

# **Stretch-Out Pension vs. Charitable Pension**

Your pension funds (IRA, 401(k), Keogh, etc.) are among your most valuable assets while you are alive; however, due to a combination of estate and income taxes, they are severely taxed when you die -- up to 80% in some cases. You can reduce the tax impact through use of a Stretch-Out Pension or eliminate the taxes entirely with a Charitable Pension.

Strategy 1 in the accompanying material examines retaining your pension assets in your estate at death. It also takes into account the effect of your retirement 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 produce the retirement cash flow needed with enough left over to cover unforeseen emergencies and other contingencies?"

Strategy 2 presents the Stretch-Out Pension alternative. It is identical to Strategy 1 in all respects except: 1) at death, pension assets are assumed going to designated family beneficiaries on an income tax deferred basis; and 2) intra-family gifts are illustrated that fund a life insurance death benefit designed to offset the estate tax on pension assets. The purpose of Strategy 2 is to produce an increase in wealth to heirs while providing an acceptable comfort zone of net worth for you.

Strategy 3 presents the Charitable Pension alternative. It is identical to Strategy 1 in all respects except: 1) at death, pension assets are illustrated going to charity; and 2) intra-family gifts are illustrated that fund an income tax free and estate tax free life insurance death benefit for heirs designed to offset the loss of pension assets that would otherwise be inherited by them. The purpose of Strategy 3 is to: 1) provide the heirs with a capital account free of tax liability -- deferred or otherwise; 2) eliminate death transfer taxes on pension assets; 3) generate a gift to charity; and 4) provide an acceptable comfort zone of net worth for you.

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

1. Comparison of the results from each Strategy;
2. Details of Strategy 1;
3. Details of Strategy 2;
4. Details of Strategy 3.

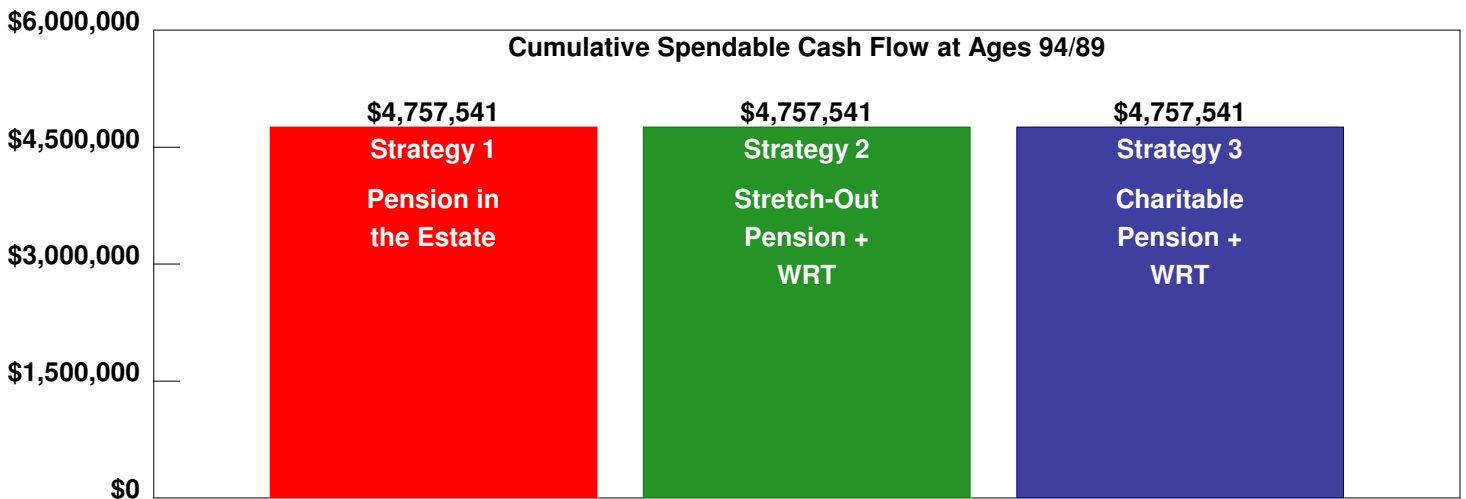
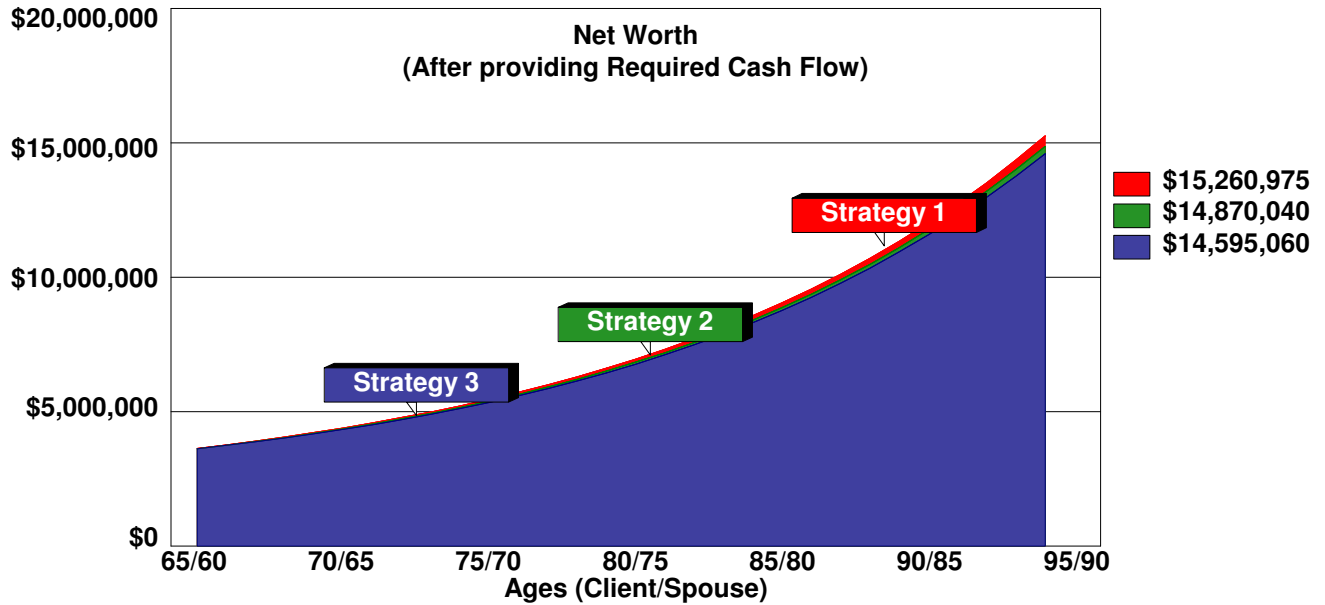
Although all the material should be reviewed, you may find the most valuable information to be in the Comparison section. The important studies in the three Detail sections are the Cash Flow Analysis and the Wealth Transfer Analysis. The balance of the material in each Detail section provides backup for these two analyses. The material presented should provide a sound basis for evaluating your current situation as well as the effect that these planning techniques have on preservation of your family's wealth.

# Comparison of Alternatives

Presented By: Kenneth B. Sapon, LUTCF  
Date: 04/10/2007

For: Harold Fontaine  
& Martha Fontaine

## Comparative Analysis



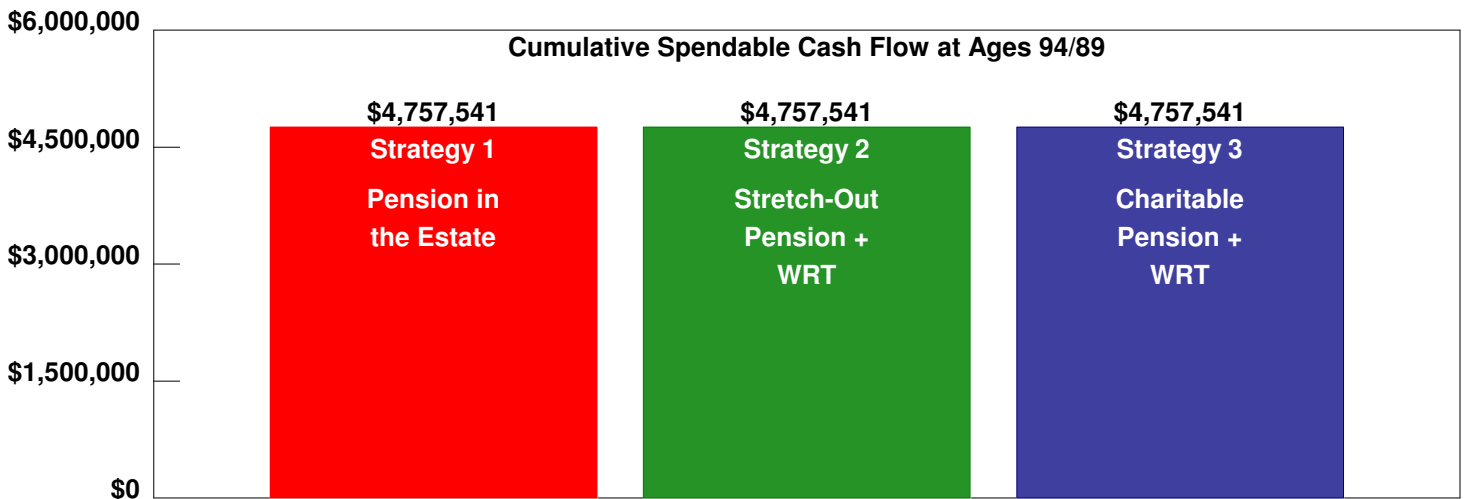
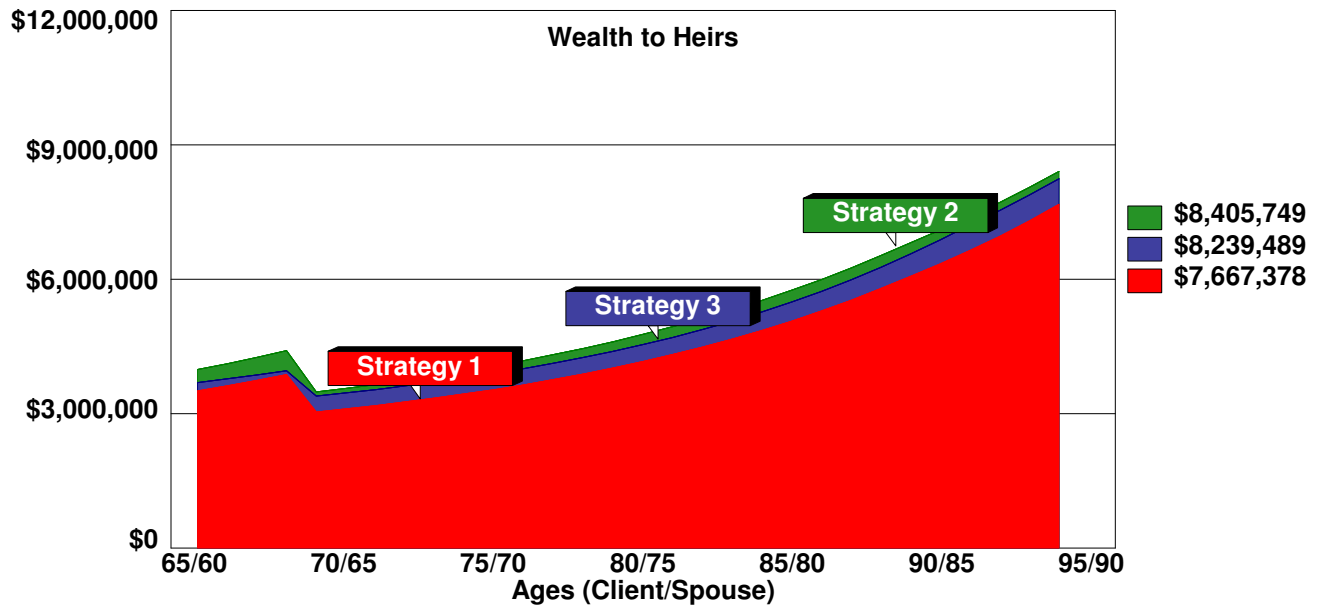
Values on this page may include non-guaranteed life insurance values. If so, actual results are likely to vary, and this report is not valid unless accompanied by a life insurance basic illustration that details non-guaranteed and guaranteed elements.

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## Comparative Analysis



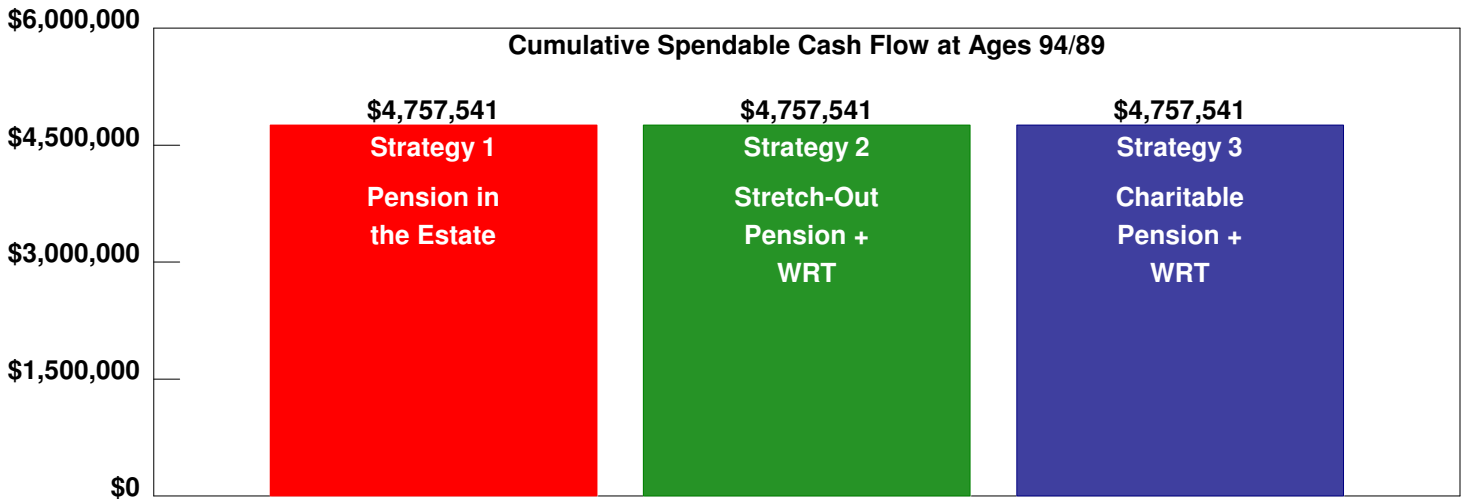
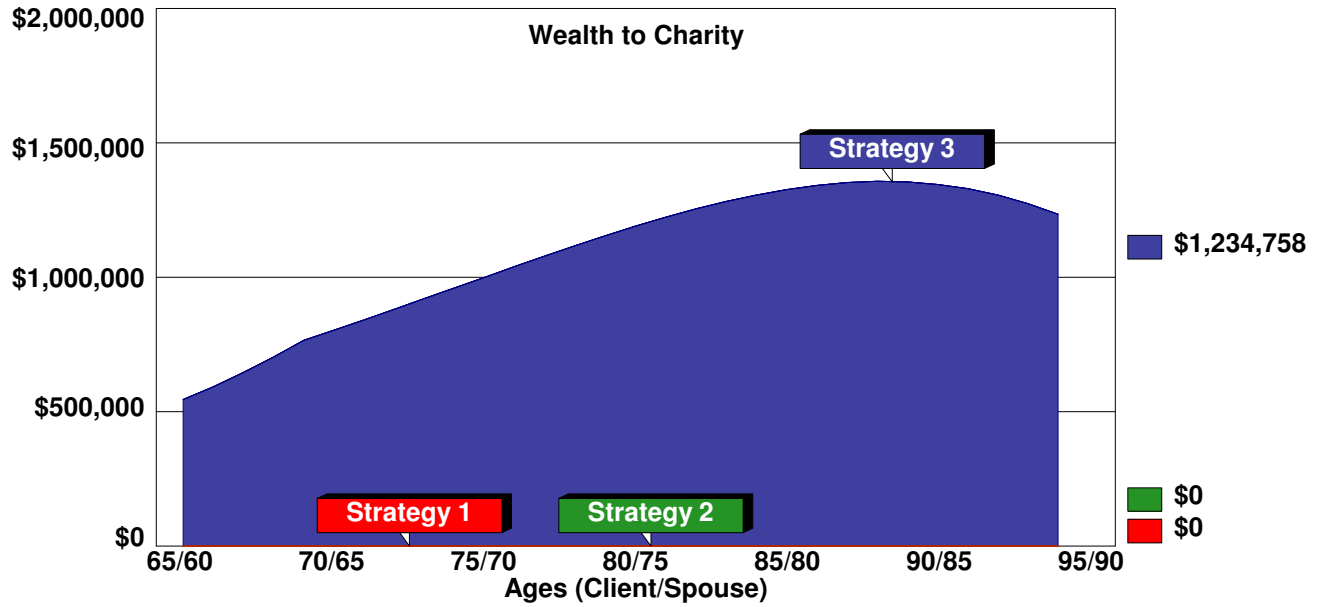
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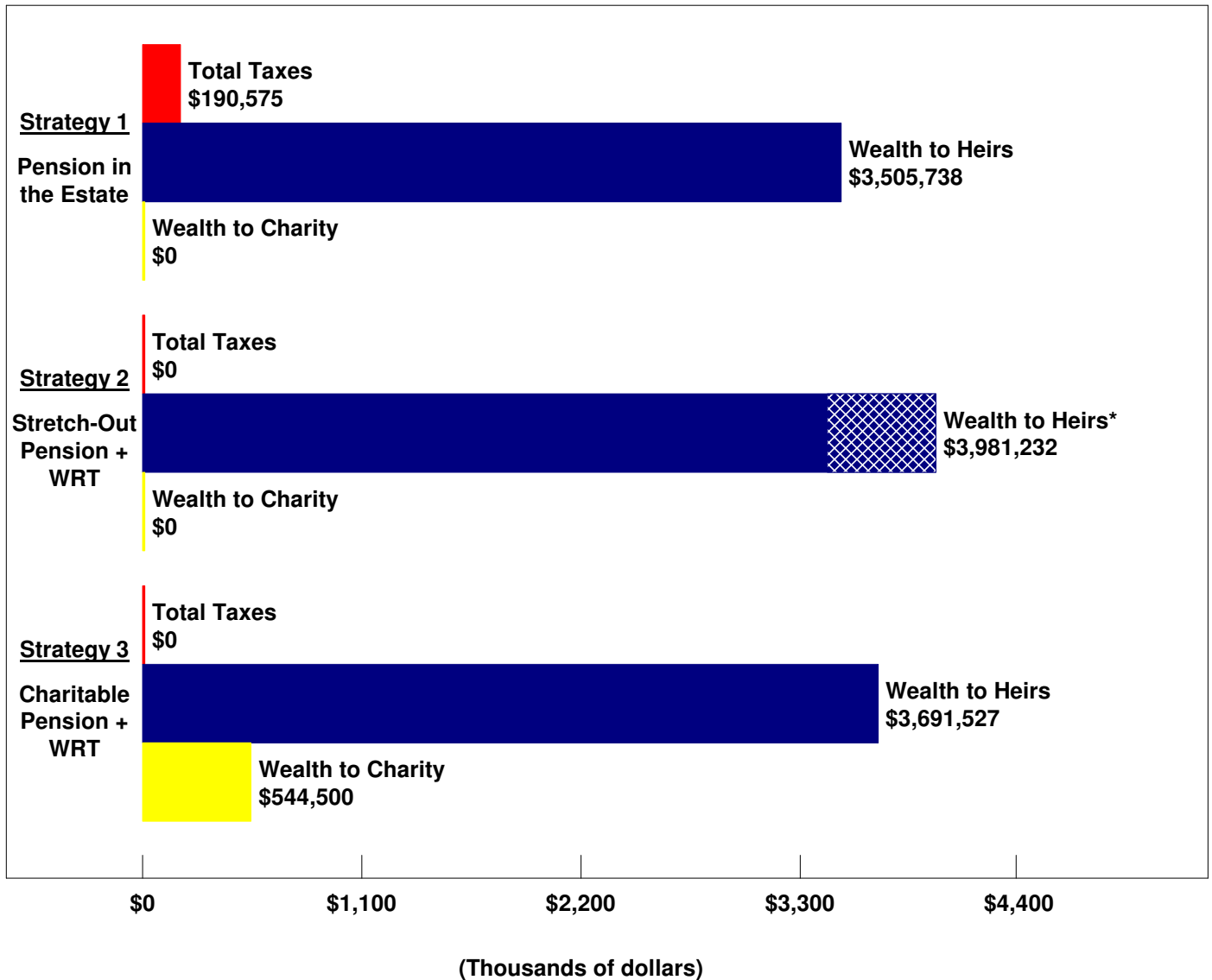


## Comparison of Alternatives

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Date: 04/10/2007

For: Harold Fontaine  
& Martha Fontaine

### Comparative Analysis at ages 65/60



\*Due to the illustrated results of "stretch-out" tax planning in Strategy 2, the Heirs \$3,981,232 includes pension assets of \$544,500 on which income tax is still due. (The \$544,500 is represented by the checkered section.)

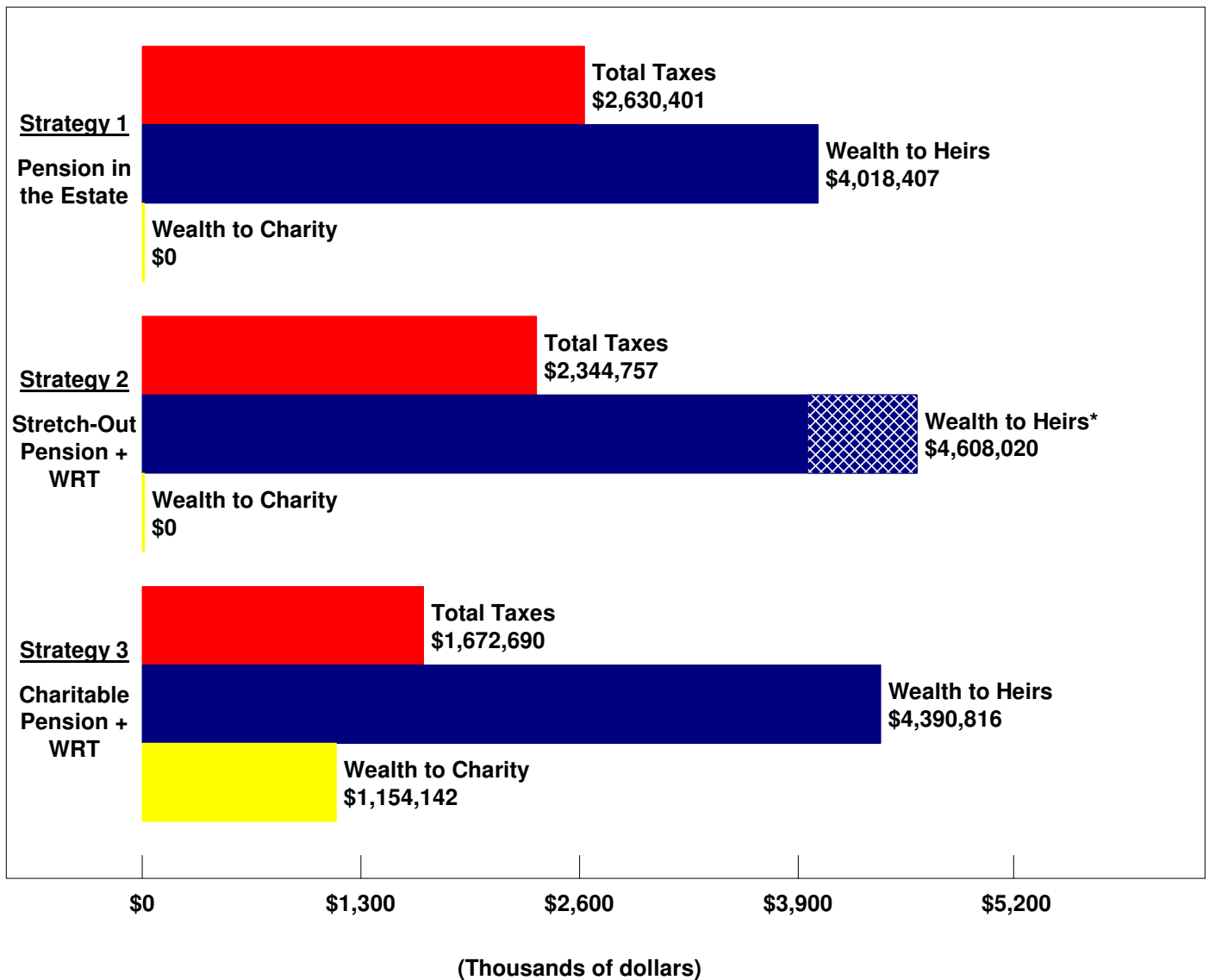
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### Comparative Analysis at ages 79/74



\*Due to the illustrated results of "stretch-out" tax planning in Strategy 2, the Heirs \$4,608,020 includes pension assets of \$652,188 on which income tax is still due. (The \$652,188 is represented by the checkered section.)

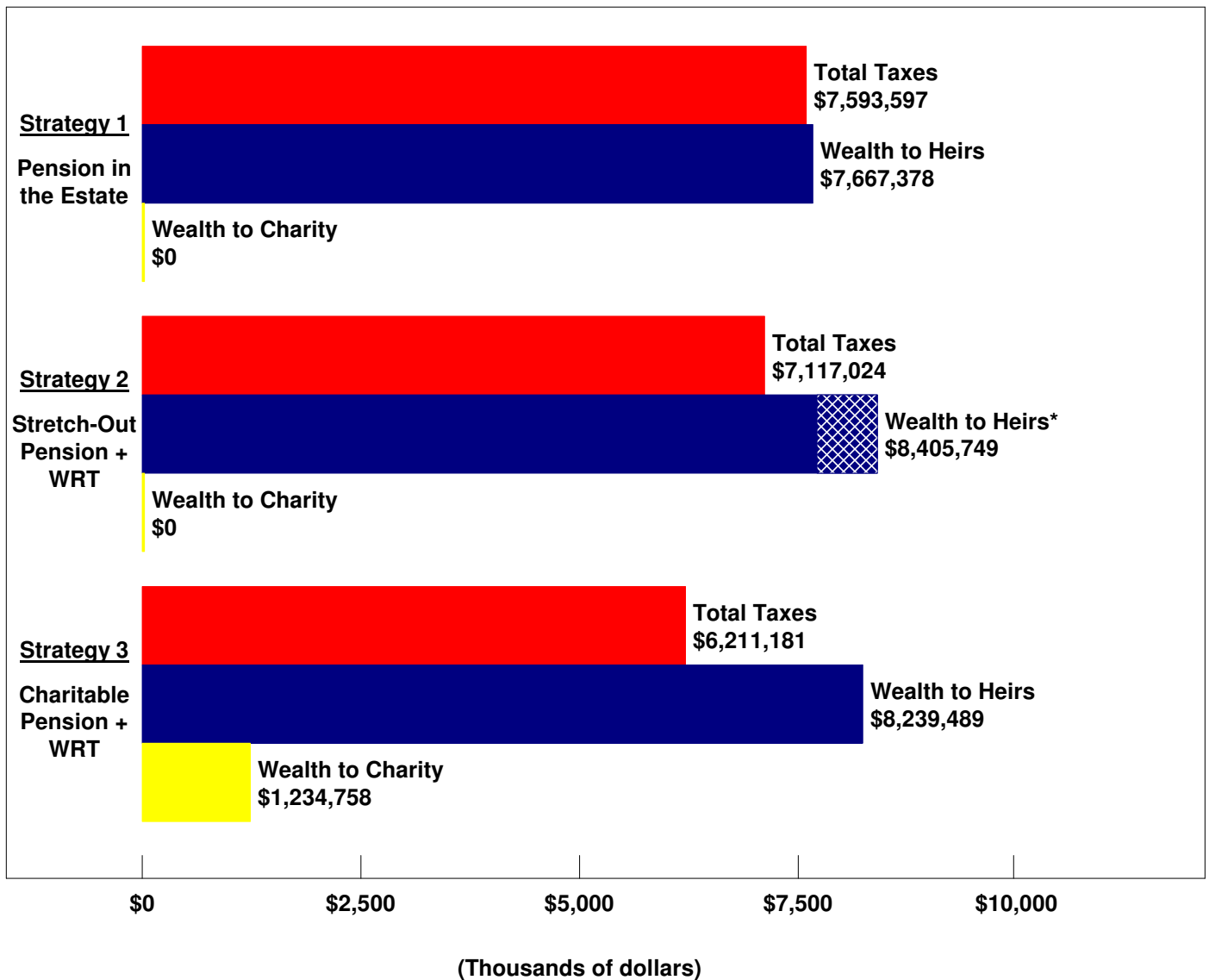
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## Comparison of Alternatives

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& Martha Fontaine

### Comparative Analysis at ages 94/89



\*Due to the illustrated results of "stretch-out" tax planning in Strategy 2, the Heirs \$8,405,749 includes pension assets of \$691,464 on which income tax is still due. (The \$691,464 is represented by the checkered section.)

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## Comparison of Alternatives (Spendable Cash Flow and Net Worth)

Comparison Page: 1  
Date: 04/10/2007

Presented By: Kenneth B. Sapon, LUTCF

For: Harold Fontaine  
& Martha Fontaine

Year	Client Age	Spouse Age	Spendable Cash Flow			Net Worth*		
			Strategy 1	Strategy 2	Strategy 3	Strategy 1	Strategy 2	Strategy 3
			Pension in the Estate	Stretch-Out Pension + WRT	Charitable Pension + WRT	Pension in the Estate	Stretch-Out Pension + WRT	Charitable Pension + WRT
1	65	60	100,000	100,000	100,000	3,627,313	3,622,170	3,618,830
2	66	61	103,000	103,000	103,000	3,760,645	3,750,158	3,743,349
3	67	62	106,090	106,090	106,090	3,904,499	3,888,460	3,878,046
4	68	63	109,273	109,273	109,273	4,057,296	4,035,488	4,021,329
5	69	64	112,551	112,551	112,551	4,222,205	4,194,403	4,176,353
6	70	65	115,927	115,927	115,927	4,395,412	4,361,382	4,339,289
7	71	66	119,405	119,405	119,405	4,580,553	4,540,053	4,513,759
8	72	67	122,987	122,987	122,987	4,778,516	4,731,293	4,700,635
9	73	68	126,677	126,677	126,677	4,990,258	4,936,050	4,900,857
10	74	69	130,477	130,477	130,477	5,216,804	5,155,339	5,115,434
11	75	70	134,392	134,392	134,392	5,459,253	5,390,248	5,345,447
12	76	71	138,423	138,423	138,423	5,718,788	5,641,949	5,592,061
13	77	72	142,576	142,576	142,576	5,996,777	5,911,798	5,856,577
14	78	73	146,853	146,853	146,853	6,294,504	6,200,602	6,139,246
15	79	74	151,259	151,259	151,259	6,613,118	6,509,323	6,441,525
16	80	75	155,797	155,797	155,797	6,953,637	6,839,455	6,764,893
17	81	76	160,471	160,471	160,471	7,317,696	7,192,607	7,110,943
18	82	77	165,285	165,285	165,285	7,707,058	7,570,518	7,481,396
19	83	78	170,243	170,243	170,243	8,123,624	7,975,060	7,878,107
20	84	79	175,351	175,351	175,351	8,569,436	8,408,247	8,303,071
21	85	80	180,611	180,611	180,611	9,046,947	8,872,502	8,758,692
22	86	81	186,029	186,029	186,029	9,558,616	9,370,252	9,247,376
23	87	82	191,610	191,610	191,610	10,107,108	9,904,129	9,771,734
24	88	83	197,359	197,359	197,359	10,695,316	10,476,991	10,334,601
25	89	84	203,279	203,279	203,279	11,326,378	11,091,939	10,936,184
26	90	85	209,378	209,378	209,378	12,004,130	11,754,093	11,571,756
27	91	86	215,659	215,659	215,659	12,732,401	12,454,376	12,251,713
28	92	87	222,129	222,129	222,129	13,515,375	13,204,353	12,979,582
29	93	88	228,793	228,793	228,793	14,361,298	14,008,010	13,759,191
30	94	89	235,657	235,657	235,657	15,260,975	14,870,040	14,595,060
			4,757,541	4,757,541	4,757,541			

\*After providing required cash flow.

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## Comparison of Alternatives (Wealth to Charity and Wealth to Heirs)

Comparison Page: 2  
Date: 04/10/2007

Presented By: Kenneth B. Sapon, LUTCF

For: Harold Fontaine  
& Martha Fontaine

Year	Client Age	Spouse Age	Wealth to Charity			Wealth to Heirs		
			Strategy 1	Strategy 2	Strategy 3	Strategy 1	Strategy 2	Strategy 3
			Pension in the Estate	Stretch-Out Pension + WRT	Charitable Pension + WRT	Pension in the Estate	Stretch-Out Pension + WRT	Charitable Pension + WRT
1	65	60	0	0	544,500	3,505,738	3,981,232	3,691,527
2	66	61	0	0	592,961	3,619,730	4,111,959	3,773,642
3	67	62	0	0	645,735	3,742,733	4,253,397	3,862,270
4	68	63	0	0	703,205	3,873,036	4,403,991	3,955,491
5	69	64	0	0	765,790	3,033,900	3,482,283	3,390,741
6	70	65	0	0	803,509	3,103,887	3,563,204	3,460,924
7	71	66	0	0	842,002	3,179,281	3,649,792	3,535,889
8	72	67	0	0	881,122	3,259,927	3,742,601	3,617,394
9	73	68	0	0	920,694	3,345,924	3,842,283	3,705,292
10	74	69	0	0	960,508	3,438,102	3,949,121	3,797,953
11	75	70	0	0	1,000,316	3,537,182	4,063,563	3,898,441
12	76	71	0	0	1,039,828	3,644,252	4,186,191	4,007,501
13	77	72	0	0	1,078,959	3,759,917	4,317,515	4,125,541
14	78	73	0	0	1,117,105	3,884,272	4,457,907	4,252,944
15	79	74	0	0	1,154,142	4,018,407	4,608,020	4,390,816
16	80	75	0	0	1,189,649	4,162,638	4,768,593	4,540,110
17	81	76	0	0	1,223,152	4,317,167	4,940,351	4,701,730
18	82	77	0	0	1,254,117	4,484,048	5,123,990	4,876,497
19	83	78	0	0	1,281,946	4,663,581	5,320,266	5,065,320
20	84	79	0	0	1,305,972	4,856,374	5,530,073	5,269,333
21	85	80	0	0	1,326,109	5,064,779	5,754,523	5,489,664
22	86	81	0	0	1,341,712	5,288,420	5,994,714	5,727,649
23	87	82	0	0	1,352,085	5,530,447	6,251,788	5,984,654
24	88	83	0	0	1,356,482	5,790,597	6,526,953	6,262,091
25	89	84	0	0	1,354,108	6,060,576	6,816,196	6,559,945
26	90	85	0	0	1,345,271	6,342,191	7,098,823	6,875,143
27	91	86	0	0	1,329,352	6,640,263	7,396,197	7,211,741
28	92	87	0	0	1,305,736	6,957,130	7,712,469	7,536,701
29	93	88	0	0	1,273,827	7,300,801	8,048,677	7,878,284
30	94	89	0	0	1,234,758	7,667,378	8,405,749	8,239,489

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