

Estate Planning
For
John and Mary Sample

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Prepared by

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About Your Estate Planning

We appreciate that you have questions and concerns as you work to attain and preserve financial security. Today's financial environment is complex and in many regards, uncertain. The decisions you make regarding work, spending, investment, and retirement, both now and in the future, will significantly affect your financial condition over the long term.

In an effort to aid you in learning, understanding, and formulating a personal basis for decision making, this 'Estate Planning' is offered to help enhance your knowledge of various topics and communicate some of the intricacies of the financial world. The plan represents a framework to clarify and structure your financial matters.

This plan is based upon confidential information you provided regarding your present resources and objectives. While illustrations within this plan can be a valuable aid in the examination of your finances, it does not represent the culmination of your planning efforts. Financial planning is an ongoing process.

This hypothetical illustration of mathematical principles is custom made to model some potential situations and transitions you may face in your financial future. Hypothetical assumptions used in this illustration are specifically chosen to communicate and demonstrate your current financial position and highlight for discussion with your advisor the complex future interacting effects of combined incomes, expenses, savings, asset growth, taxes, retirement benefits, and insurance.

This document is not an advertisement or solicitation for any specific investment, investment strategy, or service. No recommendations or projections of specific investments or investment strategies are made or implied. Any illustrations of asset growth contained herein are strictly used to demonstrate mathematical concepts and relationships while presenting a balanced and complete picture of certain financial principles. Growth assumptions are applied to generalized accounts based upon differing tax treatment. Illustrations, charts and tables do not predict or project actual future investment performance, or imply that any past performance will recur.

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The Assumptions page contains information you provided that is used throughout the presentation. The asset listing herein is not an account statement and does not necessarily include current or complete balances, holdings, and returns. Please review the information for accuracy and notify your Financial Advisor promptly if discrepancies in the assumptions are present; discrepancies may materially alter the presentation.

Your actual future investment returns, tax levels and inflation are unknown. This illustration uses representative assumptions in a financial planning calculation model to generate a report for education and discussion purposes. Calculations and assumptions within this report may not reflect all potential fees, charges, and expenses that might be incurred over the time frame covered by these illustrations which, if included, would result in lower investment returns and less favorable illustration results. Do not rely upon the results of this report to predict actual future investment performance, market conditions, tax effects or inflation rates.

Assumptions

Client Information:	John	Mary	Asset Allocations:	Current	Suggested
Birth Date			Cash & Reserves	7.60%	5.00%
Age	48	46	Income	1.90%	0.00%
Retirement Age	65	63	Income &	5.70%	15.00%
Life Expectancy	85	90	Growth	60.46%	40.00%
Alternate Life Expectancy	90	95	Aggressive	24.33%	40.00%
Life Insurance			Other	0.00%	0.00%
Term Insurance	\$500,000	\$250,000	Risk Tolerance	Somewhat Aggressive	
Insurance Cash Values					

Income (Annual)	John	Mary
Earned Income	\$80,000	\$70,500
Social Security	\$33,503	\$32,668
Start Age	67	67
Increase Rate	2.00%	2.00%
Pension 1	\$7,200	
Start Age	65	
Increase Rate (Pre. Ret.)	0.00%	
Increase Rate (Ret.)	2.00%	
Pension Survivor %	0%	
Pension 2		
Start Age		
Increase Rate (Pre. Ret.)		
Increase Rate (Ret.)		
Pension Survivor %		

Other Expenses (After-Tax)

Item Description	Start Year	Inc. Rate	Number of Years	Amount per Year
World Travel - 2	2034	3.00	2	(\$20,000)
Replace Roof	2019	3.00	1	(\$12,000)
Kitchen and	2020	3.00	1	(\$32,000)

Rate Assumptions	Pre-Ret.	Ret.
Taxable Returns	7.00%	6.00%
Tax-Deferred & Roth Returns	7.00%	6.00%
Tax-Free Returns	5.00%	4.00%
Return on Annuities	6.00%	6.00%
Effective Tax Rates	25.00%	20.00%
Cost Basis for Taxable Assets		100.00%
Cost Basis for Annuity Assets		100.00%
Additions Increase Rate: Taxable		2.00%
Additions Incr Rate: Tax-Def	2.00%	2.00%

Expenses (After-Tax)	Pre-Ret.	Ret.
Expenses	\$90,000	\$85,000
Survivor Expenses	\$80,000	\$75,000
Inflation Rate	3.00%	3.00%
Survivor Inflation Rate	3.00%	3.00%

Estimated Education Costs

Total Costs at 6% Inflation	\$192,400
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Note: These assumptions are based upon information provided by you, combined with representative forward looking values intended to provide a reasonable financial illustration for education and discussion purposes. The investment returns, tax rates, benefit increase rates, inflation rates, and future expense values used in this report were selected based on your age, assets, income, goals and other information you provided. These assumptions do not presuppose or analyze any particular investments or investment strategy, or represent a guarantee of future results.

Asset Worksheet

Description	Current Amount	Annual Additions*	Addition Period	Asset Class	Account Taxation	Asset Type
Checking / Savings	40,000			Cash	Taxable (1)	Money Market
Municipal Bond Fund	10,000			Income	Tax-Free (J)	Muni Bonds & Funds
Stock Mutual Funds	85,000			Growth	Taxable (J)	Mutual Funds (Stock)
IRA	34,000			Growth	IRA (2)	Stocks
401k	160,000	11,900	2018-2034	Growth	Tax-Deferred (1)	Bond Mutual Funds
401k	128,000	10,050	2018-2034	Agg. Gro.	Tax-Deferred (2)	Mutual Funds (Stock)
Annuity	30,000			Inc./Gro.	Annuity (1)	Annuities
Roth IRA	12,000	2,500	2018-2034	Growth	Roth IRA (1)	Money Market
Roth IRA	27,000	2,500	2018-2034	Growth	Roth IRA (2)	Money Market
Totals:	\$526,000	\$26,950				

*Annual IRA addition amounts used in the analysis are limited to the maximums allowed by law.

Note: This asset information is based upon information you provided and sources believed to be reliable. The asset listing herein is not an account statement and does not necessarily include current or complete balances, holdings, and returns. Please review this information for accuracy.

Insurance Summary

Company Name		
Insured	John	Mary
Owner	John	Mary
Beneficiary	Mary	John
Type	Term	Term
Death Benefit	\$500,000	\$250,000
Annual Premium		
Total Premiums Paid		
Current Cash Values		

Insurance Included in Estate:

John predeceases Mary

	<u>John</u>	<u>Mary</u>
Policy 1 -	\$500,000	\$0
Policy 2 -	0	250,000
	\$500,000	\$250,000

Mary predeceases John

	<u>Mary</u>	<u>John</u>
Policy 1 -	\$0	\$500,000
Policy 2 -	250,000	0
	\$250,000	\$500,000

Estate Planning

While a very complex topic, estate planning is a critical component of any well developed financial plan. To be effective, this planning needs to be carefully coordinated with the other areas of planning such as Insurance, Retirement, Investments, etc. The primary goal of this section is to highlight estate planning concepts, and help illustrate potential benefits of implementing basic estate planning techniques available today.

Estate tax rules changed in 2012 and 2018. To fairly illustrate concepts and estimate future estate taxes, this report illustrates estate taxes based upon existing estate law as enacted. New rules set an \$11.2 million unified federal estate and gift tax exemption (adjusted annually for inflation) with a top tax rate of 40%. Rules provide for portability of unused estate tax exclusion to surviving spouses. To utilize the Deceased Spouse Unused Exclusion Amount (DSUEA), executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse. Note that estate law is uncertain and may potentially change again sometime in the future.

Estate Tax

Minimizing estate tax is a primary goal of most people with estate tax exposure. History is full of examples of estates decimated by unnecessary estate taxes and related expenses. This analysis of the current estate situation helps illustrate suggestions that can minimize current and future estate tax exposure. Some of the basic planning techniques considered are:

- Unlimited Marital Deduction
- Maximizing use of Applicable Exclusion Amount
- Unlimited Charitable Deductions
- Annual Gift Exclusion
- Revocable Living Trusts
- Irrevocable Life Insurance Trusts

Other Financial Goals

Other financial goals to consider in estate planning are:

- Estate liquidity
- Managing probate, administrative and other expenses
- Minimizing Income Tax

Non-Financial Goals

The non-financial aspects of estate planning are just as important as the various financial goals described above. They will often be of a very personal nature and should be customized to fit into your overall plan. Generally, this can be accomplished by discussing these goals noted above. We will be able to point out only general concepts in this report. However, some of the non-financial goals for you to consider are:

- Caring for dependents or minor children
- Distribution of property to heirs
- Maintaining control over assets
- Lifetime planning issues such as incapacity and health care powers

Summary

Protecting your estate requires careful planning. The diverse skills required to coordinate a plan might require a team approach consisting of your financial planner, attorney, insurance specialist, accountant, and investment advisor. The illustrations provided here are intended as tools to help you and your team make informed decisions. In addition, your situation will most likely change with time. Therefore, you will need to monitor your estate planning situation periodically and make amendments as required.

This report is a hypothetical illustration and does not constitute legal or tax advice. You should always obtain legal counsel and professional tax advice before taking action affecting your estate planning.

Estate Net Worth Statement

ASSETS

	<u>John</u>	<u>Mary</u>	<u>Joint/ Community</u>	<u>Total</u>
Savings and Investments				
Money market accounts/funds	\$40,000			\$40,000
Municipal bonds and funds			10,000	10,000
Stock mutual funds			85,000	85,000
Annuities	30,000			30,000
	<u>\$70,000</u>	<u>\$0</u>	<u>\$95,000</u>	<u>\$165,000</u>
Retirement Accounts				
Qualified Plans - John	\$160,000			\$160,000
Qualified Plans - Mary		128,000		128,000
Roth IRA Assets - John	12,000			12,000
Roth IRA Assets - Mary		27,000		27,000
IRA Assets - Mary		34,000		34,000
	<u>\$172,000</u>	<u>\$189,000</u>	<u>\$0</u>	<u>\$361,000</u>
Other Assets				
Residence			\$400,000	\$400,000
Personal Property			20,000	20,000
Cars			36,000	36,000
	<u>\$0</u>	<u>\$0</u>	<u>\$456,000</u>	<u>\$456,000</u>
TOTAL ASSETS	\$242,000	\$189,000	\$551,000	\$982,000
<u>LIABILITIES</u>				
Residence Mortgage			\$220,000	\$220,000
Credit Card Debt			5,000	5,000
Car Loans			15,000	15,000
TOTAL LIABILITIES	\$0	\$0	\$240,000	\$240,000
NET WORTH	\$242,000	\$189,000	\$311,000	\$742,000
<u>ADJUSTMENTS</u>				
Life insurance in estate	\$500,000	\$250,000		
Estate share of joint property	155,500	155,500		
ESTATE NET WORTH	\$897,500	\$594,500		

Your Current Situation

The recommendations in this report are based on information that you provided. Before reviewing the estate plan or implementing any of the recommendations that follow, please verify the following data and assumptions.

Basic Data

	John	Mary
Age	48	46
Age at Death for this Illustration	48	46

General Assumptions

Administrative & probate expenses as a percentage of estate assets:	4.00%
Estimated final expenses	\$7,500

Existing Estate Planning

Will	Yes	Yes
Irrevocable Life Insurance Trust	No	No
Credit Shelter Trust Provisions	No	No
Generation Skip Trust Provisions	No	No
Revocable Living Trust	No	No
QTIP Trust Provisions	No	No
Marital Trust Provisions	No	No
Durable General Power of Attorney	No	No
Durable Health Care Power of Attorney	No	No
Living Will	No	No
Existing percentage of Estate in Living Trust	0%	0%

Previous Gifting Detail

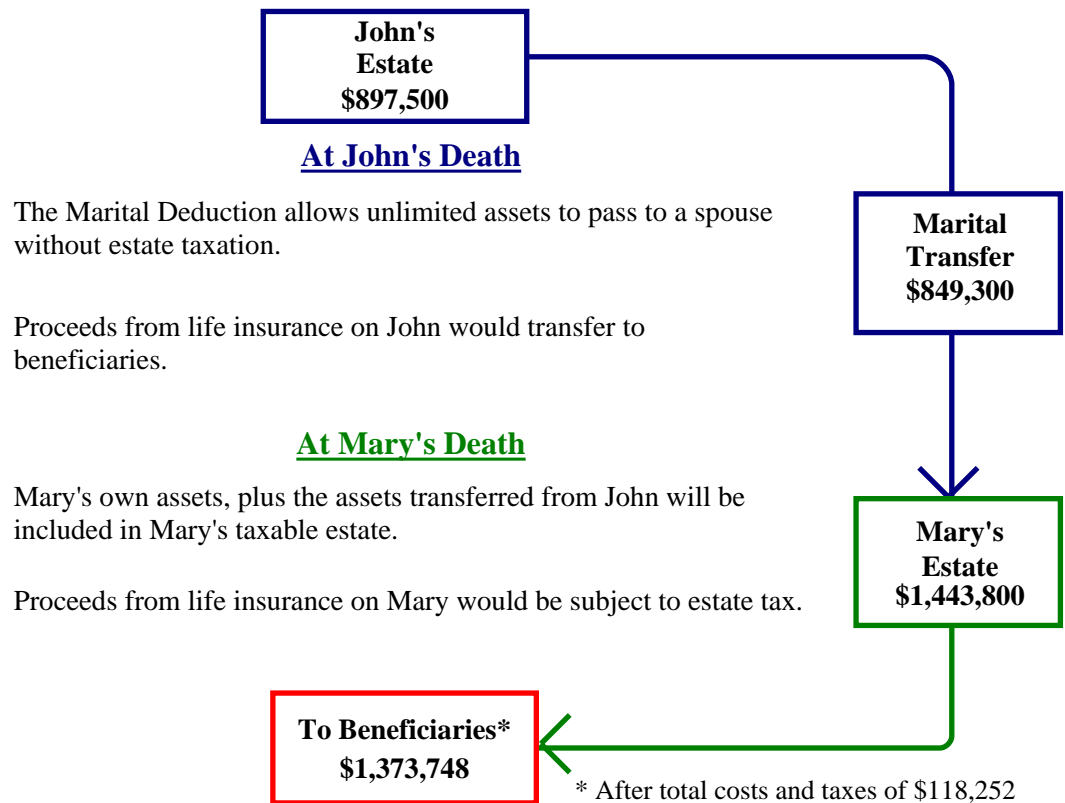
Previous Taxable Gifts	\$0	\$0
Previous Gift Taxes Paid	\$0	\$0

Current Estate Summary

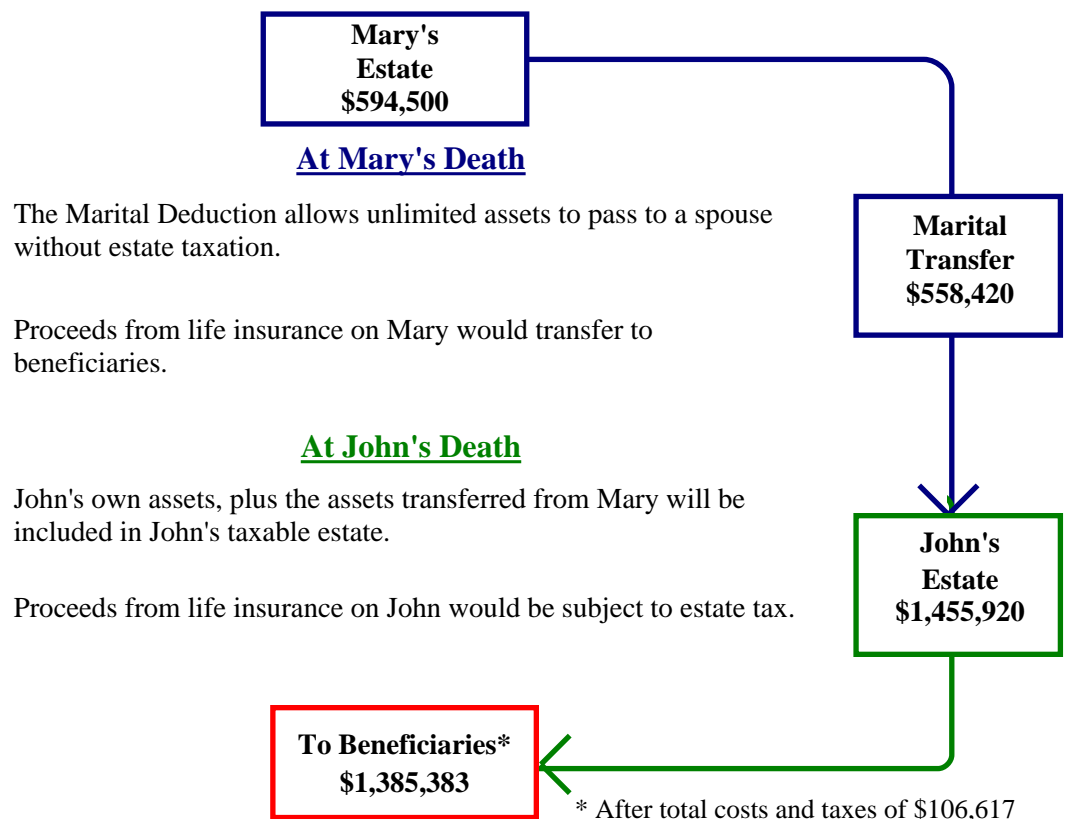
- John's gross estate consists of \$897,500 and Mary's consists of \$594,500.
- Potential estimated federal estate taxes currently are zero.
- Administrative, probate, and final expenses could total from \$106,617 to \$118,252.
- Additional planning could save up to \$95,396 in estate taxes and other costs.

Current Situation - Flowchart

John Predeceases Mary



Mary Predeceases John



Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses (DSUEA). To utilize DSUEA, executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

Current Situation - Estimate

John Predeceases Mary

Estate	John's Death	Mary's Death
Separate property	\$70,000	\$0
50% of jointly owned & community property	275,500	275,500
Retirement Accounts	172,000	189,000
Life Insurance	500,000	250,000
Debt	(120,000)	(120,000)
Marital Transfer	0	849,300
	\$897,500	\$1,443,800
Deductions and Expenses		
Marital Transfer	(\$849,300)	\$0
Administrative, Probate and Final Expenses	(48,200)	(70,052)
	(\$897,500)	(\$70,052)
Federal Taxable Estate	\$0	\$1,373,748
Federal Estate Tax		
Federal Estate Tax	\$0	(\$495,299)
Applicable Credit Amount	0	495,299
Federal Estate Tax	\$0	\$0

Mary Predeceases John

Estate	Mary's Death	John's Death
Separate property	\$0	\$70,000
50% of jointly owned & community property	275,500	275,500
Retirement Accounts	189,000	172,000
Life Insurance	250,000	500,000
Debt	(120,000)	(120,000)
Marital Transfer	0	558,420
	\$594,500	\$1,455,920
Deductions and Expenses		
Marital Transfer	(\$558,420)	\$0
Administrative, Probate and Final Expenses	(36,080)	(70,537)
	(\$594,500)	(\$70,537)
Federal Taxable Estate	\$0	\$1,385,383
Federal Estate Tax		
Federal Estate Tax	\$0	(\$499,953)
Applicable Credit Amount	0	499,953
Federal Estate Tax	\$0	\$0

Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses. To utilize the "Deceased Spouse Unused Exclusion Amount" (DSUEA) executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

Your Alternate Estate Planning Structure

Summary of Alternative Estate Results

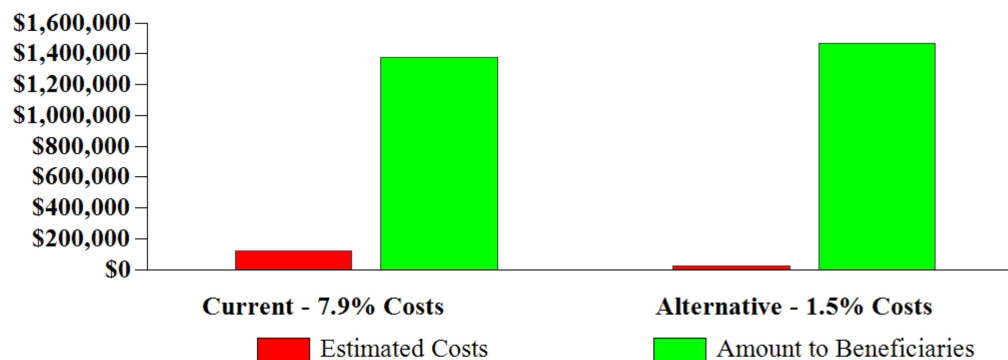
This report reviews and compares the cumulative impact of the suggested estate planning alternatives upon your estate. The Suggested Alternative Flowchart diagram which follows this page illustrates how the improved estate structure reduces the amount of your estate exposed to estate taxes. In your specific case, you may be able to reduce your estate costs and taxes by up to 81%. These savings directly translate into additional assets available for beneficiaries.

Note: In 2012 and 2018 estate tax rules changed. To fairly illustrate concepts and estimate future estate taxes, this report illustrates estate tax rates and rules based on existing estate law as enacted assuming no changes are made to current regulations and laws. Keep in mind that estate tax law is uncertain and may change in the future.

Currently, your combined total estate is estimated to be \$1,492,000. Using estimated estate settlement costs of \$118,252, you would pass approximately \$1,373,748 to your beneficiaries.

With proper implementation of suggested alternative estate structures, your current estimated estate settlement costs may be reduced to approximately \$22,856. This would allow you to save \$95,396 in taxes and expenses, transferring \$1,469,144 to your beneficiaries.

Impact of Planning upon Estate Costs



Alternative Wills and Trusts

By implementing suggested alternative estate strategies, you may significantly increase the assets passing to your beneficiaries at death and reduce your estimated estate settlement costs.

Your current estate documents:

- A Will for each spouse

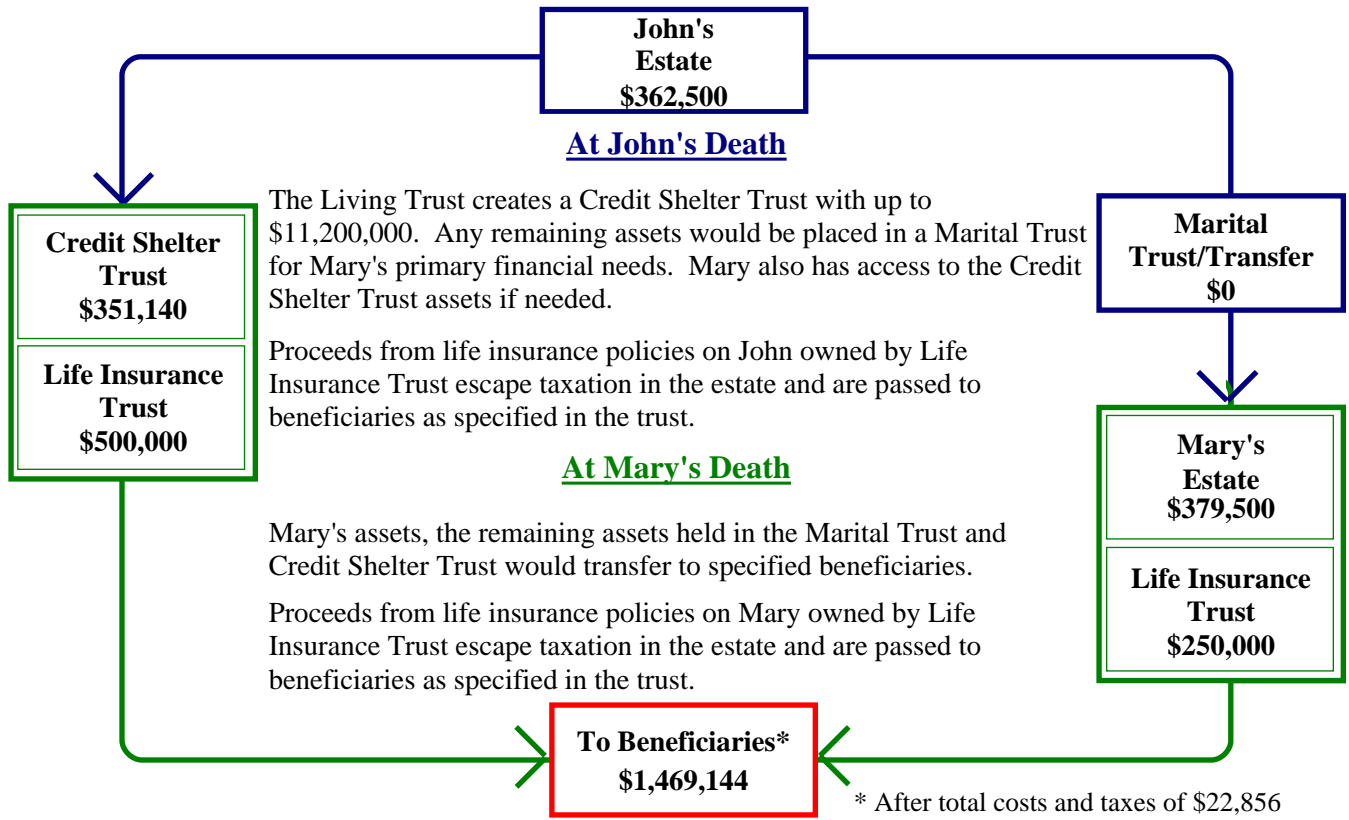
Suggested additional/alternative estate documents:

- A revised Will for each spouse if necessary
- Revised asset ownership to balance property if necessary
- A Revocable Living Trust for each spouse
- Fund the Revocable Living Trusts
- Marital Trust provisions
- Credit Shelter Trust provisions
- Irrevocable Life Insurance Trusts*
- Durable General Powers of Attorney
- Durable Health Care Powers of Attorney
- Living Wills

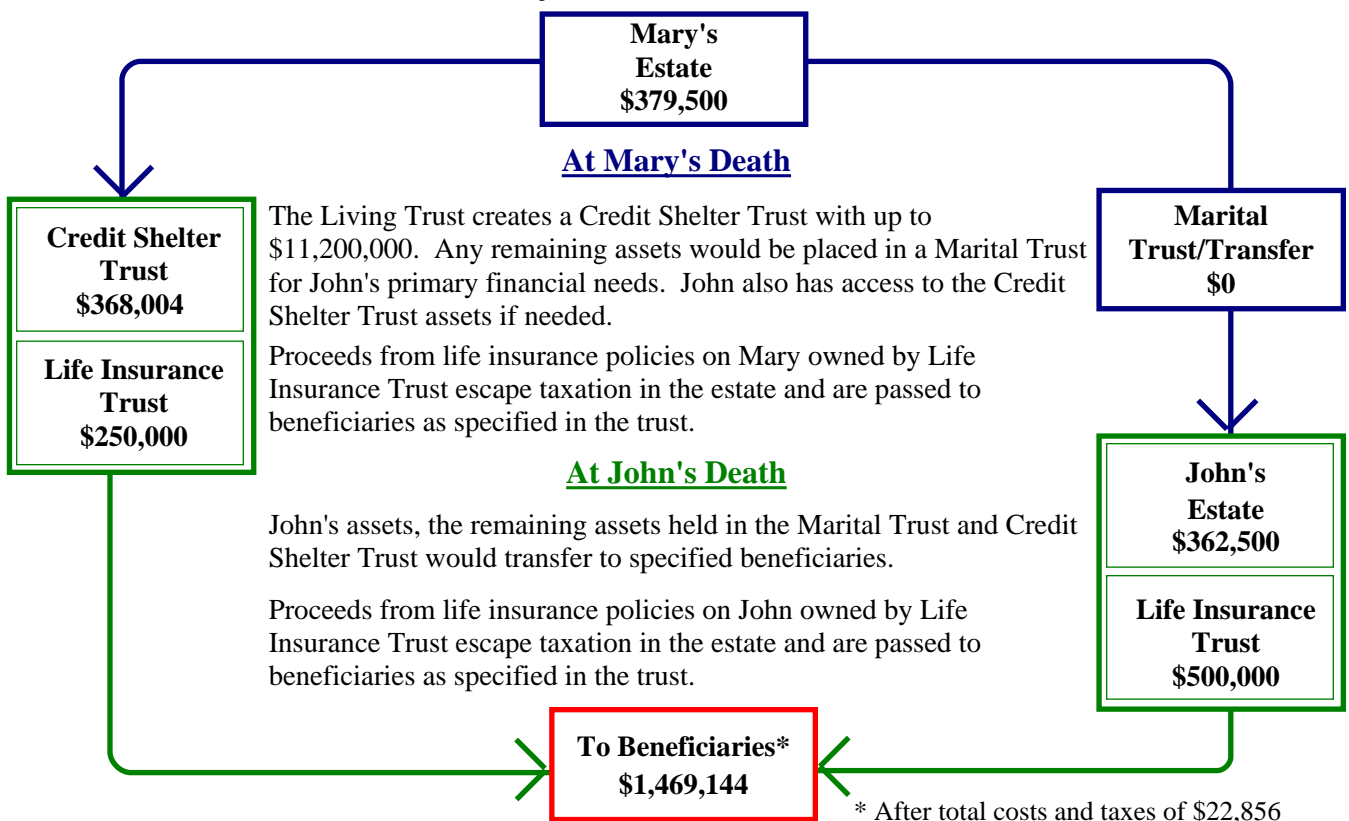
* Please note that Irrevocable Life Insurance Trusts may not be needed in all cases. Please consult your attorney.

Alternative Situation - Flowchart

John Predeceases Mary



Mary Predeceases John



Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses (DSUEA). To utilize DSUEA, executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

Alternative Situation - Estimate

John Predeceases Mary

Estate	John's Death	Mary's Death
Separate property (assets balanced)	\$310,500	\$310,500
Retirement Accounts	172,000	189,000
Life Insurance	0	0
Debt	(120,000)	(120,000)
Marital Transfer	0	0
	\$362,500	\$379,500
Deductions and Expenses		
Marital Transfer	\$0	\$0
Administrative, Probate and Final Expenses	(11,360)	(11,496)
	(11,360)	(11,496)
Federal Taxable Estate	\$351,140	\$368,004
Federal Estate Tax		
Federal Estate Tax	(105,188)	(110,921)
Applicable Credit Amount	105,188	110,921
Federal Estate Tax	\$0	\$0

Mary Predeceases John

Estate	Mary's Death	John's Death
Separate property (assets balanced)	\$310,500	\$310,500
Retirement Accounts	189,000	172,000
Life Insurance	0	0
Debt	(120,000)	(120,000)
Marital Transfer	0	0
	\$379,500	\$362,500
Deductions and Expenses		
Marital Transfer	\$0	\$0
Administrative, Probate and Final Expenses	(11,496)	(11,360)
	(11,496)	(11,360)
Federal Taxable Estate	\$368,004	\$351,140
Federal Estate Tax		
Federal Estate Tax	(110,921)	(105,188)
Applicable Credit Amount	110,921	105,188
Federal Estate Tax	\$0	\$0

Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses. To utilize the "Deceased Spouse Unused Exclusion Amount" (DSUEA) executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

Estate Tax Estimate

Recent and Future Estate Tax Changes

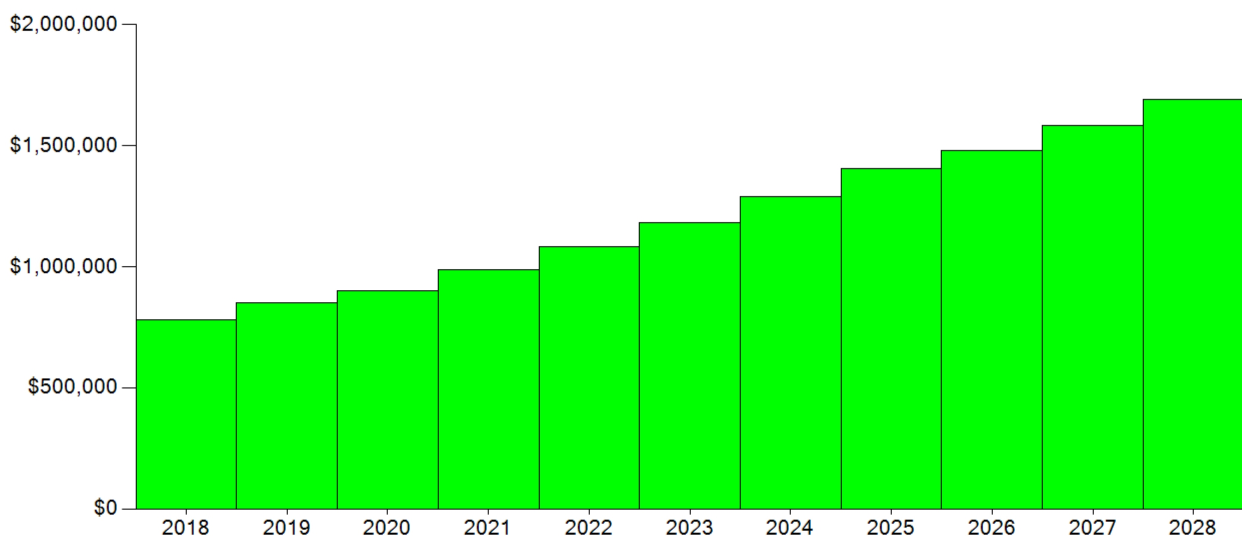
Estate tax rules changed under the Taxpayer Relief Act of 2012 which set a \$5 million federal estate and gift tax exemption, and a top estate tax rate of 40%. That Act also provided portability of unused estate tax exclusions to surviving spouses. To utilize Deceased Spouse Unused Exclusion Amount (DSUEA) executors must file an estate tax return at the time of first spousal death enumerating DSUEA and electing it be used by the surviving spouse.

The Tax Cuts and Jobs Act of 2017 effectively doubled individual estate and gift exclusion amounts to \$11.2 million during years 2018 through 2025. The exclusions are adjusted annually for inflation, and in 2026 will revert back to the pre act amount unless increased exclusion amounts are extended or modified by new tax law.

An Estimate of Your Estate Tax Exposure Using Suggested Planning

We have taken information provided about your current estate net worth to estimate your estate tax exposure under the new law over the next several years. We make some general assumptions regarding the growth of assets. Also, as previously suggested in this analysis, we assume that each individual has funded a credit shelter trust utilizing the applicable exclusion amounts available to them (currently \$11,200,000 per person). We also assume that any life insurance benefits are kept out of the taxable estate. The graph below shows your estimated estate tax exposure (red) and your estate remainder after taxes (green) at each year end. Keep in mind estate law is uncertain and may potentially change again sometime in the future.

Estimated Estate Growth and Federal Estate Tax



Year End	Retirement Capital	Other Assets	Debts & Expenses	Adjustments *	Estate Tax Base	Exclusion Amounts**	Estimated Estate Tax
2018	\$588,025	\$456,000	(\$262,392)	\$0	\$781,633	\$22,400,000	\$0
2019	642,122	469,680	(262,934)	0	848,868	22,848,000	0
2020	678,490	483,770	(263,338)	0	898,923	23,304,000	0
2021	753,287	498,284	(264,053)	0	987,518	23,770,000	0
2022	833,789	513,232	(264,816)	0	1,082,205	24,246,000	0
2023	920,402	528,629	(265,632)	0	1,183,398	24,730,000	0
2024	1,013,555	544,488	(266,504)	0	1,291,538	25,224,000	0
2025	1,110,252	560,822	(267,409)	0	1,403,666	25,728,000	0
2026	1,168,661	577,647	(268,010)	0	1,478,298	13,286,000	0
2027	1,255,577	594,977	(268,844)	0	1,581,710	13,552,000	0
2028	1,348,020	612,826	(269,727)	0	1,691,119	13,824,000	0

*Adjustments include charitable deductions or previous taxable gifts that have been included in your estate plan analysis.

**For the purpose of this illustration, the exclusion amounts are incremented annually by 2%.