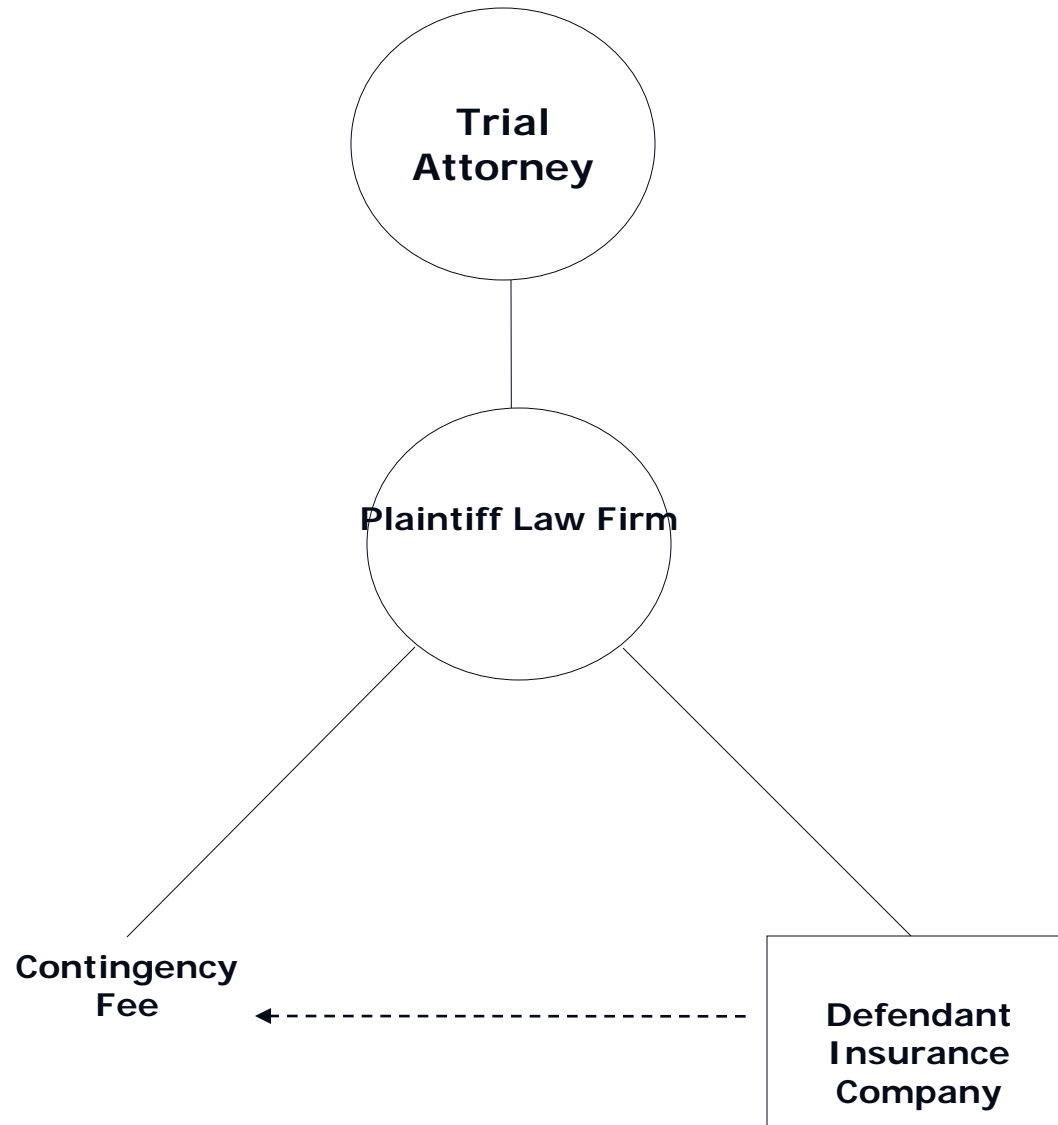


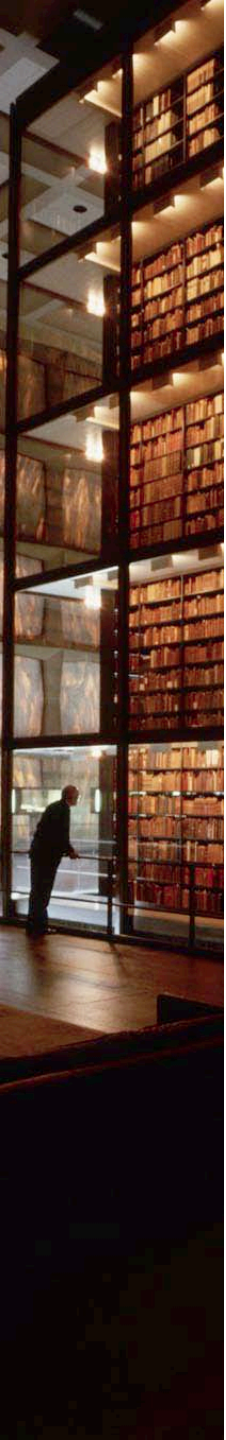


**TRIAL ATTORNEY**

**TAX PLANNING USING PPLI AND CLATS**

# CURRENT SITUATION:





1

# PROPOSED PLAN:

Trial Attorney  
Contingency Fee



Contingency  
Fee



2

a. Settle Charitable Lead Annuity Trust with amount of contingency fee;

b. Payment schedule for charitable payments have present value equal to accelerated taxable compensation (based on IRC Sec 7520 rate)

## Proposed Plan

Trial Atty

**Charitable Deduction Offsets  
Income on deferred  
compensation acceleration  
(Assuming 30% AGI Limit is  
Satisfied)**

**Income of CLAT is taxable annually to Trial Attorney (the "Grantor")**

CLAT



## What is a Charitable Lead Annuity Trust (CLAT)

A charitable lead annuity is a trust funded for the benefit of a charity during its term (determined by Grantor). Annual payments are made to the charity with any remainder in the CLAT benefiting named beneficiaries. The present value of the charitable lead payments, based upon the applicable federal IRC Sec 7520 rate (currently, only 1.0%), will equal the amount contributed to the trust, so the grantor will have a charitable deduction in that amount to shelter that amount of income and the value of the remainder will be zero (the CLAT is a “zeroed-out” CLAT).

The CLAT is a grantor trust, so the grantor will pay tax on all trust income.

### Benefits of CLAT

- (1) Deferral/Elimination of tax on accelerated offshore deferred compensation/ordinary income (by virtue of charitable deduction).
- (2) Satisfaction of charitable pledges. Payment may be to Trial Attorney’s Donor Advised Fund.
- (3) Asset protection.
- (4) Estate tax benefits – remainder outside of grantor’s estate with no current gift tax because the current value of the remainder is zero.
- (5) Grantor CLAT (grantor pays income tax).

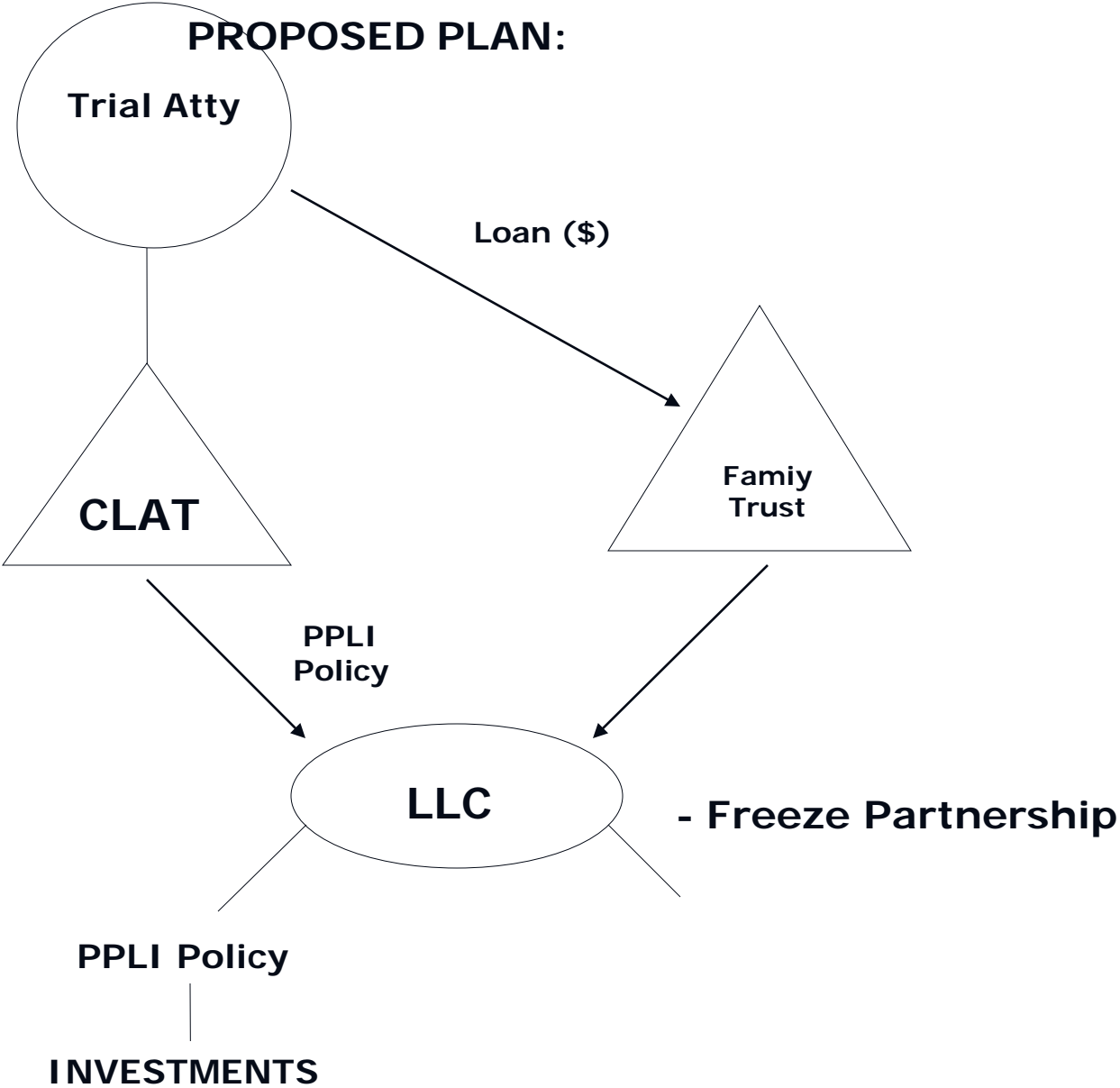
A, Income tax burden to Grantor can be reduced by investing CLAT proceeds in PPLI.



4

Organize  
Freeze  
Partnership  
with Family  
Trust

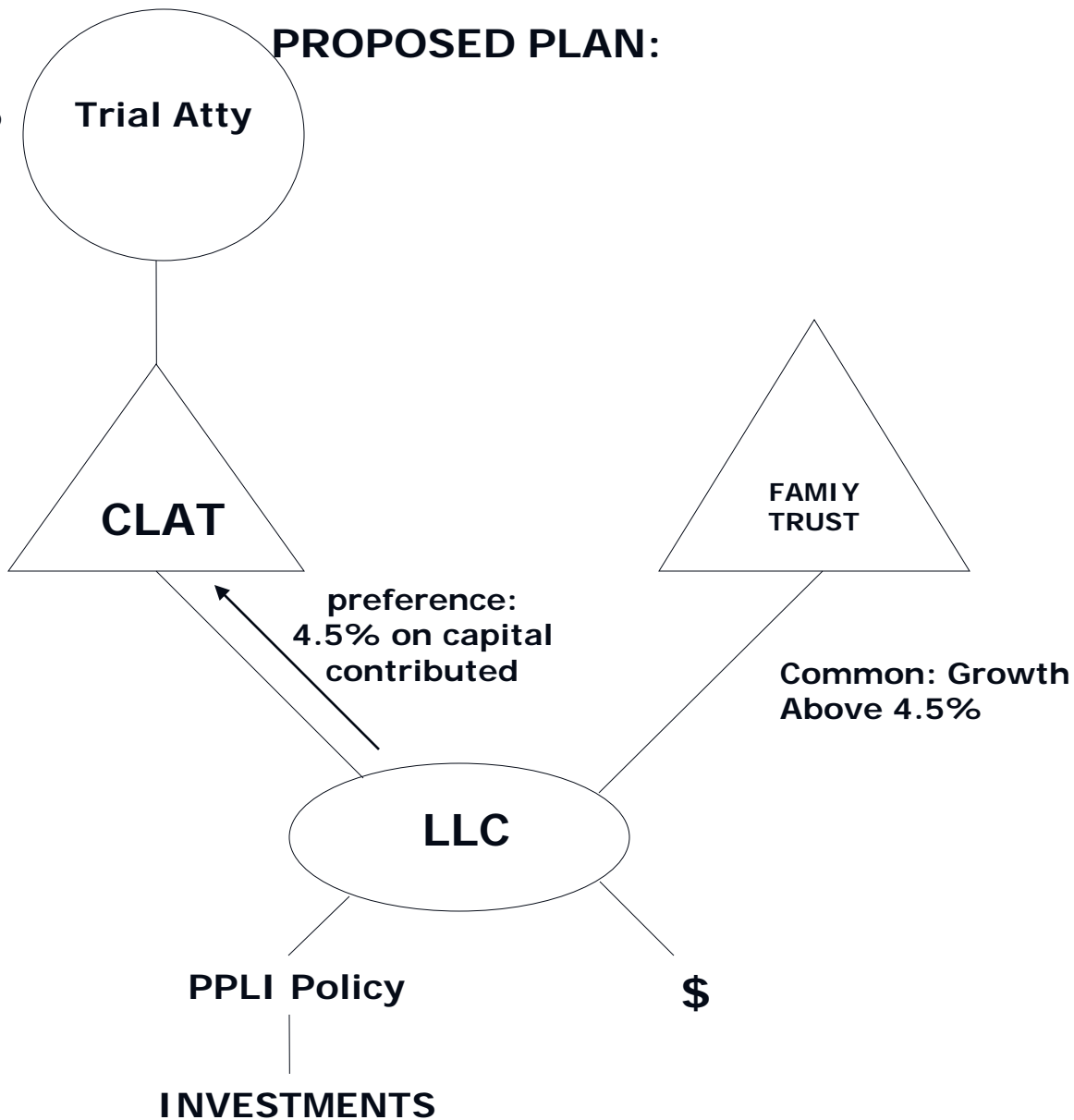
**PROPOSED PLAN:**



5

Freeze Partnership

# PROPOSED PLAN:







## What is a Freeze Partnership?

A partnership structure in which the “Preferred” partner’s interest is subject to a ceiling or fixed rate of return so that any partnership income and/or growth of the partnership assets above the fixed annuity to the preferred partner goes to the “Common” partner, ideally Family Trust.

## Benefits of Freeze Partnership Planning

- (1) **Family Trust Benefits** – Family trust becomes entitled to all growth above the preferred return to CLAT; these additional amounts are not subject to transfer tax on death of the second or later generations
- (2) Additional cash flow certainty to fund charitable payouts to CLAT
- (3) Ceiling on cash flow (and value) into CLAT
- (4) Greater flexibility to estate plan with respect to non-insurance investments required to fund CLAT payouts
- (5) Grantor can manage non-insurance investments in freeze partnership



# Freeze Partnership Structure

