Estate Tax Analysis Case Study
Basic Estate Planning and
Roth IRA Conversions

Background

Roy Estrada- age 55

Connie Estrada - age 54

Roy and Connie are married.

2 Children: Joan Estrada - age 28

Adam Estrada - age 22

Current Gross Estate - $2,700,000

Current Value of Retirement Plans – $625,000

Retirement: Roy - age 67

Connie – age 66

Concerns: Roy and Connie are concerned about how much of their assets will be received by their children at their death. They believe their current assets are sufficient right now to produce the income they will need when they retire in about 11 years. Since the current financial situation is so uncertain, they are also concerned about future income tax rate increases affecting their assets and income during retirement.

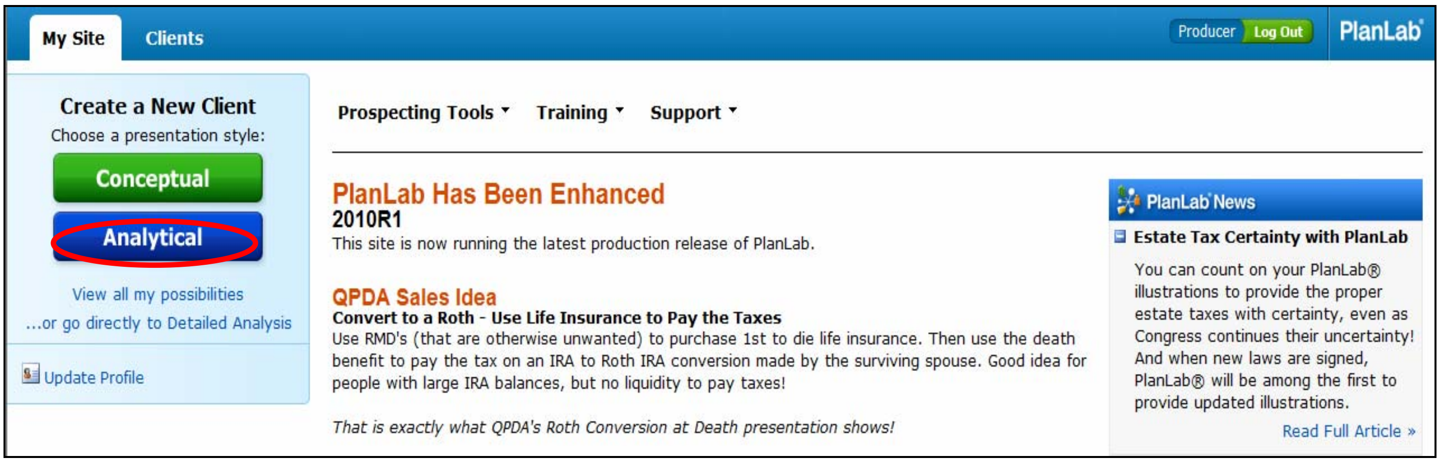
Goals: Roy and Connie want their children to receive the maximum amount of their assets after death. They also want to minimize the amount of estate and income taxes their children will have to pay at their death.

Considerations: Roy and Connie are interested in simple planning strategies that address their concerns. They have wills that give all of their assets to the surviving spouse, and the children receive the remaining assets at the surviving spouse's death. Roy expects his internet business to grow in the future, and Adam wants to continue the internet business after Roy's death. Roy and Connie are high-income earners and make the maximum allowable contributions to their qualified plans every year. Approximately, forty per cent (40%) of their investable assets are in qualified retirement accounts.

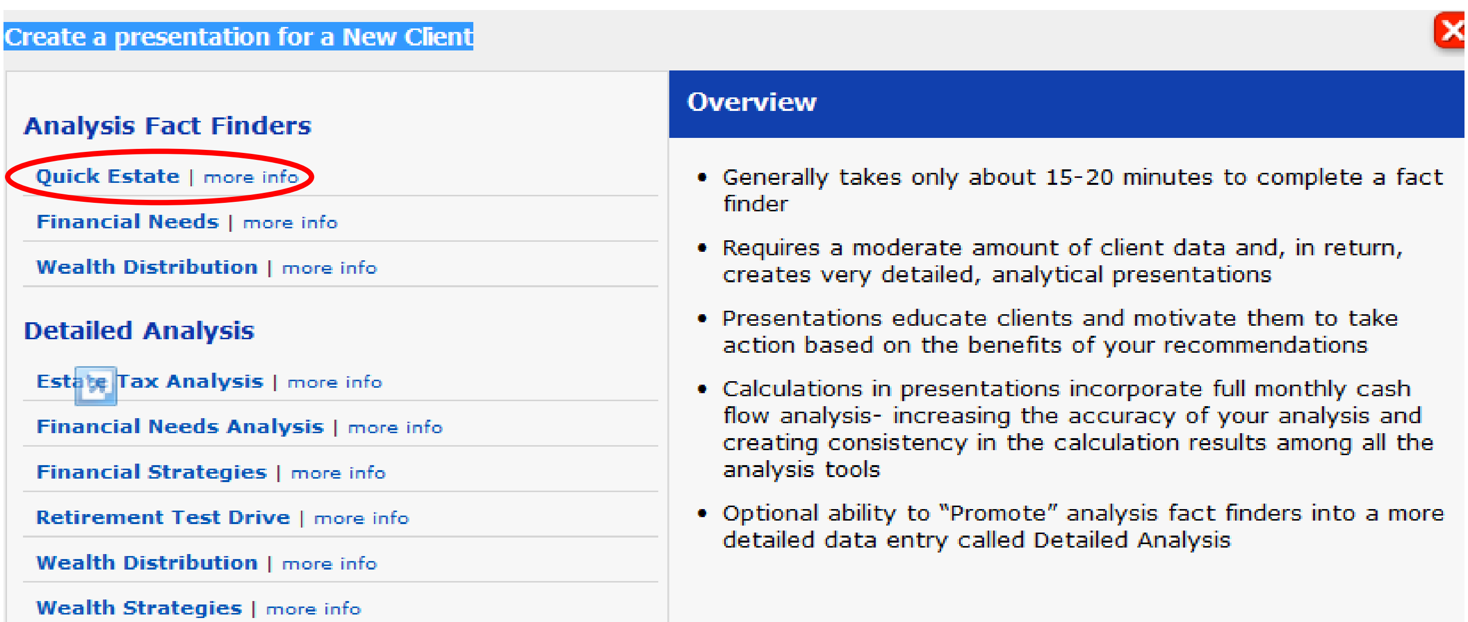
Preparing an Estate Tax Analysis Presentation

Prepare an Estate Tax Analysis Presentation on PlanLab Web using the Quick Estate Plan Online Fact Finder to illustrate Roy and Connie's current planning, and proposed strategies to address their concerns.

SCREEN 1 – PlanLab Web / My Site: Analytical

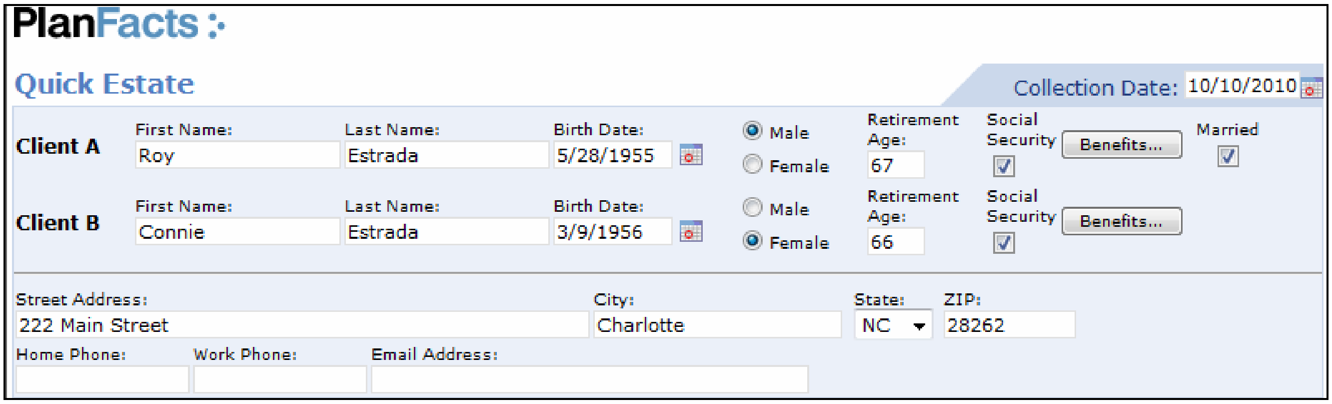


SCREEN 2 – Analysis Fact Finders: Quick Estate



SCREEN 3 – Quick Estate PlanFacts

Current Situation



PlanFacts

Quick Estate

Collection Date: 10/10/2010

	First Name:	Last Name:	Birth Date:	Gender	Retirement Age:	Social Security	Married
Client A	Roy	Estrada	5/28/1955	Male	67	☑ Benefits...	☑
Client B	Connie	Estrada	3/9/1956	Female	66	☑ Benefits...	

Street Address: 222 Main Street

City: Charlotte

State: NC

ZIP: 28262

Home Phone:

Work Phone:

Email Address:

Incomes

Salary

Roy ABC Corp

$18,000 monthly

Employer Retirement Plan

Roy Current Value $150,000

5% Growth

9% Employee Contribution

5% Employer Contribution

Salary

Connie Widget Inc.

$12,000 monthly

Employer Retirement Plan

Connie Current Value $100,000

5% Growth

13.5% Employee Contribution

5% Employer Contribution

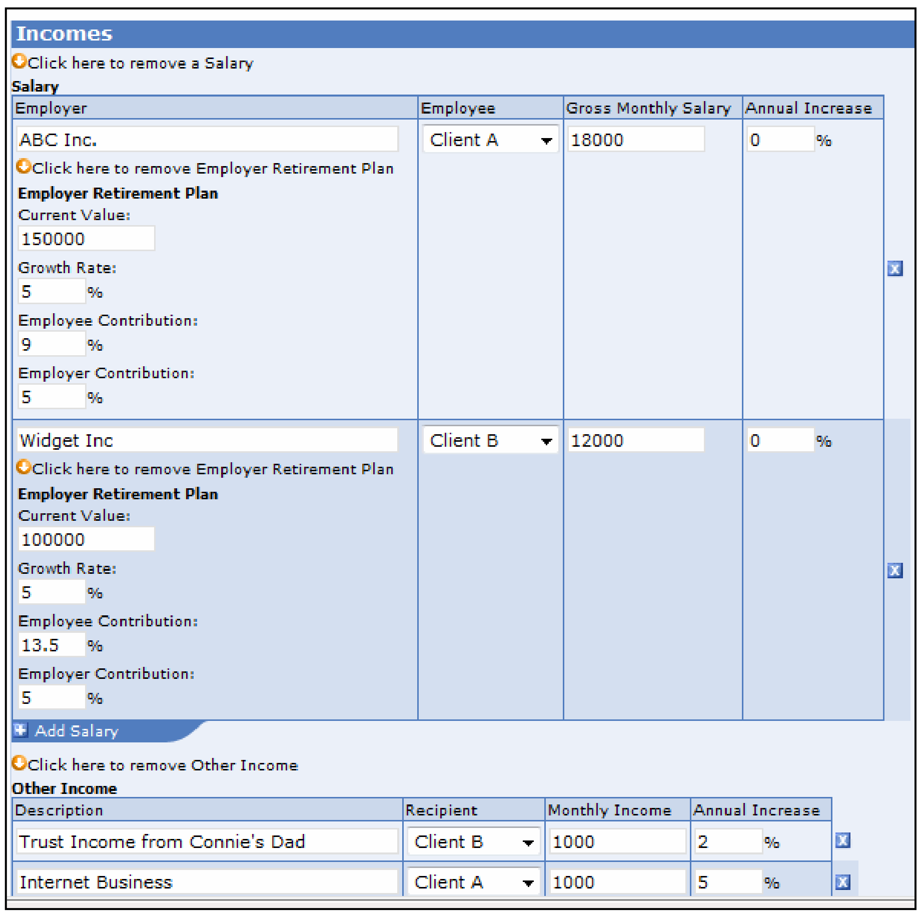
Other Income

Connie Dad's Trust

$1,000 monthly 2% Increase

Roy Internet Business

$1,000 monthly 5% Increase



Incomes

Click here to remove a Salary

Salary

Employer	Employee	Gross Monthly Salary	Annual Increase
ABC Inc.	Client A	18000	0 %
Widget Inc	Client B	12000	0 %

ABC Inc. – Click here to remove Employer Retirement Plan

Employer Retirement Plan

Current Value: 150000

Growth Rate: 5 %

Employee Contribution: 9 %

Employer Contribution: 5 %

Widget Inc – Click here to remove Employer Retirement Plan

Employer Retirement Plan

Current Value: 100000

Growth Rate: 5 %

Employee Contribution: 13.5 %

Employer Contribution: 5 %

Add Salary

Click here to remove Other Income

Other Income

Description	Recipient	Monthly Income	Annual Increase
Trust Income from Connie's Dad	Client B	1000	2 %
Internet Business	Client A	1000	5 %

Assets

Liquid Assets

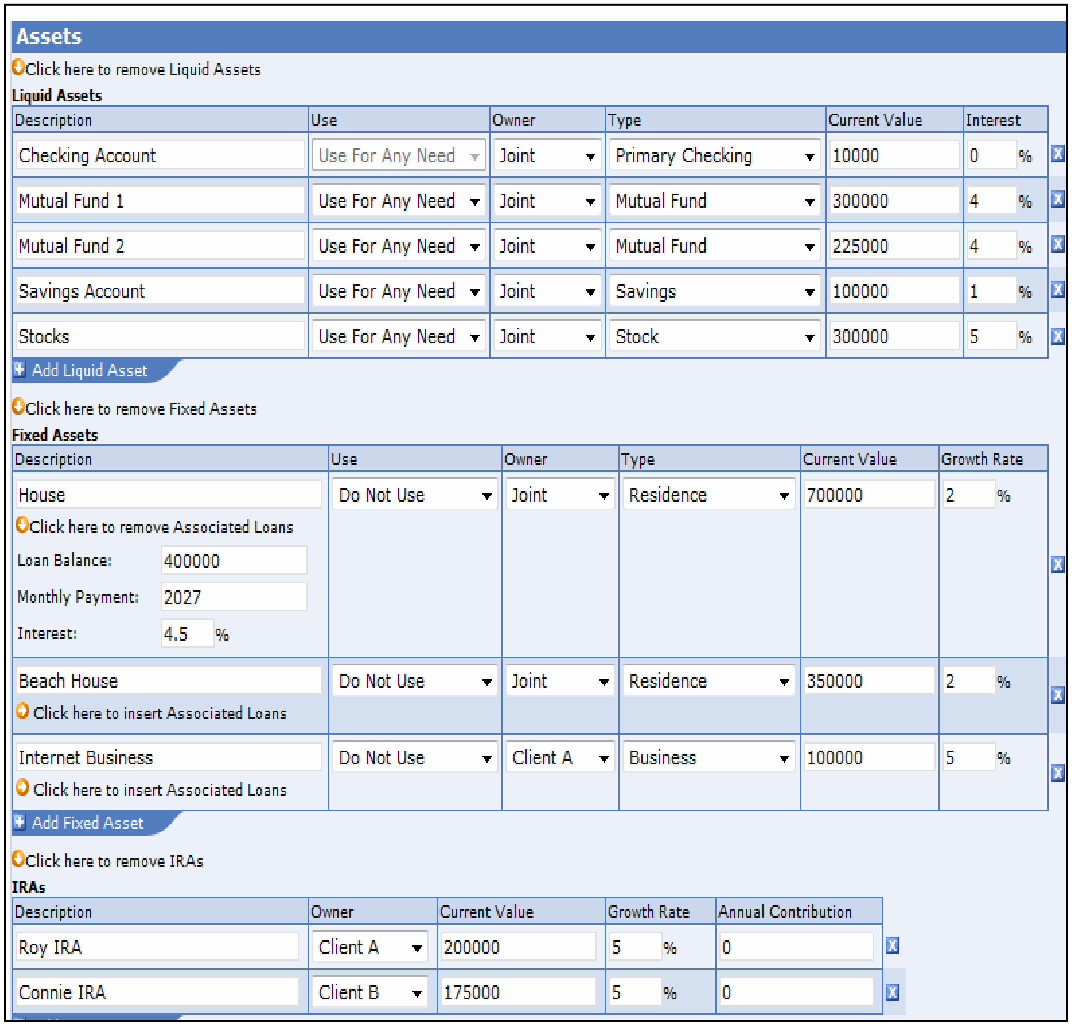
Checking Acct	Joint
Value $10,000	0% Interest
Mutual Fund 1	Joint
Value $300,000	4% Interest
Mutual Fund 2	Joint
Value $225,000	4% Interest
Savings Acct	Joint
Value $100,000	1% Interest
Stocks	Joint
Value $300,000	5% Interest

Fixed Assets

House	Joint
Value $700,000	2% Growth
Loan	$400,000
Payment $2,027	4.5% Interest
Beach House	Joint
Value $350,000	2% Growth
Business	Roy Owner
Value $100,000	5% Growth

IRAs

Roy IRA	Value $200,000
5% Growth	No Contribution
Connie IRA	Value $175,000
5% Growth	No Contribution


Assets

Click here to remove Liquid Assets

Liquid Assets

Description	Use	Owner	Type	Current Value	Interest
Checking Account	Use For Any Need	Joint	Primary Checking	10000	0 %
Mutual Fund 1	Use For Any Need	Joint	Mutual Fund	300000	4 %
Mutual Fund 2	Use For Any Need	Joint	Mutual Fund	225000	4 %
Savings Account	Use For Any Need	Joint	Savings	100000	1 %
Stocks	Use For Any Need	Joint	Stock	300000	5 %

Add Liquid Asset

Click here to remove Fixed Assets

Fixed Assets

Description	Use	Owner	Type	Current Value	Growth Rate
House Click here to remove Associated Loans Loan Balance: 400000 Monthly Payment: 2027 Interest: 4.5 %	Do Not Use	Joint	Residence	700000	2 %
Beach House Click here to insert Associated Loans	Do Not Use	Joint	Residence	350000	2 %
Internet Business Click here to insert Associated Loans	Do Not Use	Client A	Business	100000	5 %

Add Fixed Asset

Click here to remove IRAs

IRAs

Description	Owner	Current Value	Growth Rate	Annual Contribution
Roy IRA	Client A	200000	5 %	0
Connie IRA	Client B	175000	5 %	0

Expenses & Liabilities

Expenses

Living Expenses

$9,000 monthly

After First Death – 100%

After Disability – 100%

After Retirement – 100%

Insurance

Existing Life Insurance

Roy Life Insurance

Face Amount $200,000

Insured & Owner - Roy

Beneficiary - Connie

Monthly Premium - $150

Type-Permanent

Connie Life Insurance

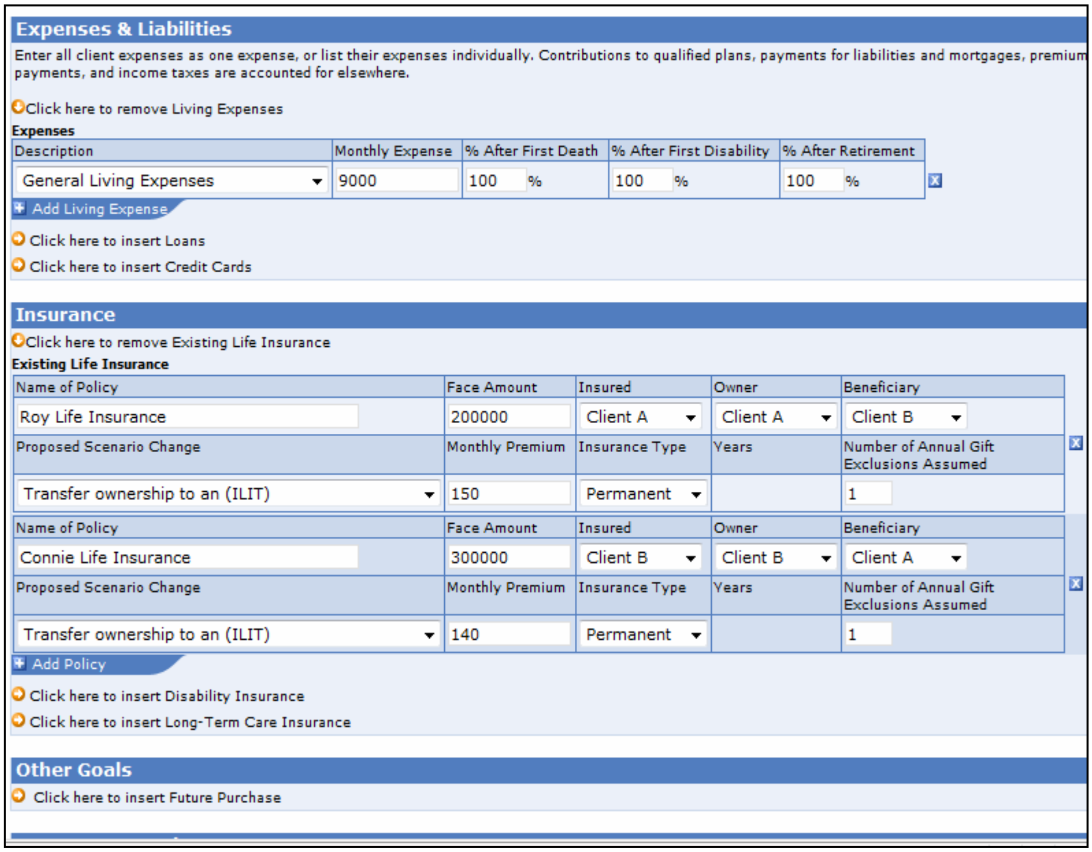
Face Amount - $300,000

Insured & Owner - Connie

Beneficiary - Roy

Monthly Premium - $140

Type-Permanent



Expenses & Liabilities

Enter all client expenses as one expense, or list their expenses individually. Contributions to qualified plans, payments for liabilities and mortgages, premium payments, and income taxes are accounted for elsewhere.

Click here to remove Living Expenses

Expenses

Description	Monthly Expense	% After First Death	% After First Disability	% After Retirement
General Living Expenses	9000	100 %	100 %	100 %

Add Living Expense

Click here to insert Loans

Click here to insert Credit Cards

Insurance

Click here to remove Existing Life Insurance

Existing Life Insurance

Name of Policy	Face Amount	Insured	Owner	Beneficiary
Roy Life Insurance	200000	Client A	Client A	Client B
Proposed Scenario Change	**Monthly Premium**	**Insurance Type**	**Years**	**Number of Annual Gift Exclusions Assumed**
Transfer ownership to an (ILIT)	150	Permanent		1
Name of Policy	**Face Amount**	**Insured**	**Owner**	**Beneficiary**
Connie Life Insurance	300000	Client B	Client B	Client A
Proposed Scenario Change	**Monthly Premium**	**Insurance Type**	**Years**	**Number of Annual Gift Exclusions Assumed**
Transfer ownership to an (ILIT)	140	Permanent		1

Add Policy

Click here to insert Disability Insurance

Click here to insert Long-Term Care Insurance

Other Goals

Click here to insert Future Purchase

Estate Assumptions

Final Expenses

Roy $15,000 Connie $15,000

Administrative Expenses

Roy 1% Connie 1%

Probate Fees

Roy 4% Connie 4%

General Planning Info

Income Tax: 35%

Prior Taxable Gifts:

Roy $0 Connie $0

Gift taxes Paid:

Roy $0 Connie $0

Applicable Credit Used:

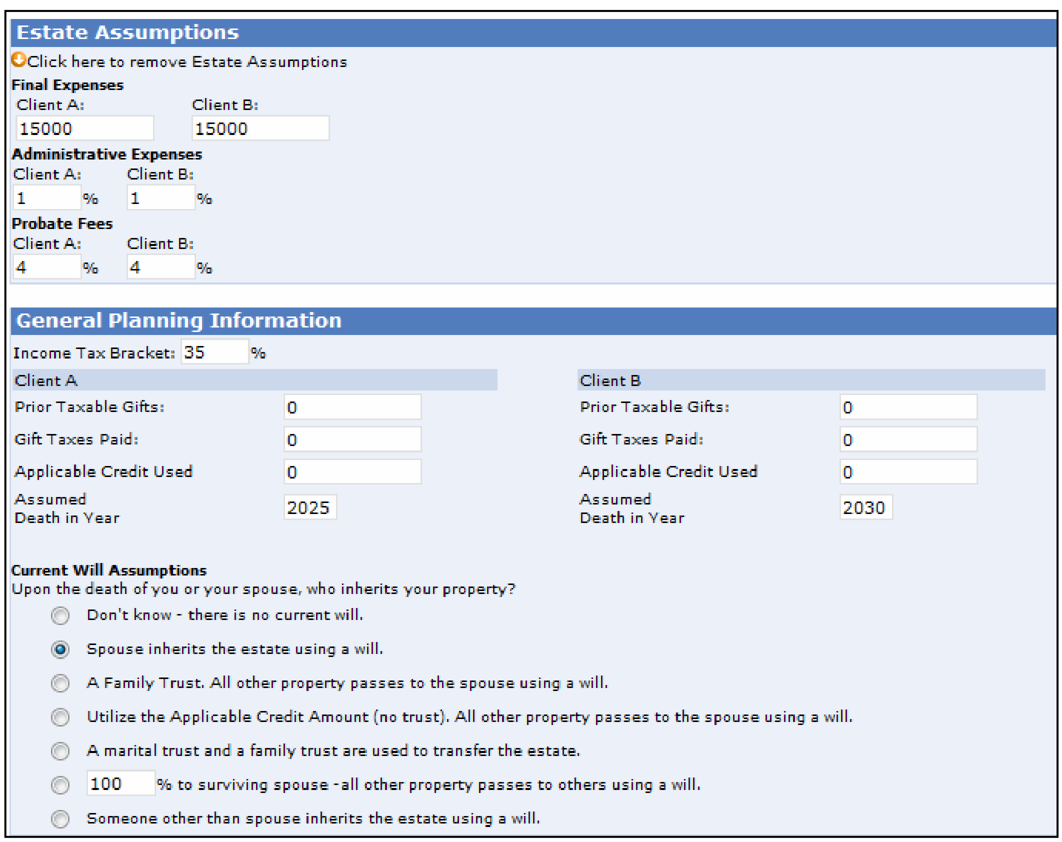
Roy $0 Connie $0

Assumed Death in Year:

Roy 2025 Connie 2030

Current Will Assumptions

Spouse inherits the estate using a will.



Estate Assumptions

Click here to remove Estate Assumptions

Final Expenses

Client A: 15000 Client B: 15000

Administrative Expenses

Client A: 1 % Client B: 1 %

Probate Fees

Client A: 4 % Client B: 4 %

General Planning Information

Income Tax Bracket: 35 %

Client A		Client B	
Prior Taxable Gifts:	0	Prior Taxable Gifts:	0
Gift Taxes Paid:	0	Gift Taxes Paid:	0
Applicable Credit Used	0	Applicable Credit Used	0
Assumed Death in Year	2025	Assumed Death in Year	2030

Current Will Assumptions

Upon the death of you or your spouse, who inherits your property?

- Don't know - there is no current will.
- Spouse inherits the estate using a will.
- A Family Trust. All other property passes to the spouse using a will.
- Utilize the Applicable Credit Amount (no trust). All other property passes to the spouse using a will.
- A marital trust and a family trust are used to transfer the estate.
- 100 % to surviving spouse -all other property passes to others using a will.
- Someone other than spouse inherits the estate using a will.

Client Goals and Concerns

Reduce Estate Taxes and Expenses. Roy and Connie are interested in simple estate planning strategies that may reduce estate taxes and expenses, and maximize the amount the children receive at their death.

Proposed Strategy 1:

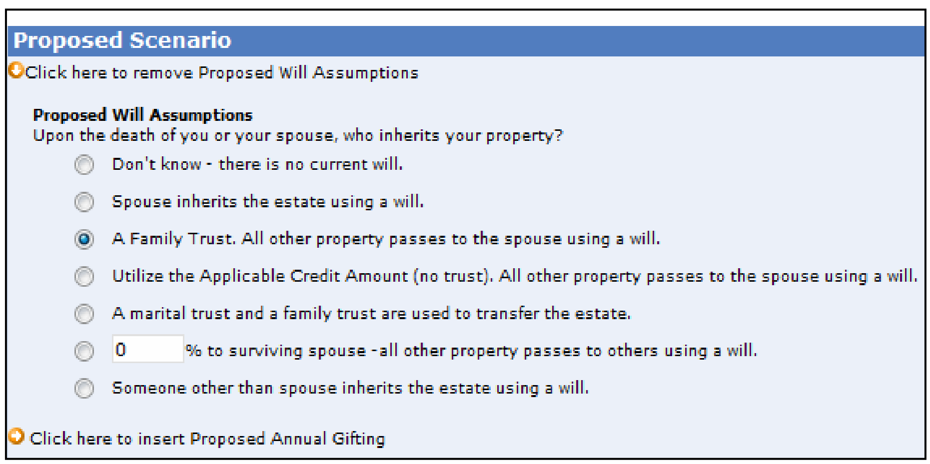
Roy and Connie restructure their wills to create a Family Trust (also known as “Bypass Trust” and “B Trust”) at the first spouse’s death that receives the lesser of the federal estate tax applicable credit equivalent amount of assets at the first spouse’s death, or $1,000,000. *(Until the federal estate tax laws are more certain, estate planning specialists may recommend putting a limit on the value of assets intended to qualify for the federal estate tax unified credit at the first spouse’s death.)* Both spouses’ full (or partial) federal estate tax unified credit amount is used at their deaths, which reduces the federal estate taxes due nine (9) months after the second spouse’s death.

Proposed Strategy 1: Quick Estate PlanFacts

Proposed Scenarios

Proposed Will Assumptions

A Family Trust - All other property passes to the spouse using a will.



Proposed Strategy 2:

Roy and Connie purchase a new survivorship life insurance policy owned by an irrevocable trust (also known as an “ILIT”). At the second spouse’s death, their children receive federal estate and income tax free death proceeds to provide liquidity (without having to liquidate estate assets) to pay estate taxes and expenses. Joan and Adam graduated from college and do not rely on Roy and Connie to support them. Roy and Connie no longer need the existing life insurance policies for survivor needs. Roy and Connie transfer the existing policies to the ILIT (federal gift taxes may apply), which will reduce the face amount of the new survivorship policy.

Proposed Strategy 2: Quick Estate PlanFacts

Life Insurance

Existing Life Insurance

Roy Life Insurance

Proposed Scenario Change:

Transfer to ILIT

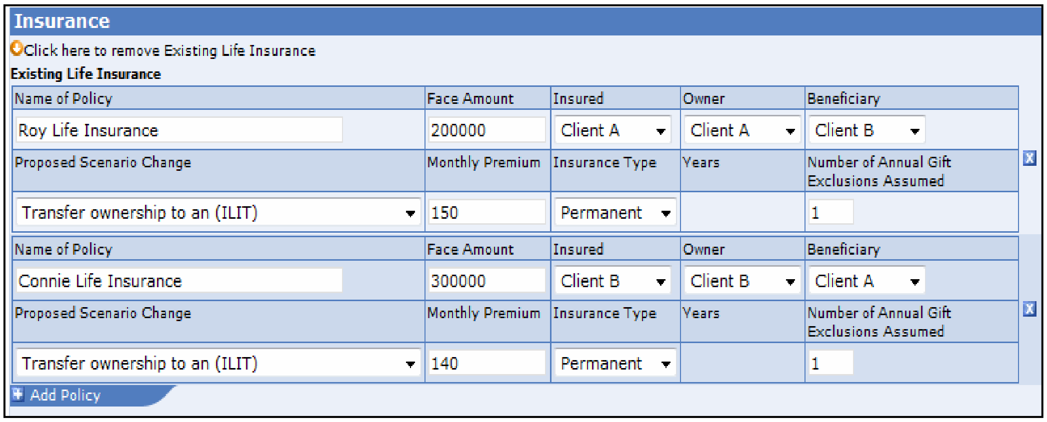
Annual Gift Exclusion - 1

Connie Life Insurance

Proposed Scenario Change:

Transfer to ILIT

Annual Gift Exclusion – 1



Proposed Life Insurance

New Survivorship Life Insurance

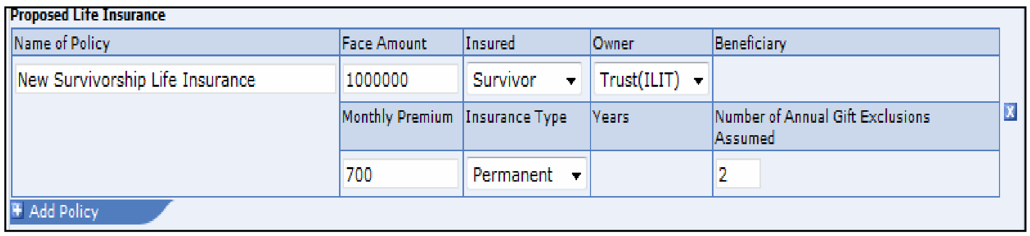
Face Amount $1,000,000

Insured-Survivor Owner-(ILIT)

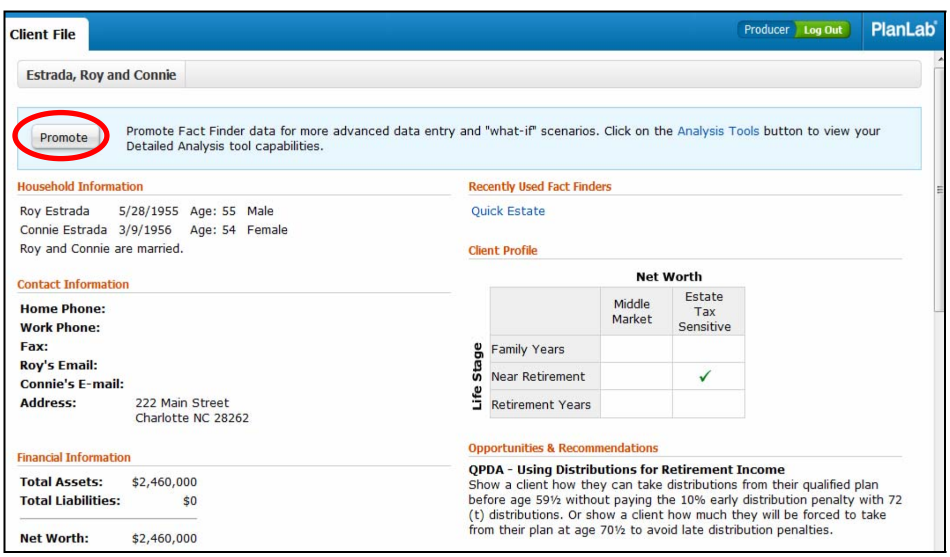
Monthly Premium $700

Type-Permanent

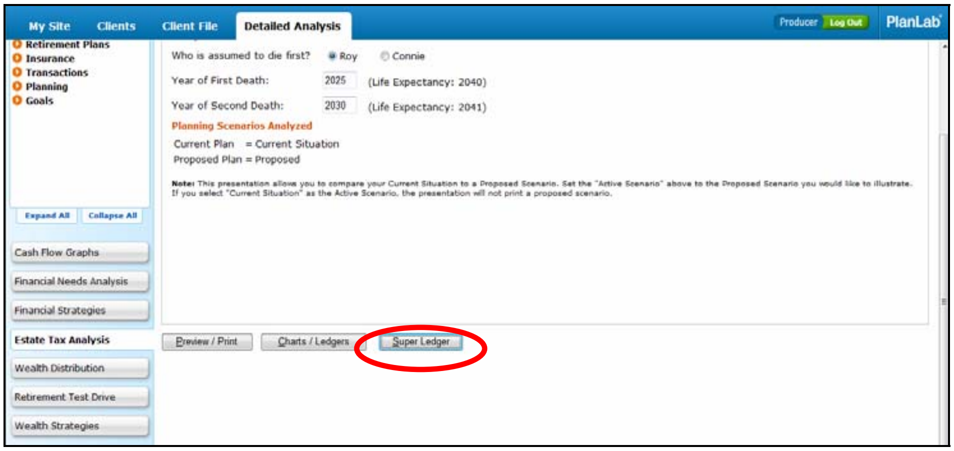
Annual Gift Exclusions - 2



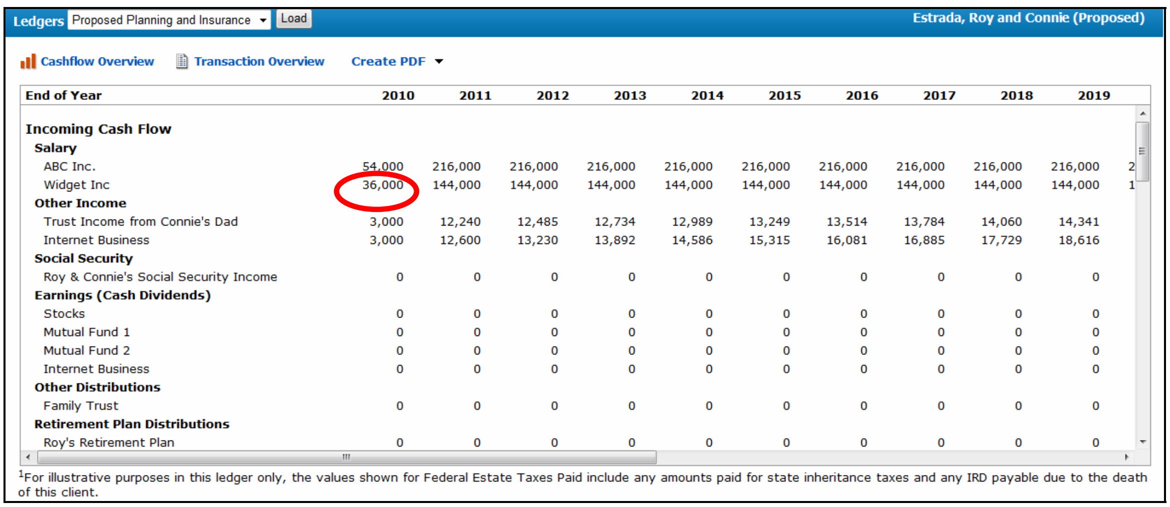
TIP 1: Promote the case to Detailed Analysis to use the new and improved Super Ledgers (IE8 needed).



Tip 1: The Super Ledgers show the details of most of the calculations in the ETA presentation. This information is very helpful to explain the effect of proposed strategies on the Estrada's financial and estate plan during their lifetime and at their death.



Click on the figure to produce Ledger Details of the calculation as shown below.



Ledgers Proposed Planning and Insurance Load — Estrada, Roy and Connie (Proposed)

Cashflow Overview | Transaction Overview | Create PDF

End of Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Incoming Cash Flow										
Salary										
ABC Inc.	54,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000
Widget Inc	36,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
Other Income										
Trust Income from Connie's Dad	3,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Internet Business	3,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616
Social Security										
Roy & Connie's Social Security Income	0	0	0	0	0	0	0	0	0	0
Earnings (Cash Dividends)										
Stocks	0	0	0	0	0	0	0	0	0	0
Mutual Fund 1	0	0	0	0	0	0	0	0	0	0
Mutual Fund 2	0	0	0	0	0	0	0	0	0	0
Internet Business	0	0	0	0	0	0	0	0	0	0
Other Distributions										
Family Trust	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions										
Roy's Retirement Plan	0	0	0	0	0	0	0	0	0	0

[1]For illustrative purposes in this ledger only, the values shown for Federal Estate Taxes Paid include any amounts paid for state inheritance taxes and any IRD payable due to the death of this client.

ABC Inc. - Ledger Details

View Chart | View Transactions

Year	Gross Income	Pre-Tax Deductions	FICA	Withholding	After-Tax Deductions	Net Income
2010	54,000	4,860	4,131	20,639	0	24,370
2011	216,000	19,440	9,754	82,555	0	104,251
2012	216,000	19,440	9,754	82,555	0	104,251
2013	216,000	19,440	9,754	82,555	0	104,251
2014	216,000	19,440	9,754	82,555	0	104,251
2015	216,000	19,440	9,754	82,555	0	104,251
2016	216,000	19,440	9,754	82,555	0	104,251
2017	216,000	19,440	9,754	82,555	0	104,251
2018	216,000	19,440	9,754	82,555	0	104,251
2019	216,000	19,440	9,754	82,555	0	104,251
2020	216,000	19,440	9,754	82,555	0	104,251
2021	216,000	19,440	9,754	82,555	0	104,251
2022	72,000	6,480	5,508	27,518	0	32,494
2023	0	0	0	0	0	0
2024	0	0	0	0	0	0
2025	0	0	0	0	0	0

TIP 2: The ETA presentation produced in Detailed Analysis contains numerous supporting details pages and individual ledgers regarding assets, income, expenses, taxes and gifts.

Asset Summary

All Assets

Roy Dies in 2025, Connie Dies in 2030

Proposed Plan with New Life Insurance

End of Year	Beginning of Year Assets	Change in Asset Values	End of Year Asset Value[1]	Net Assets Used for Cash Flow[2]
2010	$2,710,000	$37,550	$2,759,203	$0
2011	2,759,203	154,323	2,957,342	0
2012	2,957,342	161,154	3,155,312	0
2013	3,155,312	168,304	3,357,398	0
2014	3,357,398	175,791	3,563,849	0
2015	3,563,849	183,628	3,774,928	0
2016	3,774,928	191,834	3,990,912	0
2017	3,990,912	200,427	4,212,092	0
2018	4,212,092	209,424	4,438,779	0
2019	4,438,779	218,846	4,671,298	0
2020	4,671,298	228,712	4,909,991	0
2021	4,909,991	239,045	5,176,649	0
2022	5,176,649	142,156	5,318,805	64,474
2023	5,318,805	87,667	5,406,472	112,964
2024	5,406,472	104,064	5,510,536	105,411
2025	5,510,536	-916,717	4,593,819	193,164
2026	4,593,819	-8,900	4,584,919	101,509
2027	4,584,919	-38,011	4,546,908	125,084
2028	4,546,908	-47,314	4,499,594	128,269
2029	4,499,594	-56,808	4,442,785	131,053

Gift Summary

Total Gifts

Roy Dies in 2025, Connie Dies in 2030

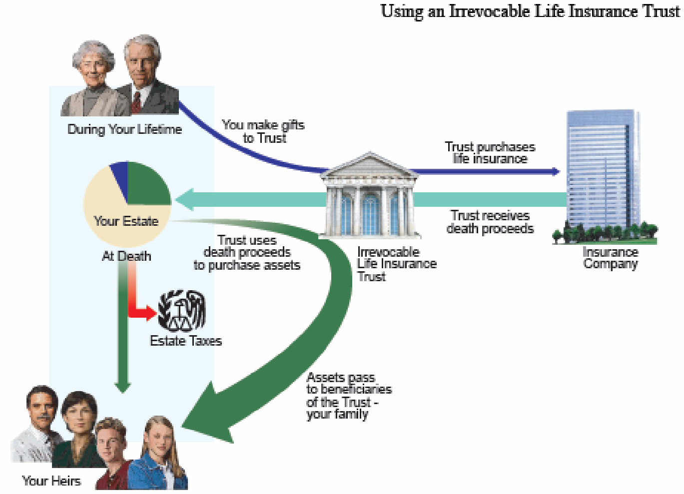
Proposed Plan with New Life Insurance

End of Year	Life Insurance Premium Gifts	Non Premium Gifts	Taxable Gifts	Exclusion Gifts	Charitable Gifts	All Gifts
2010	$2,970	$0	$2,100	$870	$0	$2,970
2011	11,880	0	8,400	3,480	0	11,880
2012	11,880	0	8,400	3,480	0	11,880
2013	11,880	0	8,400	3,480	0	11,880
2014	11,880	0	8,400	3,480	0	11,880
2015	11,880	0	8,400	3,480	0	11,880
2016	11,880	0	8,400	3,480	0	11,880
2017	11,880	0	8,400	3,480	0	11,880
2018	11,880	0	8,400	3,480	0	11,880
2019	11,880	0	8,400	3,480	0	11,880
2020	11,880	0	8,400	3,480	0	11,880
2021	11,880	0	8,400	3,480	0	11,880
2022	11,880	0	8,400	3,480	0	11,880
2023	11,880	0	8,400	3,480	0	11,880
2024	11,880	0	8,400	3,480	0	11,880
2025	10,230	0	8,400	1,830	0	10,230
2026	10,080	0	8,400	1,680	0	10,080
2027	10,080	0	8,400	1,680	0	10,080
2028	10,080	0	8,400	1,680	0	10,080
2029	10,080	0	8,400	1,680	0	10,080

TIP 3: In Detailed Analysis, print resource pages to educate Roy and Connie about the proposed strategies included in the presentation.

How a Life Insurance Trust Works

Using an Irrevocable Life Insurance Trust



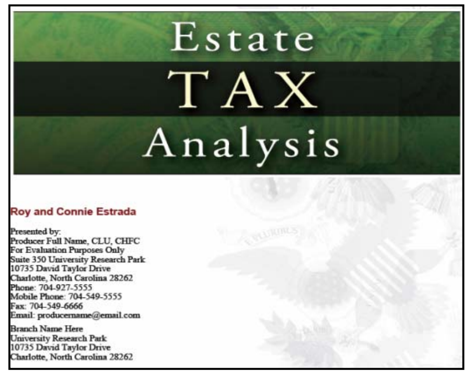
An Irrevocable Life Insurance Trust (ILIT) can be designed for many special purposes.

Although there are numerous ways to create and fund these trusts, usually you make annual gifts to the trust. Based upon current withdrawal rights given to beneficiaries, these gifts are designed to qualify for the gift tax annual exclusion. The trust purchases life insurance on your life using the gifts to pay the premiums. The gifts will help to reduce your taxable estate.

At your death, the life insurance proceeds are paid to the trust as beneficiary. The irrevocable life insurance trust generally receives the policy proceeds free of income taxes (see IRC 101(a)), and with proper planning, the proceeds may be excluded from your estate for estate tax purposes. The trust may use the proceeds to purchase assets from your estate, or to make loans to your estate (provided that there is no obligation to make such loans). The executor uses this cash to help pay estate taxes and expenses. The assets purchased by the trust may then be distributed to the trust beneficiaries—your chosen heirs, or the trust may continue to hold the assets for the benefit of the beneficiaries as provided in the trust agreement.

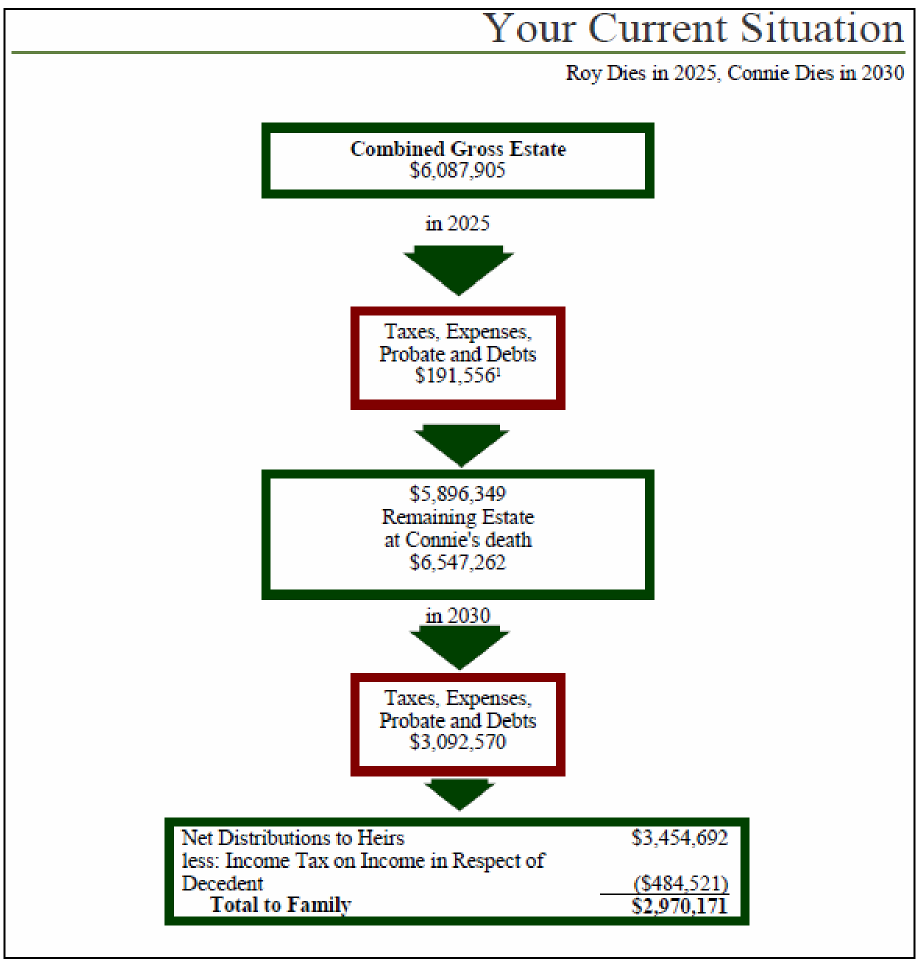
Estate Tax Analysis Presentation

At the next meeting with Roy and Connie, present the Estate Tax Analysis (ETA) printed presentation produced by the Quick Estate Plan Fact Finder. The ETA presentation contains the results of their current situation, and the proposed planning strategies.



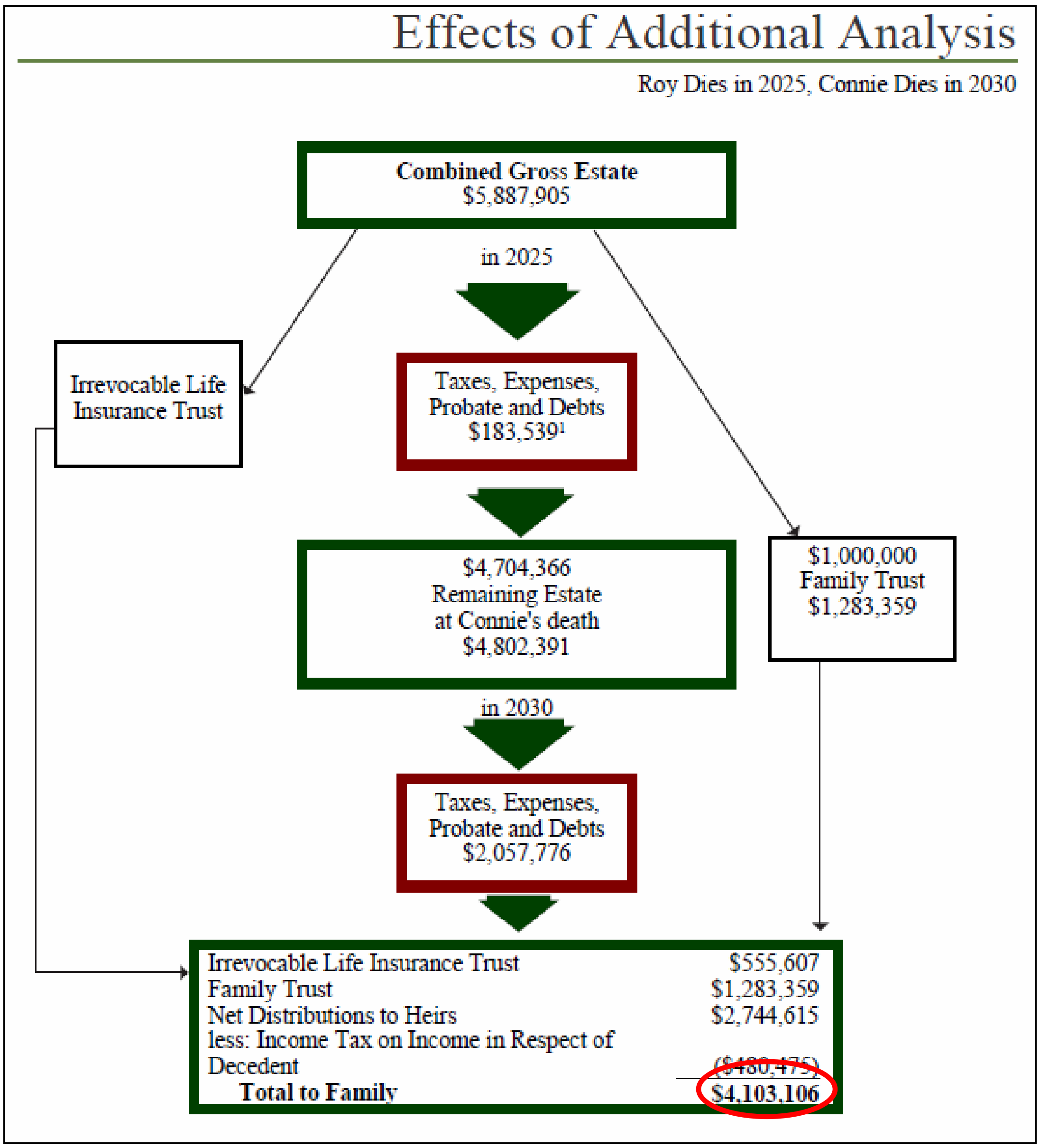
Current Situation: Results

In the ETA presentation, use the flowchart titled "Your Current Situation" to explain the estimated estate tax and other transfer costs for the Estrada's current plan, if Roy dies in 2025 and Connie dies in 2030. This flowchart shows net distributions to their children at Connie's death, in year 2030, are $2,970,171. The result is the children receive an estimated 45% of their assets remaining at Connie's death.



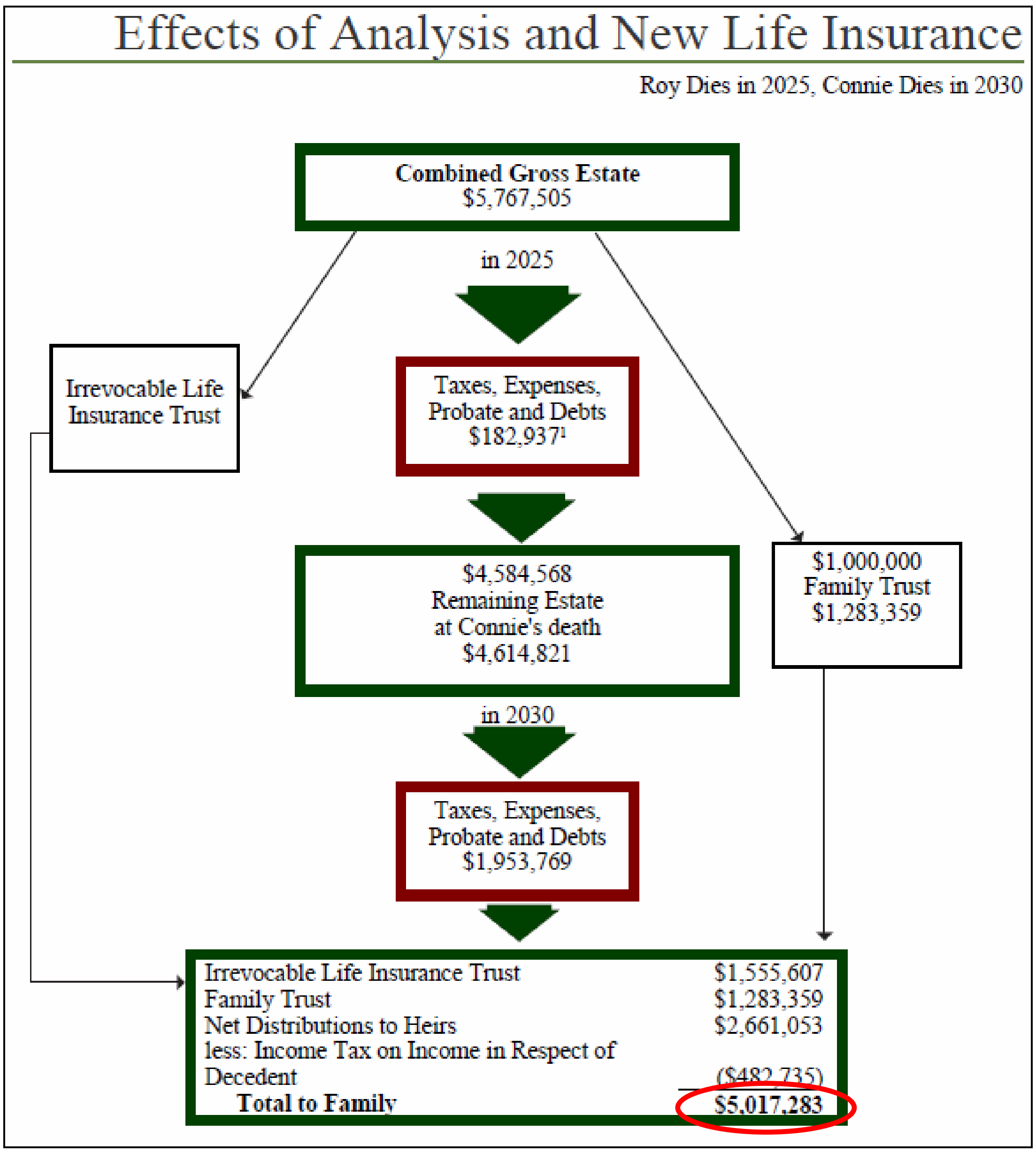
Proposed Strategy 1: Results

The "Effects of Additional Analysis" flowchart in the ETA presentation demonstrates how the proposed strategies reduce estate tax and other transfer costs without purchasing new life insurance. This flowchart shows net distributions to the children at Connie's death, in year 2030, are $4,103,106. The value of all assets at Connie's death ($6,641,357) is equal to the remaining estate at Connie's death ($4,802,391), plus the amount of the Family Trust at Connie's death ($1,283,359) and the value of the ILIT with the proceeds from existing insurance ($555,607). The results are almost 62% of their estate at Connie's death is received by the children.



Proposed Strategy 2: Results

Estate planning strategies can reduce estate transfer costs, but in many cases, they do not eliminate all of them. The "Effects of Analysis and New Life Insurance" flowchart shows how new survivorship life insurance in the ILIT increases net distributions to the children at Connie's death to $5,017,283. Also, the $1,000,000 federal estate and income tax free death proceeds from the new survivorship life insurance provide additional liquidity to pay over 78% of the estimated estate taxes and expenses. The result is almost 78% of the assets in Roy and Connie's estate are received by their children at Connie's death. The information in this Flowchart can help Roy and Connie understand how much and why they need to purchase new survivorship life insurance to reduce their concerns and achieve their goals.



SUMMARY OF RESULTS

The Executive Summary in the ETA presentation is helpful to summarize the results of Roy and Connie's Estate Tax Analysis with the following information:

a. Under Current Situation is a summary of the information provided by the Estrada's shown **in blue**;

b. The Effects of Current Situation includes the total net distributions to their children after their deaths shown **in red**;

c. The increases in the total net amounts to their children by implementing the proposed strategies with and without new life insurance shown **in green**.

Executive Summary

for Roy Estrada, age 55, and Connie Estrada, age 54

Current Situation

This analysis uses the information you provided.

Liquid Assets	$935,000	
Retirement Plans	$625,000	
Business	$100,000	
Residences	$1,050,000	
Your total value if death occured today:		**$2,710,000**

Effects of Current Situation

Using the estimated rates of return you provided, the combined gross estate in 2025 would be	$6,087,905	
Assuming Roy dies in 2025,		
Estimated taxes, expenses, probate, and debts	$191,556	
Assuming Connie dies in 2030,		
Estimated taxes, expenses, probate, and debts	$3,092,570	
Income tax on income in respect of decedent[1]	$484,521	
Shrinkage	$3,768,647	
Total to family after both deaths	**$2,970,171**	
Total distribution to family and charity		**$2,970,171**
Portion of the estate in 2030		**45%**

Proposed Strategy

The proposed strategy, without the recommended new life insurance, would increase the portion going to the family to	**$4,103,106**
The proposed strategy, including the recommended new life insurance, would increase the portion going to the family to	**$5,017,283**

Estate Tax Analysis Case Study

Additional Strategies

And

Considerations

ETA Basic Estate Planning Case Study
Roth IRA Conversion

Client Goals and Concerns

Minimize Income Taxes. Roy and Connie are interested in simple strategies that may reduce the amount of income taxes the children will pay at their death, and possibly, during their retirement.

Proposed Strategy 3:

In 2011, Roy and Connie convert their traditional IRAs to Roth IRAs. The taxable amount of the traditional IRAs converted to Roth IRA is subject to income tax for tax year 2011, and any income taxes due will be paid in 2012. Roy and Connie can receive income tax free qualifying distributions after age 59½, and they do not have to take required minimum distributions when they are 70½. At their death, the children will also receive income tax free qualifying distributions.

Proposed Strategy 3: Quick Estate PlanFacts

Proposed Roth IRA Conversions

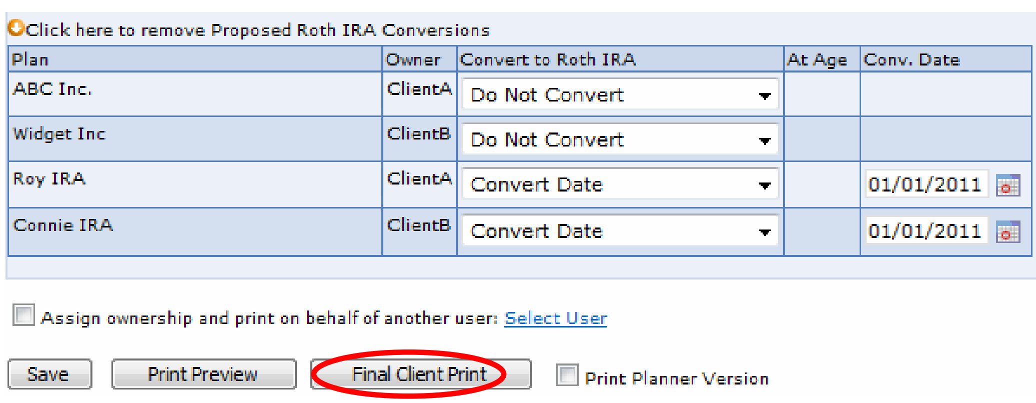
Roy IRA

Convert Date: 1/1/2011

Connie IRA

Convert Date: 1/1/2011

Ready to Print



Click here to remove Proposed Roth IRA Conversions

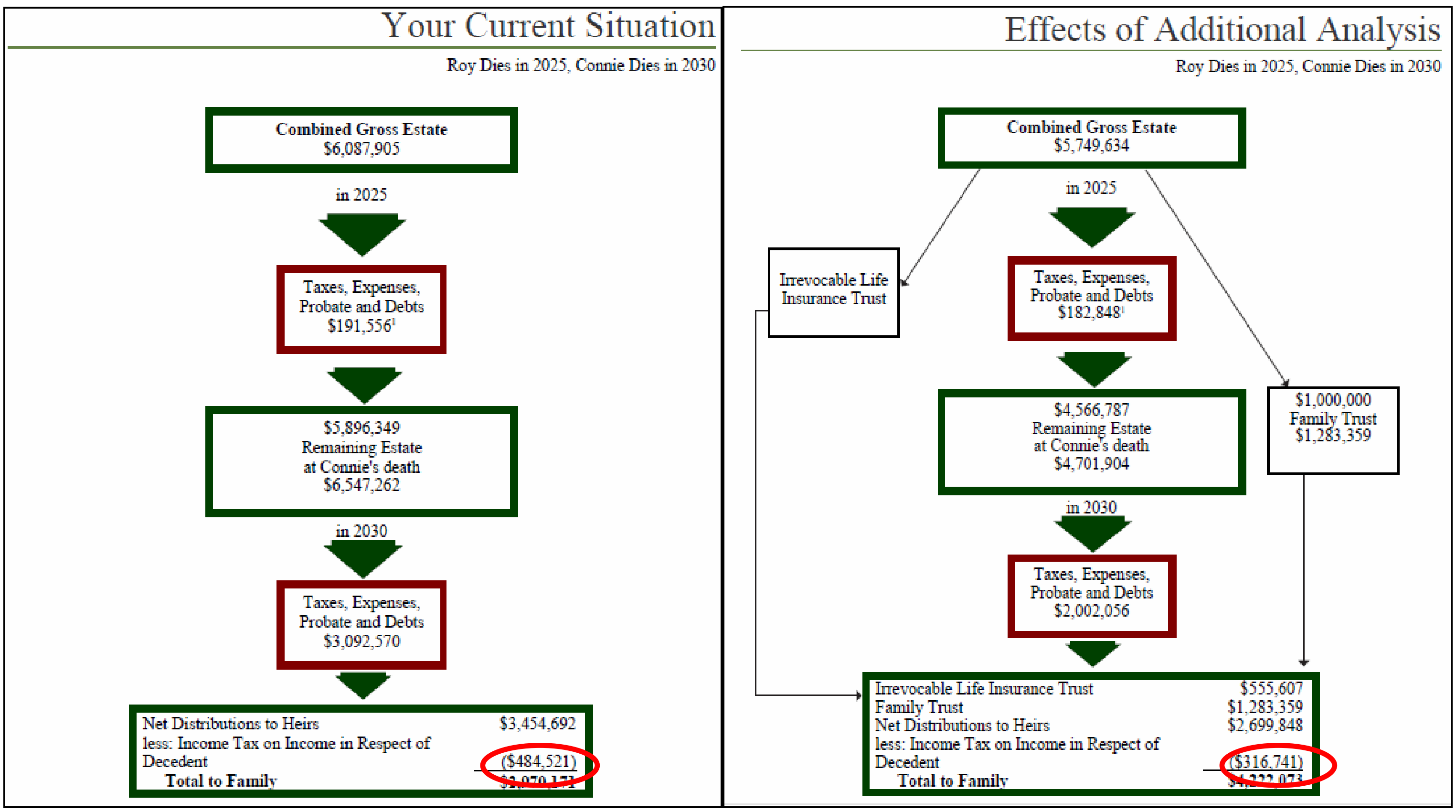
Plan	Owner	Convert to Roth IRA	At Age	Conv. Date
ABC Inc.	ClientA	Do Not Convert		
Widget Inc	ClientB	Do Not Convert		
Roy IRA	ClientA	Convert Date		01/01/2011
Connie IRA	ClientB	Convert Date		01/01/2011

Assign ownership and print on behalf of another user: Select User

Save | Print Preview | Final Client Print | Print Planner Version

Proposed Strategy 3: Results

Roy and Connie do not have to take required minimum distributions from the Roth IRAs, so the value of the Roth IRAs may be higher at their death. At Connie's death, the qualified plans and the traditional IRAs (except for any after-tax amounts) are considered "Income in Respect of a Decedent" (also known as "IRD"). The children pay income taxes on the IRD when they receive withdrawals from the traditional IRAs and other qualified plans. In the ETA presentation, "Your Current Situation" flowchart shows the estimated amount of IRD income taxes paid by their children at Connie's death, in 2030, is $484,521. The "Effects of Analysis" flowchart demonstrates how converting Roy and Connie's traditional IRAs to Roth IRAs reduce the estimated IRD income taxes paid by their children at Connie's death 2030 to $316,741.



The Executive Summary shows the increases in the net amounts to the children by converting their traditional IRAs to Roth IRAs with and without new life insurance.

Executive Summary

for Roy Estrada, age 55, and Connie Estrada, age 54

Current Situation

This analysis uses the information you provided.

Liquid Assets	$935,000	
Retirement Plans	$625,000	
Business	$100,000	
Residences	$1,050,000	
Your total value if death occured today:		**$2,710,000**

Effects of Current Situation

Using the estimated rates of return you provided, the combined gross estate in 2025 would be	$6,087,905	
Assuming Roy dies in 2025,		
Estimated taxes, expenses, probate, and debts	$191,556	
Assuming Connie dies in 2030,		
Estimated taxes, expenses, probate, and debts	$3,092,570	
Income tax on income in respect of decedent[1]	$484,521	
Shrinkage	$3,768,647	
Total to family after both deaths	**$2,970,171**	
Total distribution to family and charity		**$2,970,171**
Portion of the estate in 2030		**45%**

Proposed Strategy

The proposed strategy, without the recommended new life insurance, would increase the portion going to the family to	**$4,222,073**
The proposed strategy, including the recommended new life insurance, would increase the portion going to the family to	**$5,132,823**

Alternative Roth Conversion Strategy

Alternative Proposed Strategy 3:

Roy and Connie want to convert their traditional IRAs to Roth IRAs. However, if they convert both of the traditional IRAs to Roth IRAs in 2011, they are concerned about reducing their other assets to pay the income taxes in 2012. As an alternative strategy, Connie converts her traditional IRA to Roth IRA in 2011, and after Roy's death, Connie (as surviving spouse) converts Roy's traditional IRA to Roth IRA. Roy keeps his existing life insurance policy, and Connie remains beneficiary at Roy's death. Connie uses the $200,000 income tax free death proceeds from Roy's existing life insurance policy to pay the income taxes due on the conversion of Roy's traditional IRA to Roth IRA. The ETA presentation produced with the Quick Estate Plan Online Fact Finder demonstrates this alternative strategy with the following changes:

Existing Life Insurance

Roy Life Insurance	$200,000 Face Amount	Insured-Roy	Owner-Roy	Beneficiary-Connie
No change	Monthly Premium $150	Type-Permanent		

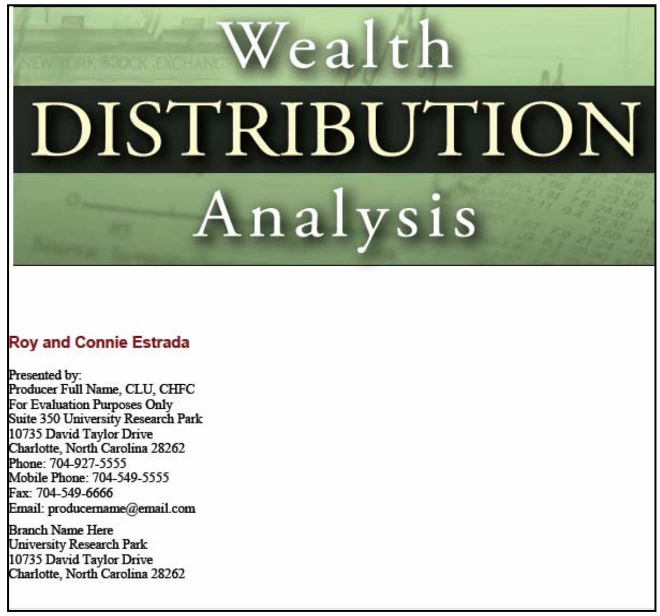
Proposed Scenarios

Proposed Roth IRA Conversions	Roy IRA	Convert Date:	2/1/2025 (Roy's death)
	Connie IRA	Convert Date:	1/1/2011

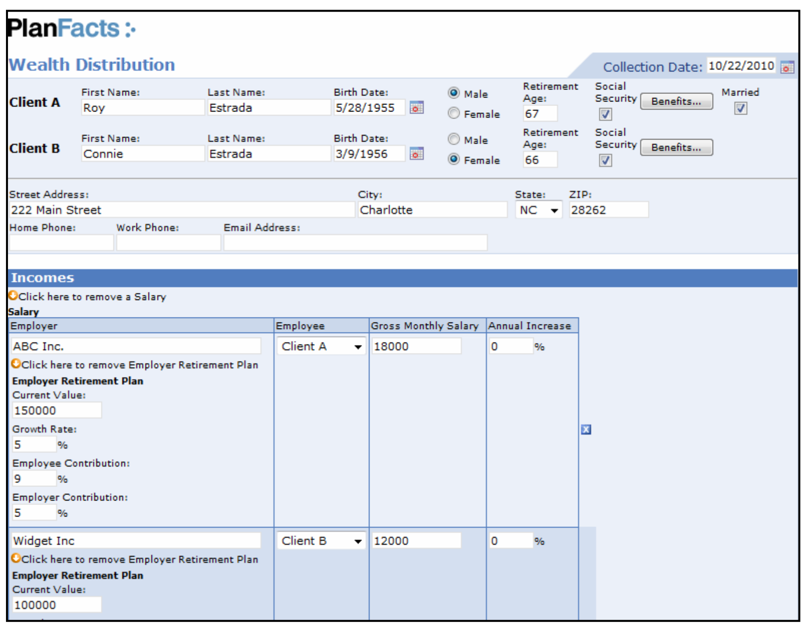
Other Considerations

Wealth Distribution Analysis (WDA)

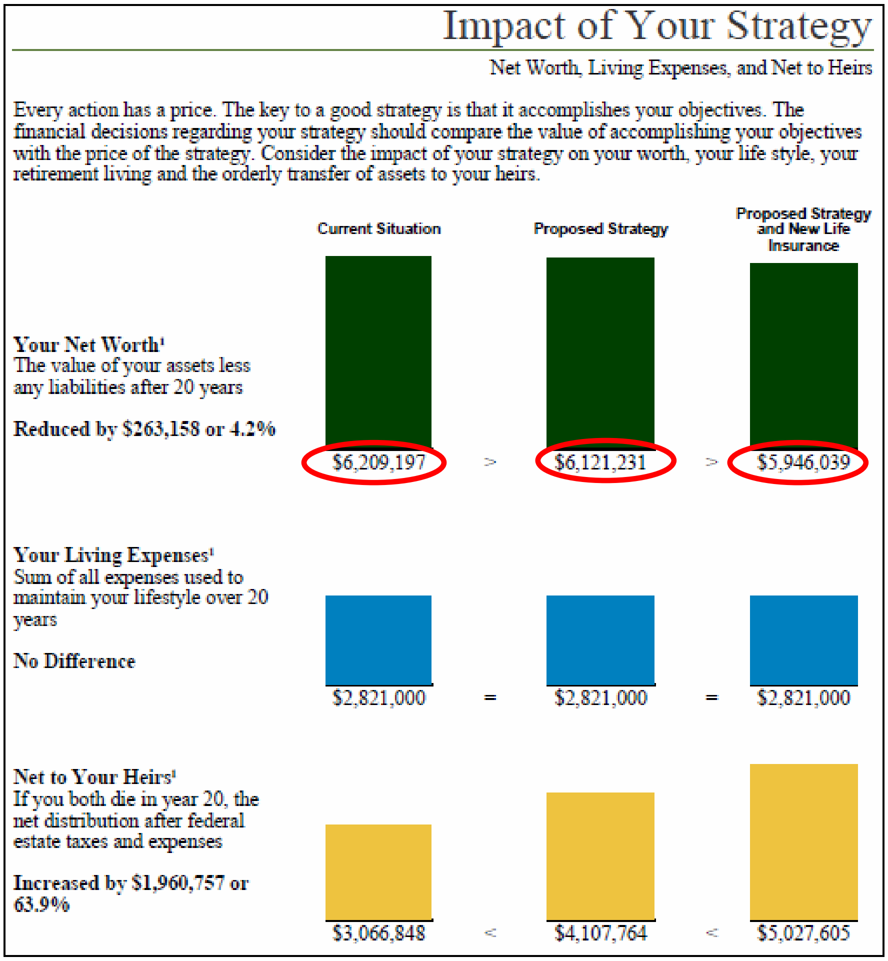
Roy and Connie want to know how the costs of the proposed strategies in the ETA presentation will affect their income and assets during their lifetime. A Wealth Distribution Analysis presentation will show the effect of the proposed strategies on their assets and cash flow to meet their needs during lifetime.



Prepare a Wealth Distributions Analysis presentation using the Wealth Distributions Online Fact Finder that will contain most of the same information entered on the Quick Estate Plan Online Fact Finder.



The WDA presentation page "Impact of Your Strategy" shows the effect of the Current Situation, Proposed Strategies, and Proposed Strategies with life Insurance on Roy and Connie's net worth.



The “Cash Flow Analysis – Outgoing Payments Vs. Expected Income” pages in the WDA presentation provide detailed information to show the Estrada’s their Current Situation and the effect of the Proposed Strategies with New Life Insurance on the cash flow required to maintain their lifestyle.

Cash Flow Analysis

Outgoing Payments Vs. Expected Income

Assumes Roy and Connie are both living

Current Situation

End of Year	Total Cash Flow Required	Income	Retirement Plan Distributions	New Loan Proceeds	Liquid Assets Used for Cash Flow	Other Assets Used For Cash Flow	Net Assets Used For Cash Flow	Total Cash Flow Provided
2010	$76,627	$96,000	$0	$0	$0	$0	$0	$76,627
2011	309,917	384,840	0	0	0	0	0	309,917
2012	317,036	385,715	0	0	0	0	0	317,036
2013	320,897	386,626	0	0	0	0	0	320,897
2014	324,879	387,575	0	0	0	0	0	324,879
2015	328,986	388,564	0	0	0	0	0	328,986
2016	333,222	389,595	0	0	0	0	0	333,222
2017	337,592	390,669	0	0	0	0	0	337,592
2018	342,098	391,789	0	0	0	0	0	342,098
2019	346,747	392,957	0	0	0	0	0	346,747
2020	351,543	394,175	0	0	0	0	0	351,543
2021	356,490	416,872	0	0	0	0	0	356,490
2022	245,686	198,979	0	0	46,707	0	46,707	245,686
2023	214,945	116,089	0	0	98,856	0	98,856	214,945
2024	212,594	119,869	0	0	92,725	0	92,725	212,594
2025	218,963	123,782	45,214	0	49,967	0	49,967	218,963
2026	252,205	127,833	86,449	0	37,923	0	37,923	252,205
2027	273,796	132,027	90,589	0	51,181	0	51,181	273,796
2028	282,227	136,370	94,920	0	50,938	0	50,938	282,227
2029	290,946	140,867	99,450	0	50,629	0	50,629	290,946

Cash Flow Analysis

Outgoing Payments Vs. Expected Income

Assumes Roy and Connie are both living

Proposed Strategy with New Life Insurance

End of Year	Total Cash Flow Required	Income	Retirement Plan Distributions	New Loan Proceeds	Liquid Assets Used for Cash Flow	Other Assets Used For Cash Flow	Net Assets Used For Cash Flow	Total Cash Flow Provided
2010	$78,727	$96,000	$0	$0	$0	$0	$0	$78,727
2011	697,920	384,840	379,602	0	0	0	0	697,920
2012	461,176	385,715	0	0	75,461	0	75,461	461,176
2013	329,157	386,626	0	0	0	0	0	329,157
2014	333,125	387,575	0	0	0	0	0	333,125
2015	337,231	388,564	0	0	0	0	0	337,231
2016	341,465	389,595	0	0	0	0	0	341,465
2017	345,833	390,669	0	0	0	0	0	345,833
2018	350,338	391,789	0	0	0	0	0	350,338
2019	354,985	392,957	0	0	0	0	0	354,985
2020	359,779	394,175	0	0	0	0	0	359,779
2021	364,725	416,872	0	0	0	0	0	364,725
2022	253,919	198,979	0	0	54,940	0	54,940	253,919
2023	223,177	116,089	0	0	107,088	0	107,088	223,177
2024	220,688	119,869	0	0	100,819	0	100,819	220,688
2025	227,054	123,782	30,585	0	72,687	0	72,687	227,054
2026	253,430	127,833	57,678	0	67,919	0	67,919	253,430
2027	271,648	132,027	60,440	0	79,182	0	79,182	271,648
2028	279,510	136,370	63,329	0	79,811	0	79,811	279,510
2029	292,931	140,867	66,352	0	85,713	0	85,713	292,931

Qualified Plan Distribution Analysis (QPDA)

ETA shows the effect on the estate of converting a traditional IRA to Roth IRA Roy and Connie want additional information before they make a decision to keep their traditional IRAs or convert to Roth IRAs. They are also concerned about the amount of income taxes they will have to pay for tax year 2011 if they convert all of their traditional IRAs to Roth. The QPDA Roth IRA conversion modules illustrate different options for converting a traditional IRA to Roth IRA. The QPDA illustrations show comparisons of keeping a traditional IRA and converting to Roth IRA. In addition, the QPDA Stretch Roth IRA module also shows how the children can continue a Roth IRA as an inherited Roth IRA, and receive income tax free qualified distributions over their lifetime.