



Annuity Strategies

Al Strait and Ann Strait

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Important Notes

These pages depict certain wealth preservation strategies concerning possible methods for taking distributions from your non-qualified deferred annuity. This report provides only broad, general guidelines, which may be helpful in shaping your thinking about and discussing your wealth preservation needs with your professional advisors. This report provides estimates based on our general understanding of current tax laws.

Each scenario shown illustrates your current situation or an alternative strategy and its possible effects on the financial situation you provided. Inclusion of one or more of these strategies does not constitute a recommendation of that strategy over any other strategy.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a “best guess”. No guarantee can be made regarding values, as all rates are the hypothetical rates you provided. These computations are not a guarantee of future performance of any asset, including insurance or other financial products, nor do they take into account fees and charges associated with any investment. If they did, the results would be lower. It is unlikely that any one rate of return will be sustainable over a long period of time.

No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction. Unless indicated, the tax aspect of the federal Generation-Skipping Transfer Tax (GSTT) is not reflected. The GSTT is similar to an additional level of estate tax on certain transfers to grandchildren, or individuals two or more generations removed from the transferor. State laws vary regarding the distribution of property, and individual circumstances are unique and subject to change. You should discuss all strategies, transfers, and assumptions with your legal and tax advisors.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law on December 17, 2010 as P.L. 111-312, also known as Tax Act of 2010 in this presentation.

To implement a strategy, it may be necessary to restructure the ownership of property, or change designated beneficiaries before specific will or trust provisions, prepared by the client’s counsel, become effective. The transfer of a life insurance policy may not result in its removal from the estate of the prior owner for three years.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

IMPORTANT: The projections or other information generated by this investment analysis tool (Annuity Strategies) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

IRS CIRCULAR 230 NOTICE: To ensure compliance with requirements imposed by the IRS, this notice is to inform you that any U. S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this presentation.

This presentation is not a financial plan.

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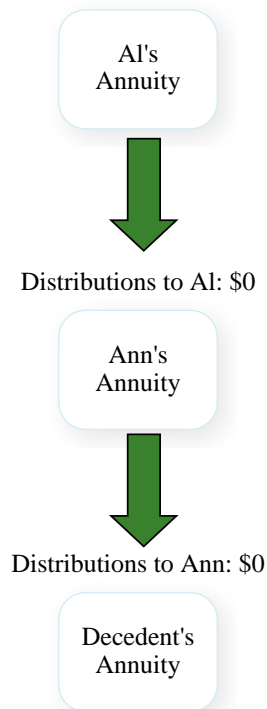
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March 13, 2012
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Illustration of Multi-Generational Approaches

Total Distribution Compared

Beginning Account Balance March 13, 2012: \$200,000

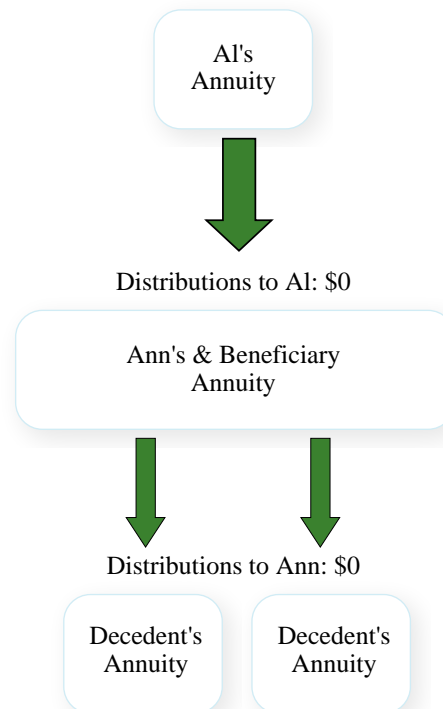
Lump Sum Distribution Approach



Lump Sum Distribution to Beneficiaries: \$503,160

Total Distributions:
\$503,160

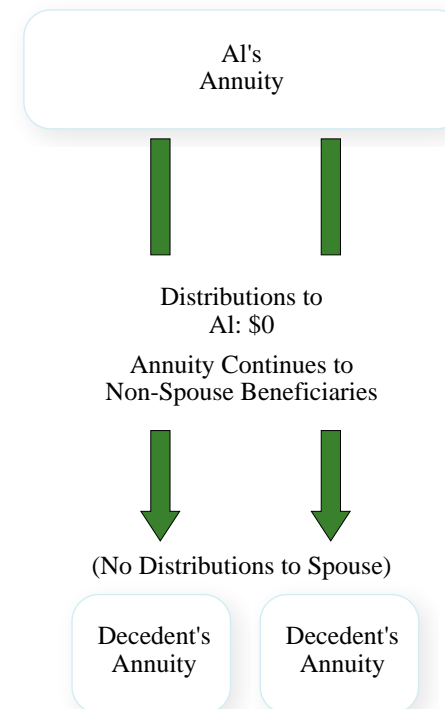
Annuity Maximization Spousal Beneficiary Approach



Distribution to Beneficiaries: \$2,178,517

Total Distributions:
\$2,178,517¹

Annuity Maximization Non-Spouse Approach



Distribution to Beneficiaries: \$1,982,346

Total Distributions:
\$1,982,346¹

NOTE: See Comparing Multi-Generational Approaches for details.

¹ Total distributions assume that in lieu of the lump sum distributions, each beneficiary elects to take distributions spread over his or her lifetime.

Comparing Multi-Generational Approaches

An Explanation of Different Techniques

Lump Sum Distribution Approach

- You name Ann as your primary beneficiary for this annuity. You receive no distributions during your lifetime. The annuity account balance at your death is \$375,990.
- At your death, Ann names beneficiaries for the annuity. Ann receives no lifetime distributions. The annuity account balance at Ann's death is \$503,160.
- At Ann's death, the annuity beneficiaries elect to receive the annuity as a lump sum distribution. Income taxes on the earnings are due when the lump sum distribution is received.

**Total Distributions:
\$503,160**

Annuity Maximization Spousal Beneficiary Approach

- You name Ann as your primary beneficiary for this annuity. You receive no distributions during your lifetime. The annuity account balance at your death is \$375,990.
- At your death, Ann names beneficiaries for the annuity. Ann receives no lifetime distributions. The annuity account balance at Ann's death is \$503,160.
- At Ann's death, the annuity beneficiaries elect to receive distributions based on each named beneficiary's life expectancy. Income taxes on the earnings are spread over the lifetime of each beneficiary as distributions are received.

**Total Distributions:
\$2,178,517**

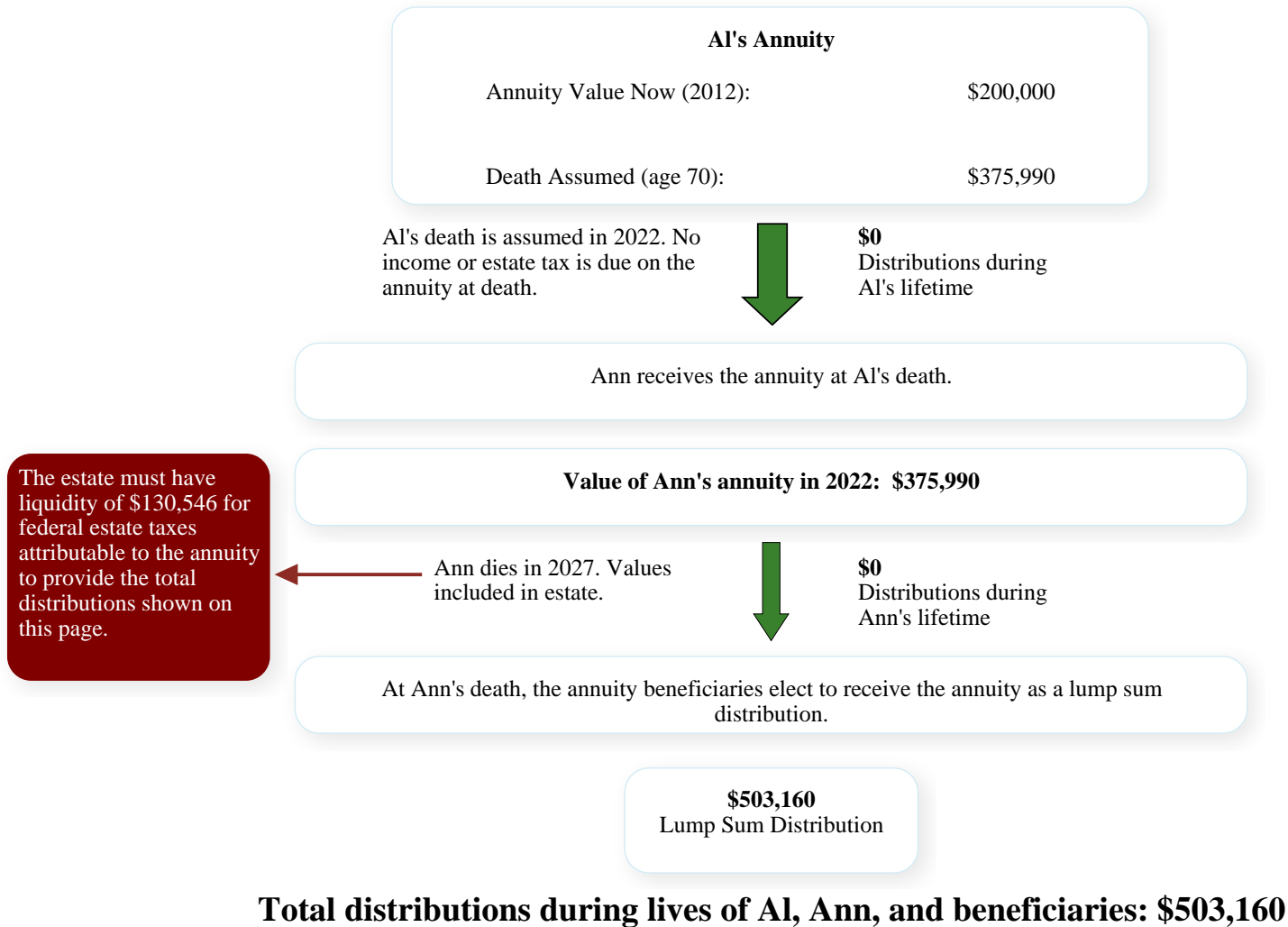
Annuity Maximization Non-Spouse Approach

- You and Ann decide that Ann will not need the annuity as a source of income. You receive no distributions during your lifetime. The annuity account balance at your death is \$375,990.
- At your death, the annuity beneficiaries elect to receive distributions based on each named beneficiary's life expectancy. Income taxes on the earnings are spread over the lifetime of each beneficiary as distributions are received.

**Total Distributions:
\$1,982,346**

Lump Sum Distribution Approach

A Multi-Generational Approach for Continuing Distributions



The estate must have liquidity of \$130,546 for federal estate taxes attributable to the annuity to provide the total distributions shown on this page.

Lump Sum Distribution Approach

A Multi-Generational Approach for Continuing Distributions

Beginning Account Balance March 13, 2012: \$200,000

Year	Annuitant Age	Spouse Age	Earnings & Deposits ¹	Actual Distribution ²	Account Balance
2012	60	58	9,951	0	209,951
2013	61	59	12,597	0	222,548
2014	62	60	13,353	0	235,901
2015	63	61	14,154	0	250,055
2016	64	62	15,003	0	265,058
2017	65	63	15,904	0	280,962
2018	66	64	16,858	0	297,820
2019	67	65	17,869	0	315,689
2020	68	66	18,941	0	334,630
2021	69	67	20,078	0	354,708
2022	70	68	21,282	0	375,990

Al dies and Ann assumes the annuity. Total distributions during Al's lifetime are \$0.

Year	Spouse Age	Earnings & Deposits ¹	Actual Distribution ²	Account Balance
2023	69	22,559	0	398,550
2024	70	23,913	0	422,463
2025	71	25,348	0	447,811
2026	72	26,869	0	474,679
2027	73	28,481	0	503,160

Total distributions during Ann's lifetime are \$0. At Ann's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$130,546 will be due on these amounts.

Distributions Taxed

- You would like to provide your family with financial security supported by your annuity.
- You want to defer income taxation as much as possible.
- You pay income taxes on the earnings when you receive the distributions.

Lump Sum Distribution Approach

- At your death, spouse continues the annuity.
- New annuity beneficiaries can be named at anytime during spouse's remaining lifetime.
- At spouse's death, beneficiaries elect to receive the annuity death proceeds as a lump sum distribution and the earnings are subject to ordinary income tax at the beneficiary's tax rate (or they can elect to annuitize over life or a period that does not exceed life expectancy.)
- The estate should have enough liquidity outside of the annuity for the estate taxes and expenses attributable to the annuity. Life insurance may help provide the needed liquidity.

¹ Assumes annuity earns 6.00% interest. Also includes deposits, if any.

² Distributions prior to annuitization are taxable to the extent of earnings in the annuity. In addition, a 10% federal income tax penalty may apply to distribution of earnings taken prior to age 59½.

Lump Sum Distribution Approach

Wealth Transfer Costs

Beginning Account Balance March 13, 2012: \$200,000

Year	Annuitant Age	Spouse Age	Annuity Account Balance	Other Assets ¹
2012	60	58	209,951	1,033,224
2013	61	59	222,548	1,074,553
2014	62	60	235,901	1,117,535
2015	63	61	250,055	1,162,236
2016	64	62	265,058	1,208,726
2017	65	63	280,962	1,257,075
2018	66	64	297,820	1,307,358
2019	67	65	315,689	1,359,652
2020	68	66	334,630	1,414,038
2021	69	67	354,708	1,470,600
2022	70	68	375,990	1,529,424

Ann receives the annuity at Al's death in 2022 and continues taking distributions.

Year	Spouse Age	Account Balance	Other Assets ¹
2023	69	398,550	1,590,601
2024	70	422,463	1,654,225
2025	71	447,811	1,720,394
2026	72	474,679	1,789,210
2027	73	503,160	1,860,778

At Ann's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$130,546 will be due on these amounts. The beneficiaries are assumed to take a lump sum distribution at Ann's death.

Continuation of this analysis assumes that Ann's estate has sufficient cash liquidity for all transfer costs without using this annuity.

Al's Death Occurs in Year 2022

Total of Other Assets ¹	\$1,529,424
Life insurance on Al inside of estate ²	\$0
Estimated Annuity Account Balance	\$375,990
Estimated share of estate taxes ^{3,4}	\$0
Liquidity needed to continue this approach	\$0
Existing life insurance on Al outside of estate ⁵	\$0

Ann's Death Occurs in Year 2027

Total of Other Assets ¹	\$1,860,778
Life insurance on Ann inside of estate ²	\$0
Estimated Annuity Account Balance	\$503,160
Estimated share of estate taxes ^{3,4}	\$130,546
Liquidity needed to continue this approach	\$130,546
Existing life insurance on Ann outside of estate ⁵	\$0

¹ Other Assets are assumed to be inherited by the surviving spouse and to qualify for the marital deduction. Other Assets are assumed to grow at a net 4.000% each year.

² Life insurance included in the deceased's estate is assumed to be added to Other Assets.

³ Estate tax calculations are based on the total of the Annuity Account Balance, the Other Assets, and any Life Insurance included in the estate. No probate fees or expenses are considered. Estimated Share of Estate Taxes is the ratio that the Annuity Account Balance bears to the Total Estate. See the Assumptions pages for additional information.

⁴ Income in Respect of Decedent (IRD) is taxed as distributions are received. If the Annuity Account Balance is taken as a lump sum, the income tax on the IRD would be \$82,797 at Al's death, and \$89,568 at Ann's death.

⁵ Life insurance outside the deceased's estate is assumed to be paid directly to heirs and will not be in the estate of the surviving spouse.

Annuity Maximization, Spousal Beneficiary Approach

A Multi-Generational Approach for Continuing Distributions

Al's Annuity	
Annuity Value Now (2012):	\$200,000
Death Assumed (age 70):	\$375,990

Al's death is assumed in 2022. No income or estate tax is due on the annuity at death.



\$0
Distributions during Al's lifetime

Ann receives the annuity at Al's death.

Value of Ann's annuity in 2022: \$375,990

The estate must have liquidity of \$130,546 for federal estate taxes attributable to the annuity to provide the total distributions shown on this page.

Ann dies in 2027. Values included in estate.



\$0
Distributions during Ann's lifetime

Distributions based on the life expectancy of each named beneficiary.

Total distributions:
Ken Strait
\$983,632

Total distributions:
Karen Strait
\$1,194,885

Total distributions during lives of Al, Ann, and beneficiaries: \$2,178,517¹

¹ Total distributions assume that in lieu of the lump sum distributions, each beneficiary elects to take distributions spread over his or her lifetime.

Annuity Maximization, Spousal Beneficiary Approach

A Multi-Generational Approach for Continuing Distributions

Beginning Account Balance March 13, 2012: \$200,000

Year	Annuitant Age	Spouse Age	Earnings & Deposits ¹	Actual Distribution ²	Account Balance
2012	60	58	9,951	0	209,951
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Al dies and Ann assumes the annuity. Total distributions during Al's lifetime are \$0.

Year	Spouse Age	Earnings & Deposits ¹	Actual Distribution ²	Account Balance
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2024	70	23,913	0	422,463
2025	71	25,348	0	447,811
2026	72	26,869	0	474,679
2027	73	28,481	0	503,160

Total distributions during Ann's lifetime are \$0. At Ann's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$130,546 will be due on these amounts.

Distributions Taxed

- You would like to provide your family with financial security supported by your annuity.
- You want to defer income taxation as much as possible.
- You pay income taxes on the earnings when you receive the distributions.
- With proper planning you can spread distributions to your heirs.

Annuity Maximization Spousal Beneficiary Approach

- At your death, spouse names new beneficiaries for the annuity.
- At spouse's death, each beneficiary receives distributions based on his or her own life expectancy, and the earnings are subject to ordinary income tax at the beneficiary's tax rate, provided the annuity contract or issuer allows this option.
- Spouse's estate should have enough liquidity outside of the annuity for the estate taxes attributable to the annuity. Life insurance may help provide the needed liquidity.

¹ Assumes annuity earns 6.00% interest. Also includes deposits, if any.

² Distributions prior to annuitization are taxable to the extent of earnings in the annuity. In addition, a 10% federal income tax penalty may apply to distribution of earnings taken prior to age 59½.

Annuity Maximization, Spousal Beneficiary Approach

Next Generation After Ann 's Death

Year	<i>Account Balance: \$251,580</i>				<i>Account Balance: \$251,580</i>			
	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³
2028	46	37.9	6,638	260,037	41	42.7	5,892	260,783
2029	47	36.9	7,047	268,592	42	41.7	6,254	270,176
2030	48	35.9	7,482	277,226	43	40.7	6,638	279,749
2031	49	34.9	7,943	285,916	44	39.7	7,047	289,487
2032	50	33.9	8,434	294,637	45	38.7	7,480	299,376
2033	51	32.9	8,956	303,360	46	37.7	7,941	309,397
2034	52	31.9	9,510	312,051	47	36.7	8,430	319,531
2035	53	30.9	10,099	320,676	48	35.7	8,950	329,752
2036	54	29.9	10,725	329,191	49	34.7	9,503	340,034
2037	55	28.9	11,391	337,552	50	33.7	10,090	350,346
2038	56	27.9	12,099	345,707	51	32.7	10,714	360,653
2039	57	26.9	12,852	353,597	52	31.7	11,377	370,915
2040	58	25.9	13,652	361,161	53	30.7	12,082	381,088
2041	59	24.9	14,504	368,326	54	29.7	12,831	391,122
2042	60	23.9	15,411	375,014	55	28.7	13,628	400,962
2043	61	22.9	16,376	381,139	56	27.7	14,475	410,544
2044	62	21.9	17,404	386,604	57	26.7	15,376	419,801
2045	63	20.9	18,498	391,302	58	25.7	16,335	428,654
2046	64	19.9	19,663	395,117	59	24.7	17,354	437,019
2047	65	18.9	20,906	397,918	60	23.7	18,440	444,801
2048	66	17.9	22,230	399,563	61	22.7	19,595	451,894
2049	67	16.9	23,643	399,894	62	21.7	20,825	458,183
2050	68	15.9	25,151	398,738	63	20.7	22,134	463,539
2051	69	14.9	26,761	395,901	64	19.7	23,530	467,822
2052	70	13.9	28,482	391,173	65	18.7	25,017	470,874
2053	71	12.9	30,323	384,320	66	17.7	26,603	472,523
2054	72	11.9	32,296	375,083	67	16.7	28,295	472,580
2055	73	10.9	34,411	363,177	68	15.7	30,101	470,834
2056	74	9.9	36,685	348,283	69	14.7	32,030	467,055
2057	75	8.9	39,133	330,047	70	13.7	34,092	460,986

¹ Calculated using each beneficiary's life expectancy on December 31 of the year following death and reduced by one each year thereafter.

² Some or all distributions may be subject to income tax.

³ Assumes annuity earns 6.00% interest.

Annuity Maximization, Spousal Beneficiary Approach

Next Generation After Ann 's Death

Year	Ken Strait				Karen Strait			
	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³
2058	76	7.9	41,778	308,072	71	12.7	36,298	452,347
2059	77	6.9	44,648	281,908	72	11.7	38,662	440,826
2060	78	5.9	47,781	251,041	73	10.7	41,199	426,077
2061	79	4.9	51,233	214,871	74	9.7	43,925	407,716
2062	80	3.9	55,095	172,668	75	8.7	46,864	385,315
2063	81	2.9	59,541	123,487	76	7.7	50,041	358,393
2064	82	1.9	64,993	65,903	77	6.7	53,492	326,405
2065	83	0.9	69,858	0	78	5.7	57,264	288,725
	Total:		\$983,632		79	4.7	61,431	244,618
					80	3.7	66,113	193,182
					81	2.7	71,549	133,224
					82	1.7	78,367	62,850
					83	0.7	66,621	0
					Total:		\$1,194,885	

¹ Calculated using each beneficiary's life expectancy on December 31 of the year following death and reduced by one each year thereafter.

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Annuity Maximization, Spousal Beneficiary Approach

Wealth Transfer Costs

Beginning Account Balance March 13, 2012: \$200,000

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2013	61	59	222,548	1,074,553
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2022	70	68	375,990	1,529,424

Ann receives the annuity at Al's death in 2022 and continues taking distributions.

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2023	69	398,550	1,590,601
2024	70	422,463	1,654,225
2025	71	447,811	1,720,394
2026	72	474,679	1,789,210
2027	73	503,160	1,860,778

At Ann's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$130,546 will be due on these amounts.

Continuation of this analysis assumes that Ann's estate has sufficient cash liquidity for all transfer costs without using this annuity.

Al's Death Occurs in Year 2022

Total of Other Assets ¹	\$1,529,424
Life insurance on Al inside of estate ²	\$0
Estimated Annuity Account Balance	\$375,990
Estimated share of estate taxes ^{3,4}	\$0

Liquidity needed to continue this approach

Existing life insurance on Al outside of estate ⁵	\$0
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Ann's Death Occurs in Year 2027

Total of Other Assets ¹	\$1,860,778
Life insurance on Ann inside of estate ²	\$0
Estimated Annuity Account Balance	\$503,160
Estimated share of estate taxes ^{3,4}	\$130,546

Liquidity needed to continue this approach

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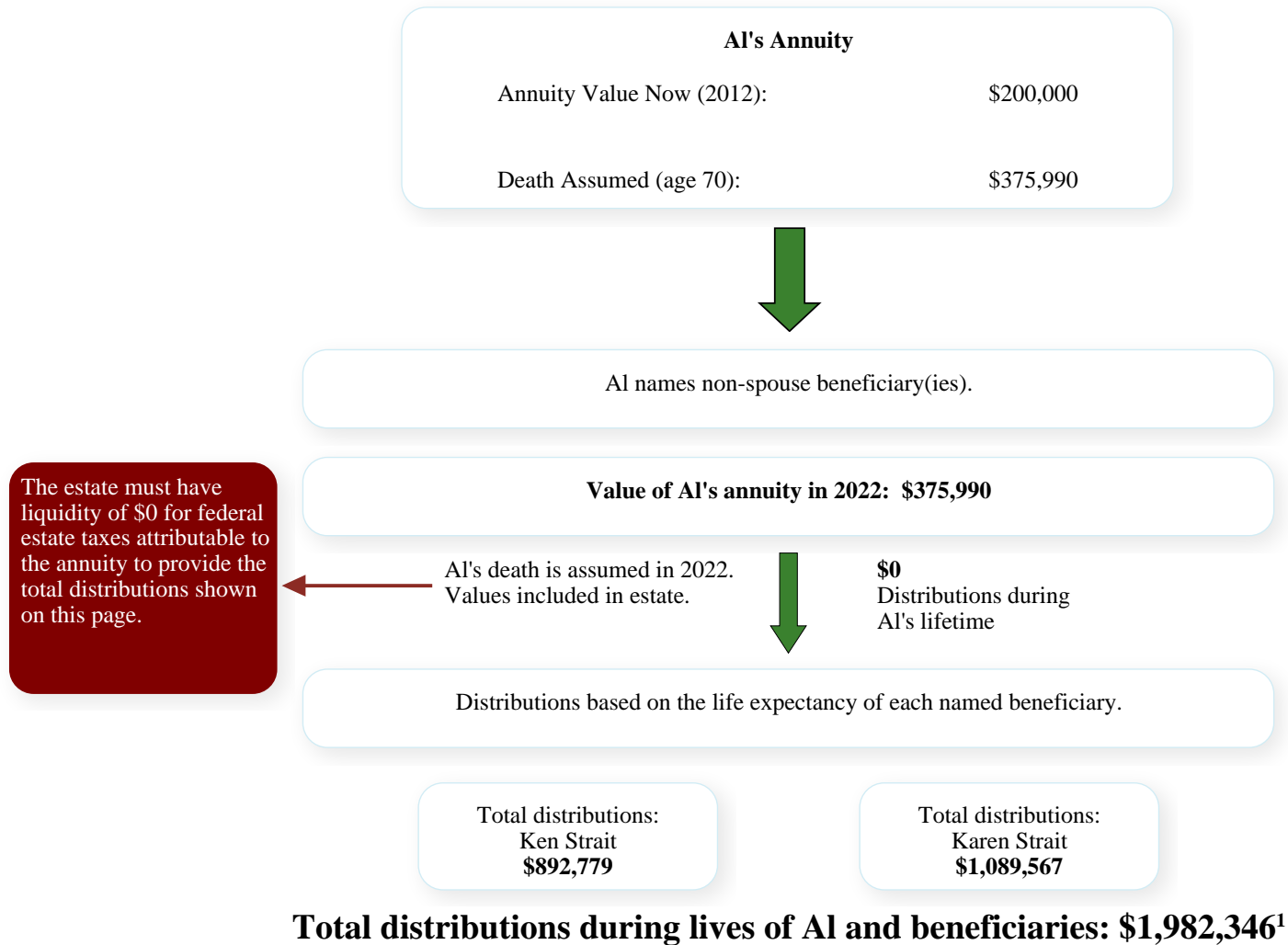
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⁴ Income in Respect of Decedent (IRD) is taxed as distributions are received. If the Annuity Account Balance is taken as a lump sum, the income tax on the IRD would be \$82,797 at Al's death, and \$89,568 at Ann's death.

⁵ Life insurance outside the deceased's estate is assumed to be paid directly to heirs and will not be in the estate of the surviving spouse.

Annuity Maximization, Non-Spouse Beneficiary Approach

A Multi-Generational Approach for Continuing Distributions



¹ Total distributions assume that in lieu of the lump sum distributions, each beneficiary elects to take distributions spread over his or her lifetime.

Annuity Maximization, Non-Spouse Beneficiary Approach

A Multi-Generational Approach for Continuing Distributions

Beginning Account Balance March 13, 2012: \$200,000

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2017	65	15,904	0	280,962
2018	66	16,858	0	297,820
2019	67	17,869	0	315,689
2020	68	18,941	0	334,630
2021	69	20,078	0	354,708
2022	70	21,282	0	375,990

Total distributions during Al's lifetime are \$0. At Al's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$0 will be due on these amounts.

Distributions Taxed

- You pay income taxes on the earnings when you receive the distributions.
- You want to defer income taxation as much as possible.
- You would like to provide your family with financial security supported by your annuity.
- With proper planning you can spread distributions to your heirs.

Annuity Maximization Non-Spouse Beneficiary Approach

- At your death, each beneficiary receives distributions based on his or her own life expectancy, and the earnings are subject to ordinary income tax at the beneficiary's tax rate, provided the annuity contract or issuer allows this option.
- The estate should have enough liquidity outside of the annuity for the estate taxes and expenses attributable to the annuity. Life insurance may help provide the needed liquidity.

¹ Assumes annuity earns 6.00% interest. Also includes deposits, if any.

² Distributions prior to annuitization are taxable to the extent of earnings in the annuity. In addition, a 10% federal income tax penalty may apply to distribution of earnings taken prior to age 59½.

Annuity Maximization, Non-Spouse Beneficiary Approach

Next Generation After AI 's Death

Year	Account Balance: \$187,995 Ken Strait				Account Balance: \$187,995 Karen Strait			
	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³
2023	41	42.7	4,403	194,872	36	47.5	3,958	195,317
2024	42	41.7	4,673	201,891	37	46.5	4,200	202,836
2025	43	40.7	4,960	209,044	38	45.5	4,458	210,548
2026	44	39.7	5,266	216,321	39	44.5	4,731	218,450
2027	45	38.7	5,590	223,684	40	43.5	5,022	226,510
2028	46	37.7	5,933	231,172	41	42.5	5,330	234,771
2029	47	36.7	6,299	238,743	42	41.5	5,657	243,200
2030	48	35.7	6,687	246,380	43	40.5	6,005	251,787
2031	49	34.7	7,100	254,063	44	39.5	6,374	260,520
2032	50	33.7	7,539	261,767	45	38.5	6,767	269,385
2033	51	32.7	8,005	269,468	46	37.5	7,184	278,364
2034	52	31.7	8,501	277,136	47	36.5	7,626	287,440
2035	53	30.7	9,027	284,737	48	35.5	8,097	296,589
2036	54	29.7	9,587	292,234	49	34.5	8,597	305,788
2037	55	28.7	10,182	299,586	50	33.5	9,128	315,007
2038	56	27.7	10,815	306,745	51	32.5	9,693	324,215
2039	57	26.7	11,489	313,661	52	31.5	10,293	333,375
2040	58	25.7	12,205	320,276	53	30.5	10,930	342,447
2041	59	24.7	12,967	326,526	54	29.5	11,608	351,386
2042	60	23.7	13,777	332,340	55	28.5	12,329	360,140
2043	61	22.7	14,641	337,640	56	27.5	13,096	368,652
2044	62	21.7	15,559	342,339	57	26.5	13,911	376,860
2045	63	20.7	16,538	346,341	58	25.5	14,779	384,693
2046	64	19.7	17,581	349,541	59	24.5	15,702	392,072
2047	65	18.7	18,692	351,822	60	23.5	16,684	398,913
2048	66	17.7	19,877	353,054	61	22.5	17,729	405,118
2049	67	16.7	21,141	353,096	62	21.5	18,843	410,582
2050	68	15.7	22,490	351,792	63	20.5	20,028	415,189
2051	69	14.7	23,931	348,968	64	19.5	21,292	418,809
2052	70	13.7	25,472	344,434	65	18.5	22,638	421,299

¹ Calculated using each beneficiary's life expectancy on December 31 of the year following death and reduced by one each year thereafter.

² Some or all distributions may be subject to income tax.

³ Assumes annuity earns 6.00% interest.

Annuity Maximization, Non-Spouse Beneficiary Approach

Next Generation After AI 's Death

Year	Ken Strait				Karen Strait			
	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³	Age	Life Exp. ¹	Actual Distributions ²	Account Balance ³
2053	71	12.7	27,121	337,979	66	17.5	24,074	422,503
2054	72	11.7	28,887	329,371	67	16.5	25,606	422,246
2055	73	10.7	30,782	318,351	68	15.5	27,242	420,340
2056	74	9.7	32,820	304,632	69	14.5	28,989	416,571
2057	75	8.7	35,015	287,895	70	13.5	30,857	410,708
2058	76	7.7	37,389	267,780	71	12.5	32,857	402,494
2059	77	6.7	39,967	243,879	72	11.5	34,999	391,644
2060	78	5.7	42,786	215,726	73	10.5	37,299	377,843
2061	79	4.7	45,899	182,771	74	9.5	39,773	360,741
2062	80	3.7	49,397	144,339	75	8.5	42,440	339,945
2063	81	2.7	53,459	99,541	76	7.5	45,326	315,016
2064	82	1.7	58,553	46,960	77	6.5	48,464	285,453
2065	83	0.7	49,777	0	78	5.5	51,901	250,680
	Total:		\$892,779		79	4.5	55,707	210,014
					80	3.5	60,004	162,611
					81	2.5	65,044	107,323
					82	1.5	71,549	42,214
					83	0.5	44,747	0
					Total:		\$1,089,567	

¹ Calculated using each beneficiary's life expectancy on December 31 of the year following death and reduced by one each year thereafter.

² Some or all distributions may be subject to income tax.

³ Assumes annuity earns 6.00% interest.

Annuity Maximization, Non-Spouse Beneficiary Approach

Wealth Transfer Costs

Beginning Account Balance March 13, 2012: \$200,000

Year	Annuitant Age	Spouse Age	Annuity Account Balance	Other Assets ¹
2012	60	58	209,951	1,033,224
2013	61	59	222,548	1,074,553
2014	62	60	235,901	1,117,535
2015	63	61	250,055	1,162,236
2016	64	62	265,058	1,208,726
2017	65	63	280,962	1,257,075
2018	66	64	297,820	1,307,358
2019	67	65	315,689	1,359,652
2020	68	66	334,630	1,414,038
2021	69	67	354,708	1,470,600
2022	70	68	375,990	1,529,424

At Al's death, the non-qualified deferred annuity proceeds are distributed to the named beneficiaries. Estate taxes attributable to the non-qualified annuity proceeds of \$0 will be due on these amounts.

Continuation of this analysis assumes that Ann's estate has sufficient cash liquidity for all transfer costs without using this annuity.

Al's Death Occurs in Year 2022

Total of Other Assets ¹	\$1,529,424
Life insurance on Al inside of estate ²	\$0
Estimated Annuity Account Balance	\$375,990
Estimated share of estate taxes ^{3,4}	\$0

Liquidity needed to continue this approach

Existing life insurance on Al outside of estate ⁵	\$0
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Ann's Death Occurs in Year 2027

Total of Other Assets ¹	\$1,860,778
Life insurance on Ann inside of estate ²	\$0
Estimated Annuity Account Balance	\$0
Estimated share of estate taxes ^{3,4}	\$0

Liquidity needed to continue this approach

Existing life insurance on Ann outside of estate ⁵	\$0
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¹ Other Assets are assumed to be inherited by the surviving spouse and to qualify for the marital deduction. Other Assets are assumed to grow at a net 4.000% each year.

² Life insurance included in the deceased's estate is assumed to be added to Other Assets.

³ Estate tax calculations are based on the total of the Annuity Account Balance, the Other Assets, and any Life Insurance included in the estate. No probate fees or expenses are considered. Estimated Share of Estate Taxes is the ratio that the Annuity Account Balance bears to the Total Estate. See the Assumptions pages for additional information.

⁴ Income in Respect of Decedent (IRD) is taxed as distributions are received. If the Annuity Account Balance is taken as a lump sum, the income tax on the IRD would be \$82,797 at Al's death.

⁵ Life insurance outside the deceased's estate is assumed to be paid directly to heirs and will not be in the estate of the surviving spouse.

The Key to Maximizing Distributions

Keeping your Plan Intact



**Significant Transfer Costs
Are Incurred at Your Death**

The key to maximizing income tax deferral and stretching out distributions to your heirs is to keep the annuity intact at death.

- *How will the estate taxes and other transfer costs needed to keep your plan in place be paid?*
- *Where will the additional liquidity come from?*
 - Using the annuity not only accelerates income taxes on the earnings but prevents the stretching of distributions over future generations
 - Pay the additional liquidity needed from other assets within the estate assets that might otherwise be passed on and utilized for other planning purposes
 - Or, pay the transfer costs attributable to the annuity transfer using life insurance owned by an irrevocable life insurance trust

Your estate needs enough liquidity outside of the annuity to satisfy estate taxes and expenses attributable to the plan to achieve optimal multi-generational planning.

Sources of Liquidity

Ways to Pay Wealth Transfer Costs



Use Cash On Hand

Advantages

- It's easy to use
- It's always available
- No interest costs

Concerns

- Who has that amount of cash?
- Cash is included in taxable estate
- May be better uses for cash



Borrow the Money

Advantages

- No immediate outlay
- Uses other people's money
- Single sum transfer

Concerns

- Can't find a lender
- Interest charges can be high
- Can you pay back the principal?
- Loan payments impede lifestyle



Liquidating Assets

Advantages

- No need to save during life
- No interest costs

Concerns

- Can't find a buyer
- Asset values subject to market fluctuations
- Sale takes too long
- Assets are subject to estate tax
- Family may want to keep asset



Life Insurance

Advantages

- Proceeds are generally paid income tax free
- No interest costs
- Flexible outlay options
- Cash value accumulation
- Proceeds can be estate tax free

Concerns

- Requires annual premiums
- Must qualify for insurance
- Proceeds may not be estate tax free (if owned by the insured)

Assumptions

Details and Assumptions for Annuity Maximization Calculations

General Assumptions

Al's DOB: September 15, 1952 and Ann's DOB: November 15, 1954

Calculations assume that the value of All Other Assets (excluding life insurance) is equal to \$1,000,000. These assets are assumed to grow at 4.00%. Hypothetical rate of return illustrated is not associated with any particular investment product.

Calculations assume an income tax rate of 30.000%.

Estate Assumptions

Assumes Al's unused Unified Credit is not considered in estimating estate taxes at Ann's death. For 2011 and 2012, assumes portability of any unused Basic Exclusion Amount at first spouse's death.

Federal Inflation Rate for Basic Exclusion Amount is 2.00%.

Annuity Maximization Assumptions

Current plan amount is \$200,000 with a growth rate of 6.00%. Hypothetical rates of return illustrated are not associated with any particular investment.

The prior annuity cost basis was \$100,000.

There are no additional annual contributions assumed.

The annuity balance is grown pro-rata based on the date entered.

Distributions of earnings are taxable.

Beneficiary Information

Beneficiary Name	Date of Birth
Ken Strait	December 9, 1982
Karen Strait	January 28, 1987

Lump Sum Distribution Assumptions

Ann is named beneficiary.

At Al's death, Ann continues the annuity. At Ann's death, beneficiaries receive the balance of the annuity as a lump sum distribution.

Annuity Maximization Spousal Beneficiary Assumptions

Ann is named beneficiary.

At Al's death Ann continues the annuity. At Ann's death, each non-spouse beneficiary receives distributions based on his/her own life expectancy, as of 12/31 of the year following Ann's death, and is assumed to live to the life expectancy used in the illustration.

Ann's estate is assumed to have cash liquidity to fund estate taxes outside of the annuity for this analysis.

Assumptions (Continued)

Details and Assumptions for Annuity Maximization Calculations

Annuity Maximization Non-Spousal Beneficiary Assumptions

Al's death is assumed in 2022. Al's estate is assumed to have enough cash liquidity outside of the annuity in analysis.

At Al's death each non-spouse beneficiary receives distributions based on his or her life expectancy and is assumed to live to the life expectancy used in the illustration.

Tax Act of 2010

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law on December 17, 2010 as P.L. 111-312, also known as Tax Act of 2010 in this presentation. Tax Act of 2010 applies to deaths and gifts made in years 2011 and 2012. Tax Act of 2010 provides for 'portability' of a deceased spouse's unused Basic Exclusion Amount. Unused exclusion amounts may be passed to the surviving spouse (election must be made on timely filed estate tax return) in years 2011 and 2012. Unless Congress extends all or part of the Act's provisions, the rates, exemptions and procedures will revert to those in effect without regard to the Tax Act of 2010 (pre-EGTRRA 2011.) Calculations for deaths or gifts in 2011 and 2012 reflect the rates, exemptions, and other provisions (portability) within the Tax Act of 2010. All other calculations assume that Congress does **not** extend any of the provisions of this law, and the law in effect prior to EGTRRA 2001 is applied.