(2a) Gifts to Trustfor Investment	(2b) Gifts to Trust Growth at Net 4.00%	(3a) Gifts to Trustfor Life Insurance Premiums	(3b) Death Benefit of Life Insurance*
1	65/60	10,000,000	10,400,000	10,000,000	10,400,000	10,000,000	35,000,000
2	66/61	0	10,816,000	0	10,816,000	0	35,000,000
3	67/62	0	11,248,640	0	11,248,640	0	35,000,000
4	68/63	0	11,698,586	0	11,698,586	0	35,000,000
5	69/64	0	12,166,529	0	12,166,529	0	35,000,000
6	70/65	0	12,653,190	0	12,653,190	0	35,000,000
7	71/66	0	13,159,318	0	13,159,318	0	35,000,000
8	72/67	0	13,685,691	0	13,685,691	0	35,000,000
9	73/68	0	14,233,118	0	14,233,118	0	35,000,000
10	74/69	0	14,802,443	0	14,802,443	0	35,000,000
11	75/70	0	15,394,541	0	15,394,541	0	35,000,000
12	76/71	0	16,010,322	0	16,010,322	0	35,000,000
13	77/72	0	16,650,735	0	16,650,735	0	35,000,000
14	78/73	0	17,316,764	0	17,316,764	0	35,000,000
15	79/74	0	18,009,435	0	18,009,435	0	35,000,000
16	80/75	0	18,729,812	0	18,729,812	0	35,000,000
17	81/76	0	19,479,005	0	19,479,005	0	35,000,000
18	82/77	0	20,258,165	0	20,258,165	0	35,000,000
19	83/78	0	21,068,492	0	21,068,492	0	35,000,000
20	84/79	0	21,911,231	0	21,911,231	0	35,000,000
21	85/80	0	22,787,681	0	22,787,681	0	35,000,000
22	86/81	0	23,699,188	0	23,699,188	0	35,000,000
23	87/82	0	24,647,155	0	24,647,155	0	35,000,000
24	88/83	0	25,633,042	0	25,633,042	0	35,000,000
25	89/84	0	26,658,363	0	26,658,363	0	35,000,000
26	90/85	0	27,724,698	0	27,724,698	0	35,226,260
27	91/86	0	28,833,686	0	28,833,686	0	37,087,620
28	92/87	0	29,987,033	0	29,987,033	0	39,031,670
29	93/88	0	31,186,515	0	31,186,515	0	41,058,110
30	94/89	0	32,433,975	0	32,433,975	0	42,784,960**
		10,000,000		10,000,000		10,000,000	

\*\*42,784,960 death benefit of life insurance assumed invested in the Insured Dynasty Trust at the end of Year 30. Thereafter, all Trusts are illustrated to compound at the same 4.00% net rate.

Investment results are hypothetical and may be higher or lower than indicated.

\*This is an example of an InsMark supplemental illustration for survivor universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details,

### Survivor Universal Life (SUL)

Initial Face Amount:	35,000,000
Initial Premium:	0
Death Benefit year 30:	42,784,960

# Gift Analysis

## Irrevocable Trust Analysis

Gift Analysis Page: 1  
Date: 09/25/2012

Presented By: Kenneth B. Sapon, R.Ph., LUTCF, CLU

Generation #1: Arthur Bennett/Elaine Bennett  
Insureds: Arthur Bennett/Elaine Bennett

		Male/Female Age 65/60	Annual Gift Exclusions 8	Beginning Lifetime Gift Exemption 10,000,000		
		(1)	(2)	(3)	(4)	(5)
Year	Ages	Lifetime Gift Exemption	Annual Gift Exclusion Indexed @ 3.00%	Maximum Tax Free Gifts Available (1) + (2)	Gift to Trust	Remaining Tax Free Gifts Available (3) - (4)
1	65/60	10,000,000	112,000	10,112,000	10,000,000	112,000
2	66/61	0	112,000	112,000	0	112,000
3	67/62	0	120,000	120,000	0	120,000
4	68/63	0	120,000	120,000	0	120,000
5	69/64	0	128,000	128,000	0	128,000
6	70/65	0	128,000	128,000	0	128,000
7	71/66	0	128,000	128,000	0	128,000
8	72/67	0	136,000	136,000	0	136,000
9	73/68	0	144,000	144,000	0	144,000
10	74/69	0	144,000	144,000	0	144,000
11	75/70	0	152,000	152,000	0	152,000
12	76/71	0	152,000	152,000	0	152,000
13	77/72	0	160,000	160,000	0	160,000
14	78/73	0	160,000	160,000	0	160,000
15	79/74	0	168,000	168,000	0	168,000
16	80/75	0	176,000	176,000	0	176,000
17	81/76	0	176,000	176,000	0	176,000
18	82/77	0	184,000	184,000	0	184,000
19	83/78	0	192,000	192,000	0	192,000
20	84/79	0	192,000	192,000	0	192,000
21	85/80	0	200,000	200,000	0	200,000
22	86/81	0	208,000	208,000	0	208,000
23	87/82	0	216,000	216,000	0	216,000
24	88/83	0	224,000	224,000	0	224,000
25	89/84	0	224,000	224,000	0	224,000
26	90/85	0	232,000	232,000	0	232,000
27	91/86	0	240,000	240,000	0	240,000
28	92/87	0	248,000	248,000	0	248,000
29	93/88	0	256,000	256,000	0	256,000
30	94/89	0	264,000	264,000	0	264,000
			5,296,000			10,000,000

Values in Column (3) are based on client input assumptions.