

INKNOW *VISION*'S MONTHLY HNW WEBINAR SERIES

Case Study Webinar



Case Study – James Myer

Background

James is 64, and a few years ago started up a Consulting Company (Consulting Corp) with his business partner Dave. They have acquired some lucrative contracts over the last couple of years, and after spending frugally his entire life, James is starting to enjoy his newly created wealth. James is divorced and makes alimony payments in the amount of \$100,000/yr. on top of his \$500,000/yr. in living expenses. Because the wealth and income generated by the company is recent, James has not accumulated much in the way of liquid assets yet, but the company value is significant and future profits look very promising.

With increasing company profits, James is faced with a growing income tax exposure and also wants to begin planning for his expected retirement in the next 5-7 years. He has one son who works in the business and has shown interest in taking over James's role next to his younger partner, Dave. No firm planning or discussion regarding the transfer of James's interests to his son has taken place. Planning has to provide for the build up of cash/assets for James to retire, reduce income tax exposure and create the opportunity to pass the business interests onto his one son if he remains in the business, while also creating an equal inheritance of non-business interests for the son and daughter not involved in Consulting Corp.

Assets

James's interests (59%) in Consulting Corp are valued at approx. \$15M today. He also has about \$750k in liquid assets as well as a 59% interest in a Captive Insurance Company that he and Dave set-up in 2011.

Goals

The primary planning goals are to:

- Make sure that he has sufficient funds to live on for the rest of his life (approx. \$600,000/yr., including alimony, after taxes and gifts).
- Reduce income taxes.
- Maximize the inheritance that he leaves to his children and grandchildren. Consider passing his business interests to his children involved in the industry while providing an equal inheritance of non-business interests to those that are uninterested.
- Assure that he has sufficient liquid assets available at his death to eliminate the forced liquidation of his business assets.
- Eliminate or reduce estate taxes.

FAMILY WEALTH GOAL ACHIEVER™ - INITIAL

PREPARED FOR:

JAMES MYER

March 1, 2012

Draft for discussion purposes only

PRESENTED BY

Scott Hamilton
InKnowVision, LLC
715 Enterprise Dr.
Oak Brook, IL 60523
Phone: 630-596-5090

YOUR GOALS AND OBJECTIVES

JAMES MYER

Your Objectives:

- ☐ Maintain my customary lifestyle. This should take about \$500,000 annually. This does not include taxes, gifts and alimony payments.
- ☐ Reduce income taxes.
- ☐ Maintain adequate liquidity for emergencies and investment opportunities. I prefer to keep at least \$1,000,000 in cash and readily marketable securities.

Family Objectives:

- ☐ Maximize the inheritance that I leave to my children and grandchildren. Consider passing my business interests to my children involved in the industry while providing an equal inheritance of non-business interests to those that are uninterested.
- ☐ Assure I have sufficient liquid assets available at my death to eliminate the forced liquidation of my business assets.

Charity Objectives:

- ☐ Consider providing a charitable gift at death if it helps reduce taxes.

Tax Objectives:


- ☐ Eliminate or reduce estate taxes.


PERIODIC TABLE OF ESTATE PLANNING ELEMENTS - RECOMMENDED


JAMES MYER

The highlighted tools are those we have determined are most suited to achieving your goals and objectives.

Charitable Remainder Uni-Trust	412(e)	Family Limited Liability Company	Private Annuity	Grantor Retained Annuity Trust	Charitable Lead Annuity Trust	SCIN
Family LLC	TCLAT	Qualified Personal Residence Trust	Flip CRT	Sale for Installment Note	Series Limited Liability Company	GDOT Owned Life Insurance
Premium Finance	Preferred Limited partnership	Long Term Care Insurance	529 Plans	Gifting	ILIT	Corporate Recapitalization
Walton GRAT	Private Foundations	Charitable Life Estate	NIMCRUT	Annuity Withdrawal	Asset Protection	SPIA/Life Arbitrage
SPIA/Life in a CLAT	Principal Protected Notes	Will, DPAs and POAs	Crummey Powers	Dynasty Trust	International VUL	GDOT
Supporting Organizations	Qualified Plans to Charity	Gift Annuity	Remainder Sales	Life Estates	Captive Insurance Company	LLC/CRTs
Bargain Sales	Succession Planning	Buy/Sell Agreement	Charitable Remainder Annuity Trust	ESOP Planning	Defined Benefit Plans - Cash Balance	Qualified Plan Limited Partnership

 Green equals a new planning tool for family

 Blue equals a social capital or charitable tool

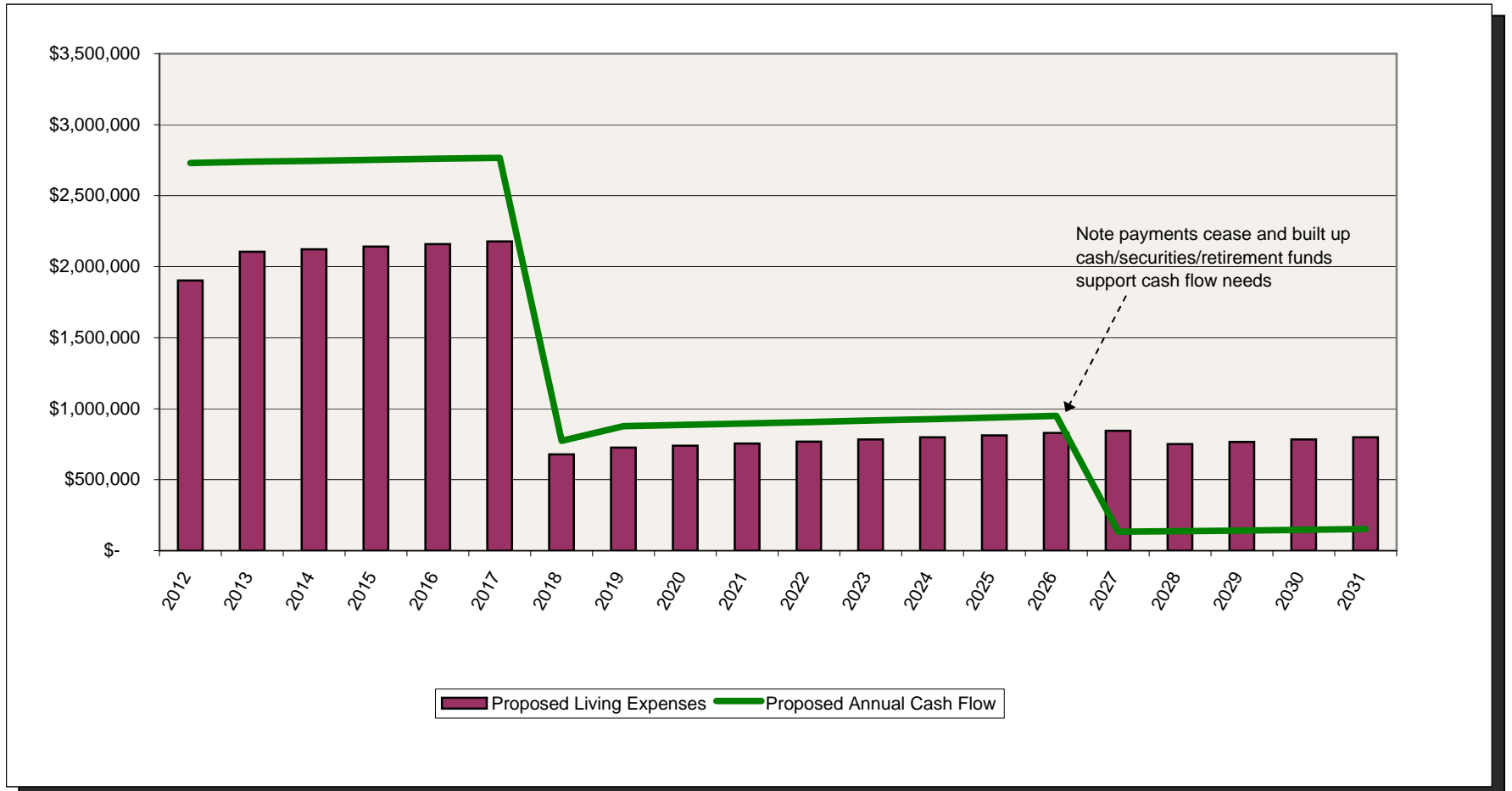
 Yellow equals an existing planning tool

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LIFETIME SPENDING AND LIQUIDITY

PERSONAL LIVING EXPENSES vs. AVAILABLE CASH FLOW

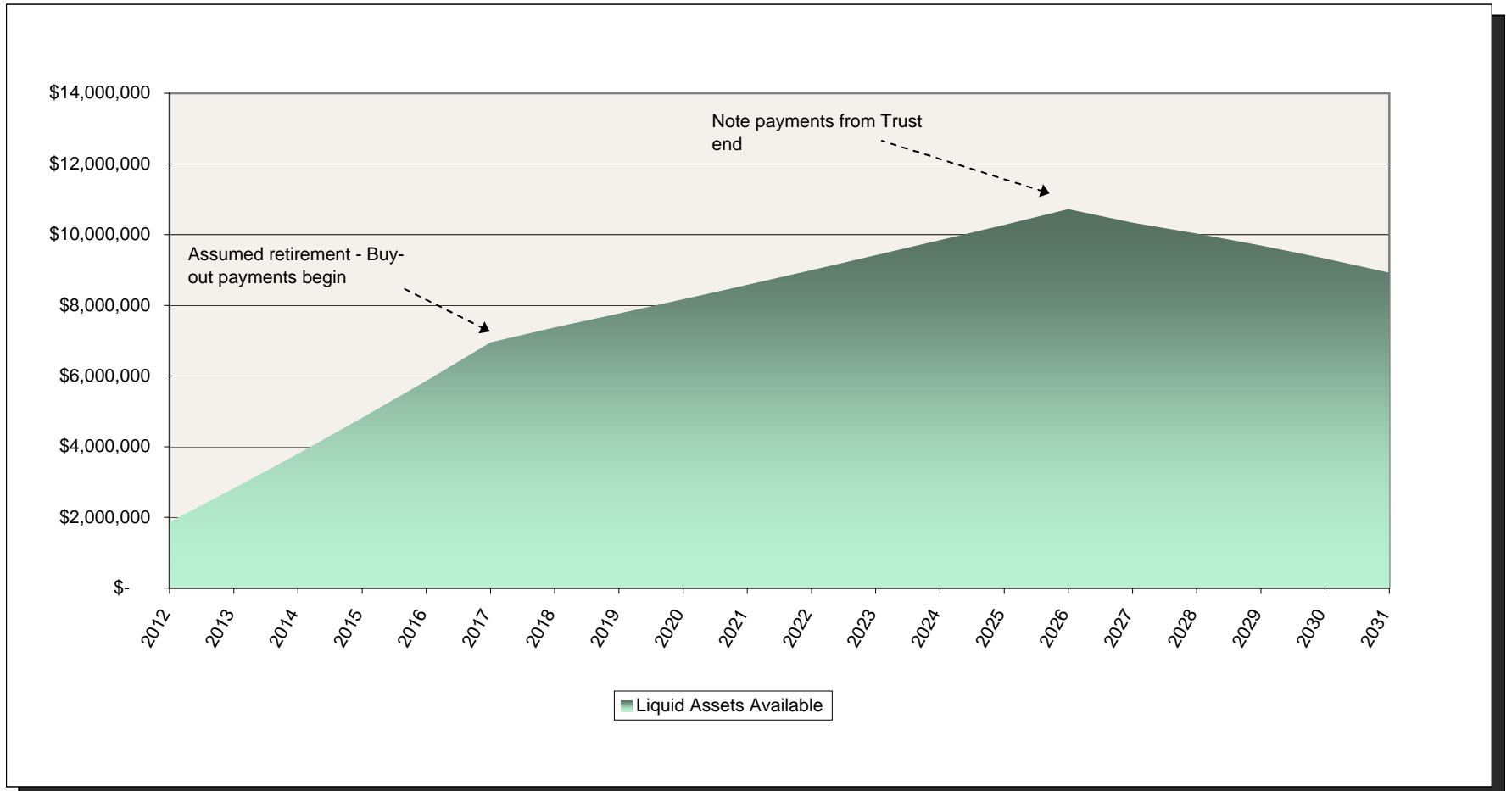
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This illustration compares your living expenses under the proposed plan as against your annual cash flow available.

PERSONAL LIQUID ASSETS AVAILABLE

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This illustration reflects the amount of liquid assets available to you during life under a fully implemented proposed plan. Liquid assets include cash, securities, bonds (corporate and municipal), annuities and retirement funds.

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INCREASE INHERITANCE
AND REDUCE ESTATE TAX

COMPARISON OF PLAN RESULTS - PLAN YEAR 2012

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	Existing Plan	Proposed Plan	Advantage
Estate Value	\$ 19,746,606	\$ 12,453,336	
Heirs Receive Immediately	\$ 15,026,286	\$ 25,609,437	\$ 10,583,150
Total Benefits to Family	\$ 15,026,286	\$ 25,609,437	\$ 10,583,150
Estate and Income Tax	\$ 5,334,154	\$ 4,557,036	\$ 777,118

This chart assumes that you die this year and compares the results of the current plan with the proposed plan.

COMPARISON OF PLAN RESULTS - PLAN YEAR 2031

JAMES MYER

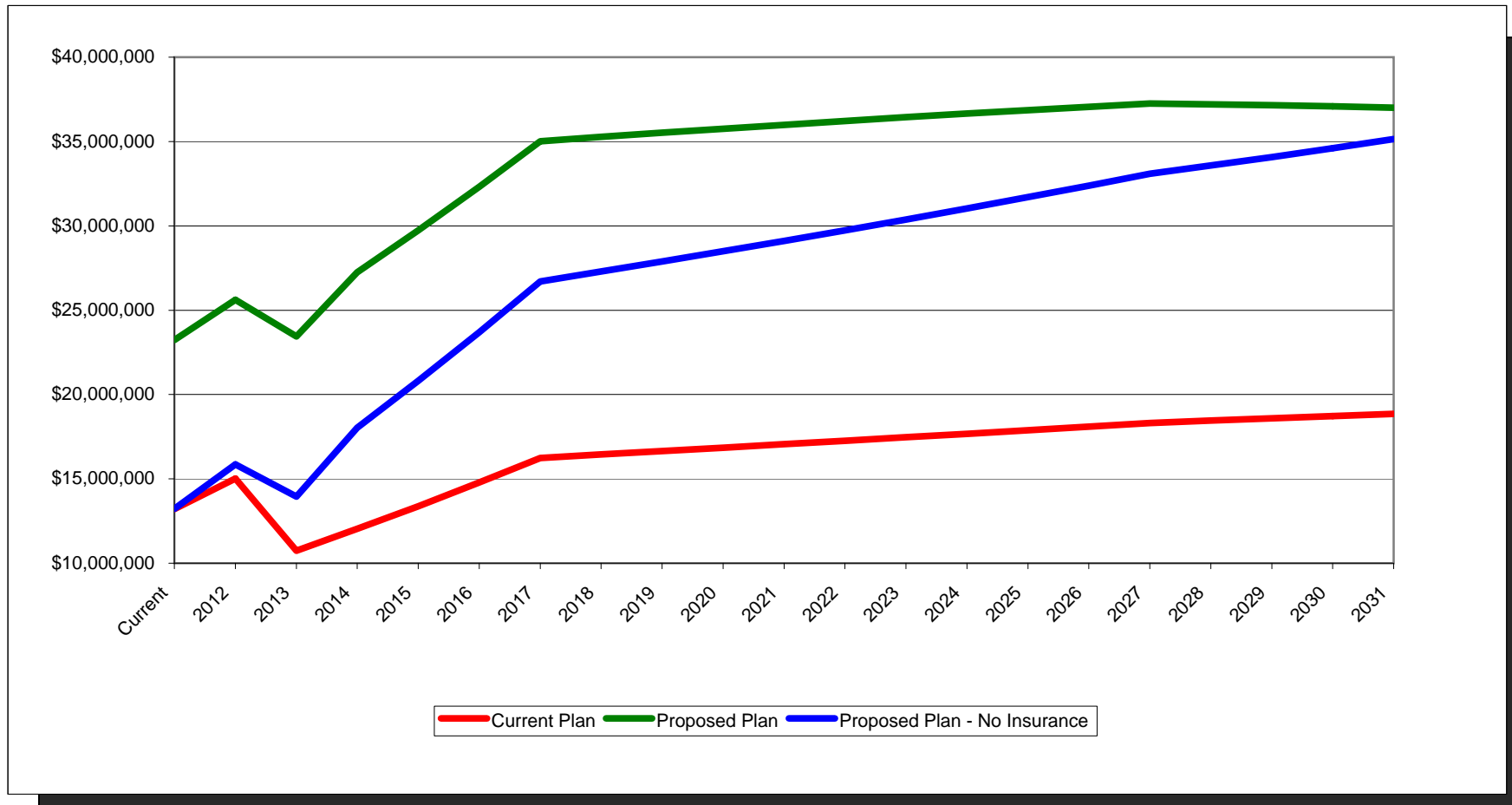
	Existing Plan	Proposed Plan	Advantage
Estate Value	\$ 40,710,287	\$ 10,166,402	
Heirs Receive Immediately	\$ 18,847,318	\$ 37,001,946	\$ 18,154,628
Total Benefits to Family	\$ 18,847,318	\$ 37,001,946	\$ 18,154,628
Estate and Income Tax	\$ 22,267,166	\$ 6,275,623	\$ 15,991,544
Present Value of total to Heirs	\$10,748,362	\$21,101,693	
Discount rate for PV calculation	3.00%		

This chart assumes that you die at life expectancy and compares the results of the current plan with the proposed plan.

The present value of the total passing to heirs is our attempt to put inheritance into today's dollars to provide perspective. We are using an inflation rate of 3% to calculate the present value numbers.

ASSETS PASSING TO YOUR FAMILY - CURRENT VS. PROPOSED

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This chart compares the amount of your assets that will pass to heirs after estate taxes and costs of implementation in the current plan as against the proposed plan.

PROJECTED ESTATE TAXES - CURRENT VS. PROPOSED

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This chart compares the projected estate taxes in the current plan as against the proposed plan.

INTRODUCTION TO THE PLAN STRATEGIES ROADMAP

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The following section of the plan contains a step by step roadmap for each of the strategies that we are recommending.

You will notice that the strategies are often interdependent; that is, in order for one strategy to be successful, you must complete another strategy as well. It is the integration of each of these strategies that allows you to most efficiently accomplish your goals.

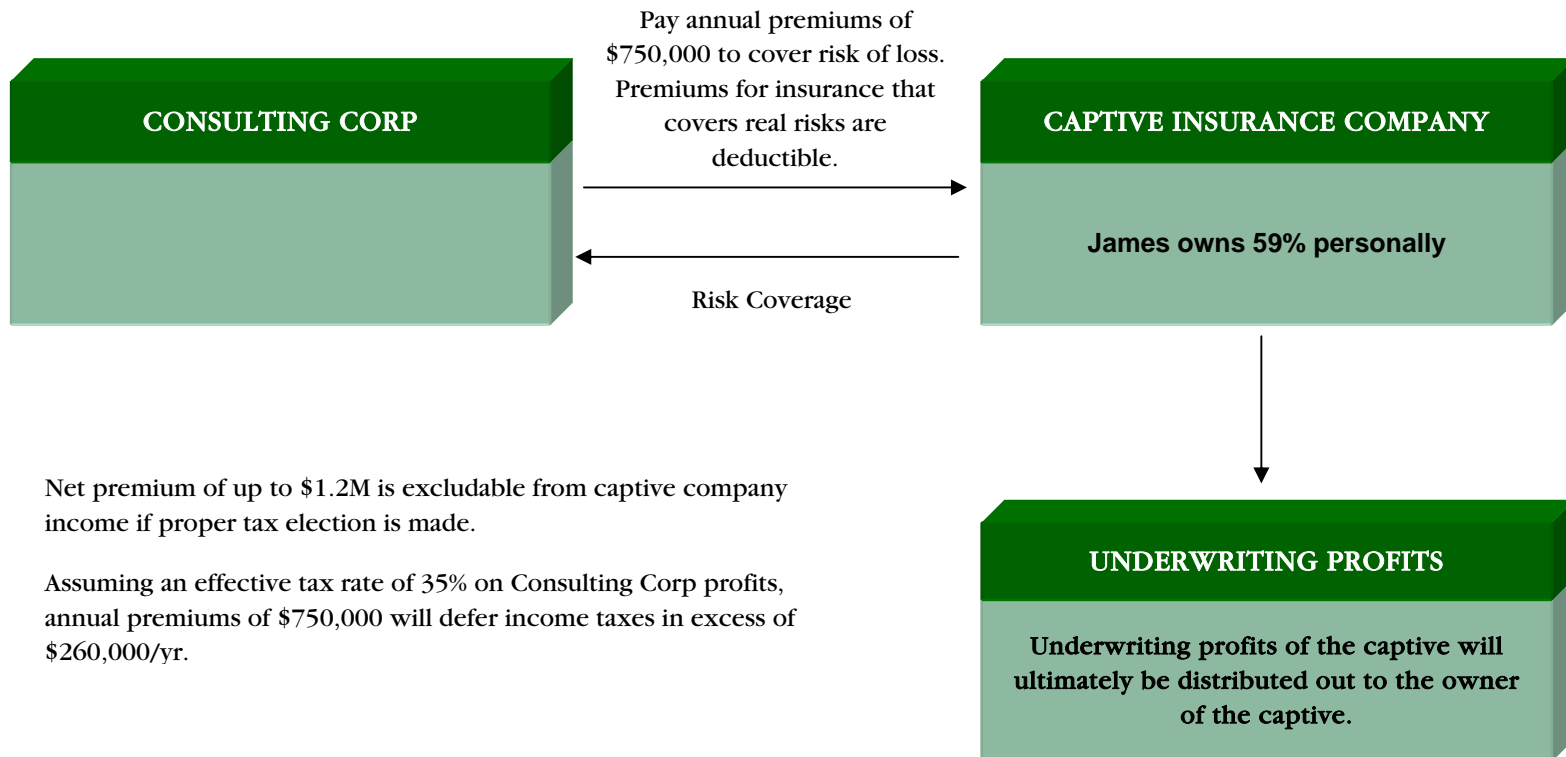
Also keep in mind that there is often more than one way to get from point A to point B. This is true in wealth transfer planning. If a particular strategy or combination of strategies is not acceptable to you, we may be able to reach the desired result in a less efficient but perhaps more acceptable way.

The following pages are a conceptual road map only. There are numerous details contained in each strategy that are not detailed in the overall plan that follows.

CAPTIVE INSURANCE COMPANY

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Captive Insurance Company insures various risks of loss.



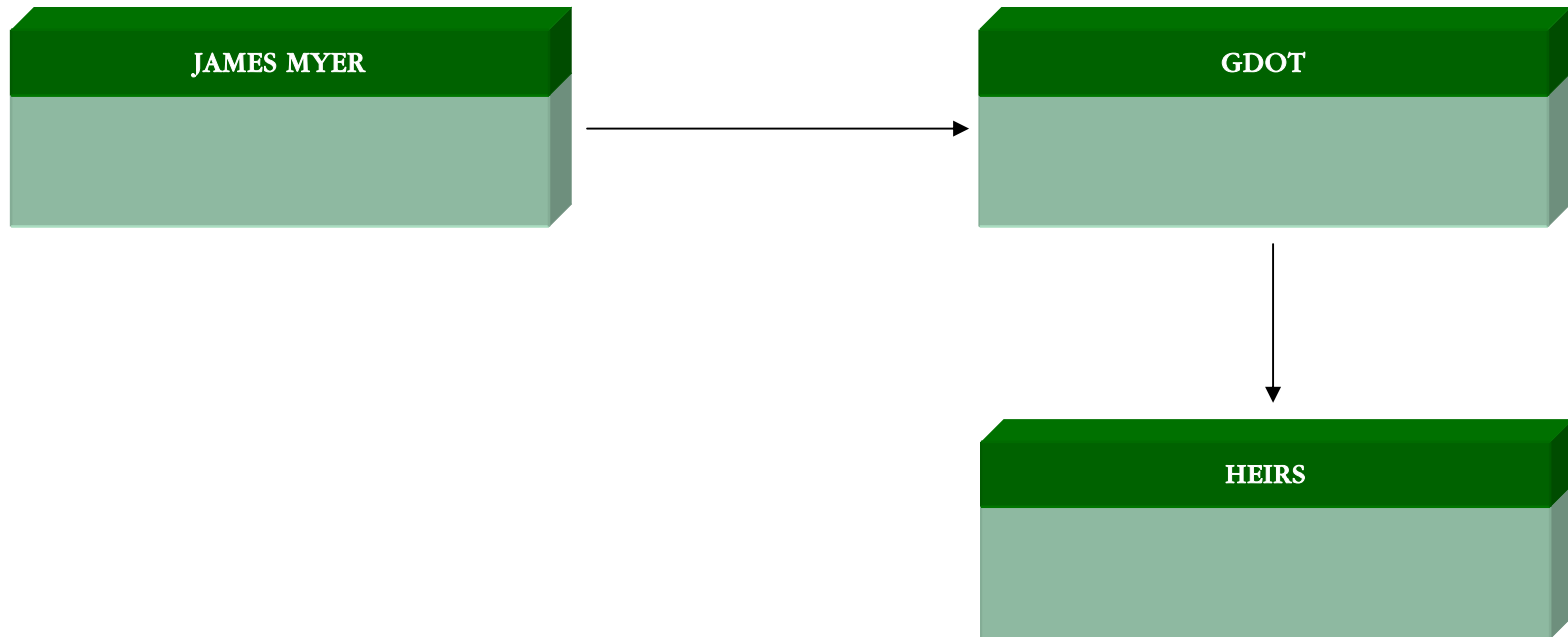
Net premium of up to \$1.2M is excludable from captive company income if proper tax election is made.

Assuming an effective tax rate of 35% on Consulting Corp profits, annual premiums of \$750,000 will defer income taxes in excess of \$260,000/yr.

CREATE A GRANTOR DEEMED OWNER TRUST

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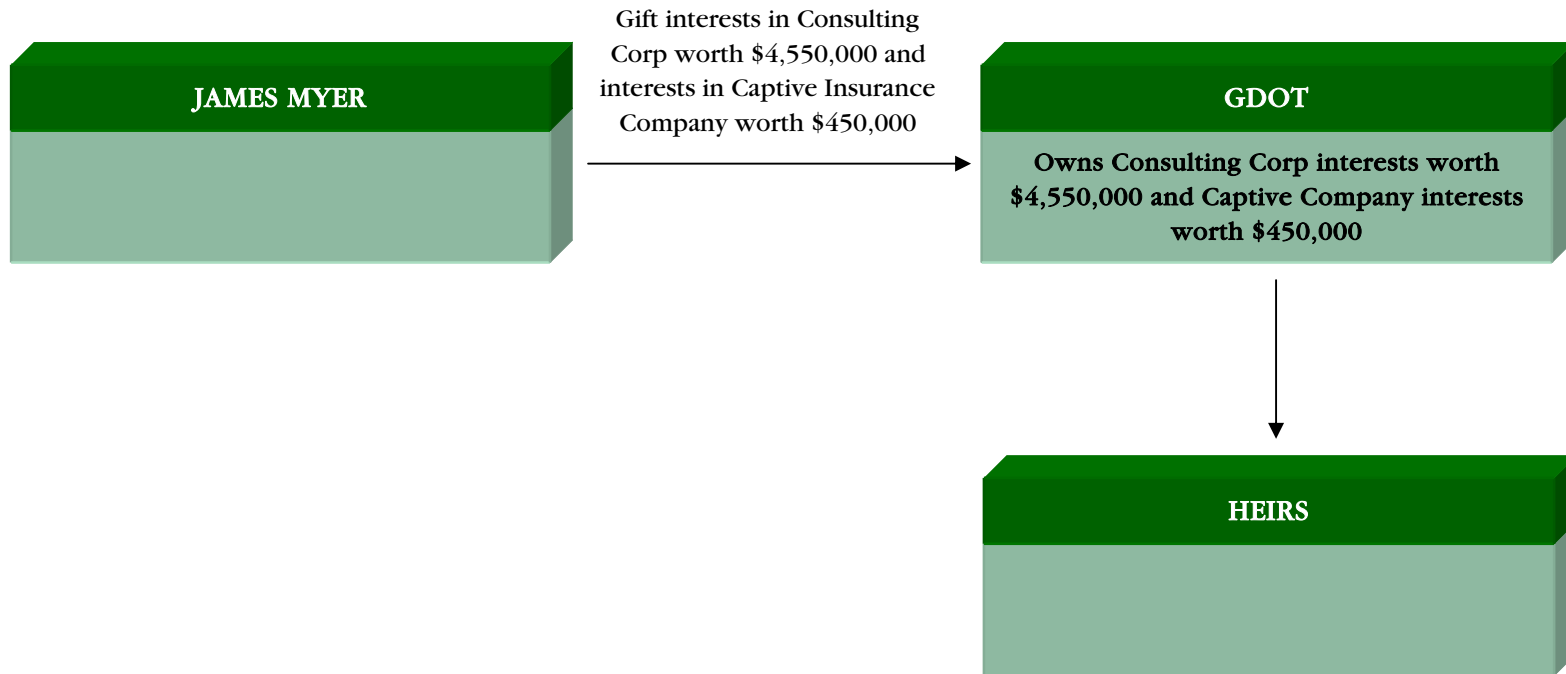
James creates a grantor deemed owner trust (GDOT).
The Trust can be drafted to provide asset protection and long term estate tax savings through the use of dynasty trust provisions.



GIFT TO GRANTOR DEEMED OWNER TRUST

JAMES MYER

James makes two gifts totaling \$5,000,000 to his GDOT that are designed to give the trust economic substance and maximize his available lifetime gifting exemption.

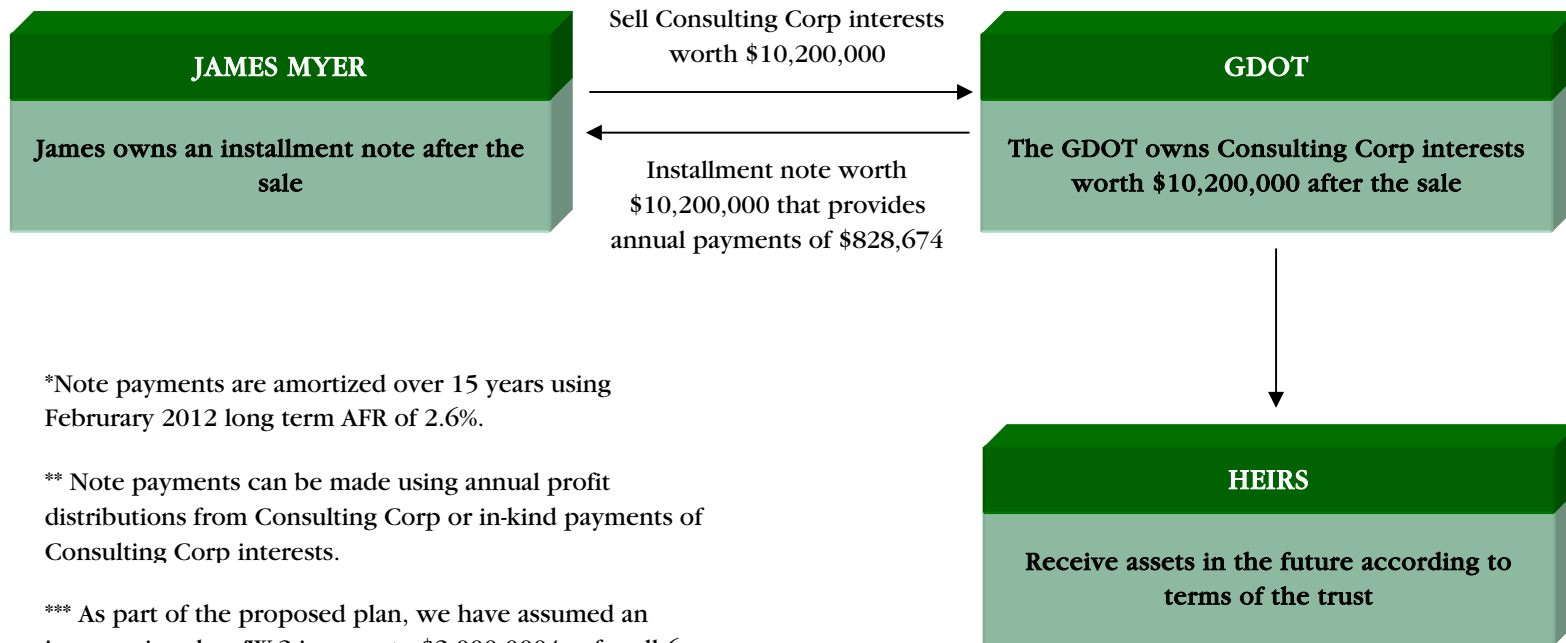


Note: After 2012, the exemption may be reduced back down to \$1M. The gift today locks in the use of your \$5M exemption.

SELL CONSULTING CORP INTERESTS TO GDOT

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James sells his remaining interests in Consulting Corp to the GDOT for an installment note.



*Note payments are amortized over 15 years using February 2012 long term AFR of 2.6%.

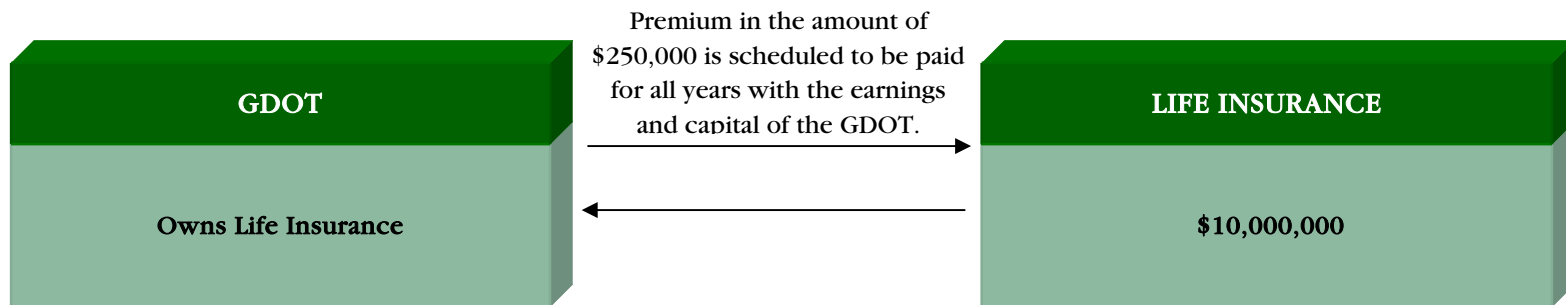
** Note payments can be made using annual profit distributions from Consulting Corp or in-kind payments of Consulting Corp interests.

*** As part of the proposed plan, we have assumed an increase in salary/W-2 income to \$2,000,000/yr. for all 6 years prior to retirement.

PURCHASE LIFE INSURANCE IN THE GDOT

JAMES MYER

The GDOT Trustee purchases life insurance with the GDOT assets.



Policy Benefits:

- Used as wealth replacement, it can allow increased charitable giving that reduces or eliminates estate taxes but ensures a significant inheritance for your heirs
- Increased inheritance in trust for heirs
- Provides instant liquidity to pay estate taxes
- Over time, annual premiums paid into this vehicle (which is income and estate tax free) will reduce the taxes from other investment assets subject to income taxes
- Helps provide inheritance equalization for the children not involved in the business

The premium is based on certain assumptions. This is for illustration purposes only. Actual insurance numbers can only be determined by applying for insurance.

DETAILED FINANCIAL ANALYSIS

JAMES MYER

INTRODUCTION

The following section of the plan contains all of the financial analysis used to show you where you stand with your current plan and what is possible with the proposed plan.

All of the numbers are based on information provided by you or gleaned from statements and tax returns. If numbers do not look correct, please let us know so that we can make the appropriate changes.

Assumed growth and yield numbers are all listed on the Net Worth contained in these sections.

DETAILED FINANCIAL ANALYSIS

JAMES MYER

CURRENT PLAN FINANCIALS

In the Current Plan Section you will find a current balance sheet and detailed cash flow and asset projection analysis.

GENERAL PLANNING ASSUMPTIONS

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Planning Assumptions:

- Annual Wages/Salary from Consulting Corp of \$1,200,000 through 2017 in the current plan. Annual Wages/Salary from Consulting Corp is increased to \$2,000,000 through 2017 in the proposed plan
- Annual net profit (59%) from Consulting Corp of \$2,950,000 in the current plan. Net profits for Consulting Corp are decreased to \$2,124,000 with increased W-2 income for James and Dave in the proposed plan
- Value for Consulting Corp (59%) of \$14,750,000
- Annual Captive Premiums (100%) paid to Captive Insurance Company of \$750,000 through 2017
- Assumed retirement in 2018
 - Consulting Corp value carried on balance sheet with 2% annual interest buy-out payments received (\$295,000) for 10 years
 - Salary and flow through profits cease
- Annual Living Expenses after taxes of \$500,000 and alimony payments of \$100,000

CURRENT NET WORTH STATEMENT

JAMES MYER

	JAMES	YIELD	GROWTH
CASH AND EQUIVALENTS			
Savings Account	90,000	0.0%	0.0%
Total of Cash and Equivalents	90,000	0.0%	0.0%
MARKETABLE SECURITIES - EQUITIES			
Securities Account	10,000	1.0%	4.0%
Securities Account	25,000	1.0%	4.0%
Total of Equities	35,000	1.0%	4.0%

CURRENT NET WORTH STATEMENT (PAGE 2)

JAMES MYER

		YIELD	GROWTH
OTHER INVESTMENTS			
Captive Insurance (59%)	442,500	0.0%	0.0%
Total of Other Investments	442,500	0.0%	0.0%
CLOSELY HELD BUSINESS			
Consulting Corp (S Corp - 59%)	14,750,000	20.0%	0.0%
Total Closely Held Business	14,750,000	20.0%	0.0%
RETIREMENT PLANS/IRAs			
Consulting Corp 401(k)	143,790	0.0%	6.0%
Consulting Corp Cash Balance	518,473	0.0%	6.0%
Total Retirement Plans	662,263	0.0%	6.0%

CURRENT NET WORTH STATEMENT (PAGE 3)

JAMES MYER

	JAMES	YIELD	GROWTH
INVESTMENT REAL ESTATE			
Land - 200 acres	240,000	0.0%	2.0%
Total of Real Estate Holdings	240,000	0.0%	2.0%
RESIDENTIAL REAL ESTATE			
123 Main St.	400,000	0.0%	2.0%
Total of Personal Residences	400,000	0.0%	2.0%
PERSONAL PROPERTY			
Tractors	26,000	0.0%	0.0%
Autos	98,000	0.0%	0.0%
Personal Property	250,000	0.0%	0.0%
Total of Personal Property	374,000	0.0%	0.0%
TOTAL ASSETS	16,993,763		
LIABILITIES			
Land - 200 acres	80,000		
Total Liabilities	80,000		
TOTAL LIABILITIES	80,000		
NET WORTH	16,913,763		

SCHEDULE OF LIFE INSURANCE BENEFITS - CURRENT PLAN

JAMES MYER

COMPANY	INSURED	POLICY #	BENEFICIARY	PREMIUM	CASH VALUE	DEATH BENEFIT
Policies owned by James						
15 yr. term	James	#	Amanda Jones	5,000	-	700,000
Group	James	#	-	-	-	100,000
Whole	James	#	Debra Myer	-	-	70,000
Totals				5,000	-	870,000
Other Policies						
15 yr. term	James	#	Consulting Corp	31,000	-	4,000,000
Group Term Age 70	James	#	Debra Myer	-	-	350,000
Policy	James	#	Debra Myer	-	-	70,000
Whole	Jessica	#	James	-	-	30,000
Whole	Matthew	#	James	-	-	15,000
Whole	Thomas	#	James	-	-	15,000
Whole	Mike	#	James	-	-	30,000
Whole	Sam	#	James	-	-	15,000
Whole	Michelle	#	James	-	-	15,000
Totals				31,000	-	4,540,000

ASSET VALUE PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Asset Values									
Cash and cash equivalents	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Marketable securities - Equities	35,000	2,177,091	4,221,511	6,349,490	8,564,664	10,870,832	13,271,963	13,447,539	15,922,358
Captive Insurance ¹	442,500	865,530	1,305,481	1,763,030	2,238,882	2,733,767	3,248,448	3,378,386	5,625,260
Consulting Corp	14,750,000	14,750,000	14,750,000	14,750,000	14,750,000	14,750,000	14,750,000	14,750,000	14,750,000
Retirement plans/IRAs	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Investment real estate	240,000	244,004	248,885	253,862	258,939	264,118	269,401	274,789	355,468
Personal residences	400,000	406,674	414,808	423,104	431,566	440,197	449,001	457,981	592,447
Personal property	374,000	374,000	374,000	374,000	374,000	374,000	374,000	374,000	374,000
Total assets in estate	16,993,763	19,826,606	22,603,150	25,497,860	28,516,087	31,663,432	34,945,761	35,415,220	40,790,287
Less estimated liabilities	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)
Net worth	16,913,763	19,746,606	22,523,150	25,417,860	28,436,087	31,583,432	34,865,761	35,335,220	40,710,287

¹ Supporting cash flow financials for Captive Insurance can be found in the Proposed Plan financials.

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (because of spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

TAXABLE INCOME PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Sources of taxable income									
Marketable securities - Equities		350	21,771	42,215	63,495	85,647	108,708	132,720	158,624
Consulting Corp		2,950,000	2,950,000	2,950,000	2,950,000	2,950,000	2,950,000	-	-
Buyout Payments ¹		-	-	-	-	-	-	295,000	-
Alimony Payments		(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)
Retirement plans/IRAs		-	-	-	-	-	-	-	189,259
Client earned income		1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	-	-
Gross income		4,052,350	4,073,771	4,094,215	4,115,495	4,137,647	4,160,708	329,720	249,883

¹ Assumes that James retires in year 7. Dave begins making 2% interest payments for 10 year buyout in 2018.

INCOME TAX PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Income tax Estimation									
Adjusted gross income:									
Dividend income (marketable sec.)		350	21,771	42,215	63,495	85,647	108,708	132,720	158,624
Earned and other income		4,052,000	4,052,000	4,052,000	4,052,000	4,052,000	4,052,000	197,000	91,259
Adjusted gross income		4,052,350	4,073,771	4,094,215	4,115,495	4,137,647	4,160,708	329,720	249,883
Deductions									
Real estate tax		1,614	1,646	1,679	1,713	1,747	1,782	1,818	2,351
Interest		2,646	2,699	2,753	2,808	2,864	2,921	2,980	3,855
Charitable gifts		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Charitable Deduction available		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Charitable Deduction allowed		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Deduction carried over		-	-	-	-	-	-	-	-
Total deductions		24,110	24,592	25,084	25,586	26,097	26,619	27,152	35,124
Reductions		-	(19,674)	(20,067)	(20,469)	(20,878)	(21,296)	(4,888)	(2,492)
Deductions allowed		24,110	4,918	5,017	5,117	5,219	5,324	22,264	32,631
Taxable income		4,028,240	4,068,852	4,089,198	4,110,378	4,132,427	4,155,384	307,455	217,252
Federal income tax		1,386,575	1,581,187	1,589,244	1,597,631	1,606,363	1,615,454	94,586	62,113

CASH FLOW PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Sources of income for Lifestyle									
Distribution from Marketable Securities		-	-	-	-	-	-	355,302	574,554
Consumable income (taxable)		4,052,350	4,073,771	4,094,215	4,115,495	4,137,647	4,160,708	329,720	249,883
Total income available for lifestyle		4,052,350	4,073,771	4,094,215	4,115,495	4,137,647	4,160,708	685,022	824,436
Uses of Cash									
Living expenses		500,000	510,000	520,200	530,604	541,216	552,040	563,081	728,406
Income tax		1,386,575	1,581,187	1,589,244	1,597,631	1,606,363	1,615,454	94,586	62,113
Personally held insurance premiums		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash gifts to charity		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Total uses of cash		1,911,425	2,116,434	2,135,096	2,154,300	2,174,065	2,194,411	685,022	824,436
Surplus		2,140,925	1,957,336	1,959,119	1,961,194	1,963,581	1,966,298	-	-

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

ESTATE TAX ESTIMATION AND DISTRIBUTION - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Tax Calculation on James's death									
James's assets	16,913,763	19,746,606	22,523,150	25,417,860	28,436,087	31,583,432	34,865,761	35,335,220	40,710,287
Death benefit exceeding CV	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000
James's estimated estate	17,783,763	20,616,606	23,393,150	26,287,860	29,306,087	32,453,432	35,735,761	36,205,220	41,580,287
Settlement expenses	(227,838)	(256,166)	(283,931)	(312,879)	(343,061)	(374,534)	(407,358)	(412,052)	(465,803)
James's taxable estate	17,555,925	20,360,440	23,109,218	25,974,981	28,963,026	32,078,898	35,328,404	35,793,168	41,114,484
Tax base	17,555,925	20,360,440	23,109,218	25,974,981	28,963,026	32,078,898	35,328,404	35,793,168	41,114,484
Federal Estate Tax	4,352,574	5,334,154	12,364,270	13,940,440	15,583,864	17,297,594	19,084,822	19,340,442	22,267,166
Total Estate Tax Due	4,352,574	5,334,154	12,364,270	13,940,440	15,583,864	17,297,594	19,084,822	19,340,442	22,267,166
Distribution of James's estate									
Settlement expenses	227,838	256,166	283,931	312,879	343,061	374,534	407,358	412,052	465,803
Taxes	4,352,574	5,334,154	12,364,270	13,940,440	15,583,864	17,297,594	19,084,822	19,340,442	22,267,166
Qualified plan to heirs	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Insurance passing to heirs	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000
Residual estate to heirs	11,671,088	13,236,979	8,676,483	9,670,168	10,701,126	11,770,786	12,880,633	12,940,200	14,896,564
Total	17,783,763	20,616,606	23,393,150	26,287,860	29,306,087	32,453,432	35,735,761	36,205,220	41,580,287

SUMMARY OF BENEFITS TO FAMILY - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Benefits to Family									
Residual estate	12,541,088	14,106,979	9,546,483	10,540,168	11,571,126	12,640,786	13,750,633	13,810,200	15,766,564
Qualified plan assets	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Total assets to heirs	13,203,351	15,026,286	10,744,948	12,034,542	13,379,162	14,781,304	16,243,582	16,452,726	18,847,318

DETAILS OF JAMES'S QUALIFIED PLAN - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
James's Qualified Plans									
James's Age		64	65	66	67	68	69	70	83
Minimum distribution factor		33.0	32.0	31.1	30.2	29.2	28.3	27.4	16.3
Plan contributions		224,000	224,000	224,000	224,000	224,000	224,000	-	-
Plan balance	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Minimum distribution		-	-	-	-	-	-	-	189,259
Preferred distribution		-	-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	-	189,259

DETAILED FINANCIAL ANALYSIS

JAMES MYER

PROPOSED PLAN FINANCIALS

In the Proposed Plan Section you will find a balance sheet which reflects the repositioning of assets as set out in the step by step roadmap in the proceeding section. You will also find detailed cash flow and asset projection information on each of the proposed planning strategies.

NET WORTH STATEMENT AFTER PLAN IMPLEMENTATION

JAMES MYER

	JAMES	YIELD	GROWTH
CASH AND EQUIVALENTS			
Savings Account	90,000	0.0%	0.0%
Total of Cash and Equivalents	90,000	0.0%	0.0%
MARKETABLE SECURITIES - EQUITIES			
Securities Account	10,000	1.0%	4.0%
Securities Account	25,000	1.0%	4.0%
Total of Equities	35,000	1.0%	4.0%
RETIREMENT PLANS/IRAs			
Consulting Corp 401(k)	143,790	0.0%	6.0%
Consulting Corp Cash Balance	518,473	0.0%	6.0%
Total Retirement Plans	662,263	0.0%	6.0%

REVISED NET WORTH STATEMENT (PAGE 2)

JAMES MYER

	JAMES	YIELD	GROWTH
INVESTMENT REAL ESTATE			
Land - 200 acres	240,000	0.0%	2.0%
Total of Real Estate Holdings	240,000	0.0%	2.0%
RESIDENTIAL REAL ESTATE			
123 Main St.	400,000	0.0%	2.0%
Total of Personal Residences	400,000	0.0%	2.0%
PERSONAL PROPERTY			
Tractors	26,000	0.0%	0.0%
Autos	98,000	0.0%	0.0%
Personal Property	250,000	0.0%	0.0%
Total of Personal Property	374,000	0.0%	0.0%
OTHER STRATEGY ASSETS			
GDOT Note	10,200,000	2.6%	
Total of Other Strategy Assets	10,200,000	2.6%	
TOTAL ASSETS	12,001,263		
LIABILITIES			
Land - 200 acres	80,000		
Total Liabilities	80,000		
TOTAL LIABILITIES	80,000		
NET WORTH	11,921,263		

ASSET VALUE PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Asset Values									
Cash and cash equivalents	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Marketable securities - Equities	35,000	864,865	1,533,700	2,218,416	2,919,316	3,636,700	4,370,868	4,641,703	5,753,733
Retirement plans/IRAs	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Investment real estate	240,000	244,004	248,885	253,862	258,939	264,118	269,401	274,789	355,468
Personal residences	400,000	406,674	414,808	423,104	431,566	440,197	449,001	457,981	592,447
Personal property	374,000	374,000	374,000	374,000	374,000	374,000	374,000	374,000	374,000
Note from children's GDOT	10,200,000	9,634,486	9,054,382	8,459,311	7,848,888	7,222,716	6,580,388	5,921,488	-
Total assets in estate	12,001,263	12,533,336	12,914,239	13,313,066	13,730,744	14,168,249	14,626,606	14,402,487	10,246,402
Less estimated liabilities	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)
Net worth	11,921,263	12,453,336	12,834,239	13,233,066	13,650,744	14,088,249	14,546,606	14,322,487	10,166,402

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (because of spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

TAXABLE INCOME PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Marketable securities - Equities		350	8,649	15,337	22,184	29,193	36,367	43,709	61,532
Marketable securities- GDOT		-	10,453	21,429	32,954	45,055	57,761	71,102	21,679
Alimony Payments		(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)	(98,000)
Retirement plans/IRAs		-	-	-	-	-	-	-	189,259
Other taxable earnings-GDOT		2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	295,000	-
Client earned income ¹		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-	-
Gross income		4,026,350	4,045,102	4,062,766	4,081,138	4,100,248	4,120,128	311,811	174,470

¹ Increased W-2 income for all years prior to retirement. This will decrease the available profit distributions from Consulting Corp.

INCOME TAX PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Income Tax Estimation									
Adjusted gross income:									
Dividend income (Marketable Sec.)		350	19,102	36,766	55,138	74,248	94,128	114,811	83,211
Earned and other income		4,026,000	4,026,000	4,026,000	4,026,000	4,026,000	4,026,000	197,000	91,259
Adjusted gross income		4,026,350	4,045,102	4,062,766	4,081,138	4,100,248	4,120,128	311,811	174,470
Deductions									
Real Estate Tax		1,614	1,646	1,679	1,713	1,747	1,782	1,818	2,351
Interest		2,646	2,699	2,753	2,808	2,864	2,921	2,980	3,855
Cash charitable gifts		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Deduction available		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Deduction allowed		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Deduction carried over		-	-	-	-	-	-	-	-
Total deductions		24,110	24,592	25,084	25,586	26,097	26,619	27,152	35,124
Reductions		-	(19,674)	(20,067)	(20,469)	(20,878)	(21,296)	(4,350)	(230)
Deductions allowed		24,110	4,918	5,017	5,117	5,219	5,324	22,801	34,894
Taxable income		4,002,240	4,040,183	4,057,749	4,076,021	4,095,029	4,114,804	289,009	139,576
Federal income tax		1,377,475	1,569,835	1,576,791	1,584,026	1,591,553	1,599,384	87,946	36,104

CASH FLOW PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Sources of Income for Lifestyle									
Consumable income (taxable)		1,902,350	1,910,649	1,917,337	1,924,184	1,931,193	1,938,367	(54,291)	152,791
Distribution from Marketable Securities		-	-	-	-	-	-	-	645,636
Payment from GDOT		828,674	828,674	828,674	828,674	828,674	828,674	828,674	-
Total income available for lifestyle		2,731,024	2,739,322	2,746,011	2,752,858	2,759,867	2,767,041	774,382	798,427
Uses of Cash									
Living expenses		500,000	510,000	520,200	530,604	541,216	552,040	563,081	728,406
Income tax		1,377,475	1,569,835	1,576,791	1,584,026	1,591,553	1,599,384	87,946	36,104
Personally held insurance premiums		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash gifts to charity		19,850	20,247	20,652	21,065	21,486	21,916	22,354	28,918
Total uses of cash		1,902,325	2,105,082	2,122,643	2,140,695	2,159,256	2,178,341	678,381	798,427
Surplus		828,699	634,241	623,368	612,163	600,611	588,700	96,001	-

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

ESTATE TAX ESTIMATION AND DISTRIBUTION - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Tax Calculation on James's death									
James's assets	11,921,263	12,453,336	12,834,239	13,233,066	13,650,744	14,088,249	14,546,606	14,322,487	10,166,402
Death benefit exceeding CV	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000	870,000
James's estimated estate	12,791,263	13,323,336	13,704,239	14,103,066	14,520,744	14,958,249	15,416,606	15,192,487	11,036,402
Settlement expenses	(177,913)	(183,233)	(187,042)	(191,031)	(195,207)	(199,582)	(204,166)	(201,925)	(160,364)
Taxable estate	12,613,350	13,140,103	13,517,197	13,912,036	14,325,537	14,758,666	15,212,440	14,990,562	10,876,038
Plus James's lifetime taxable gifts	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Tax base	17,613,350	18,140,103	18,517,197	18,912,036	19,325,537	19,758,666	20,212,440	19,990,562	15,876,038
Federal Estate Tax	4,372,673	4,557,036	9,220,658	8,010,820	8,238,245	8,476,466	8,726,042	8,604,009	6,275,623
Distribution of Estate									
Settlement expenses	177,913	183,233	187,042	191,031	195,207	199,582	204,166	201,925	160,364
Taxes	4,372,673	4,557,036	9,220,658	8,010,820	8,238,245	8,476,466	8,726,042	8,604,009	6,275,623
Qualified plan to heirs	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Residual estate to heirs	7,578,415	7,663,760	3,098,073	4,406,843	4,279,256	4,141,682	3,993,449	3,744,027	1,519,662
Total	12,791,263	13,323,336	13,704,239	14,103,066	14,520,744	14,958,249	15,416,606	15,192,487	11,036,402

SUMMARY OF BENEFITS TO FAMILY - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Benefits to Family									
Residual estate	7,578,415	7,663,760	3,098,073	4,406,843	4,279,256	4,141,682	3,993,449	3,744,027	1,519,662
Qualified plan assets	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Value of GDOT	4,550,000	6,160,840	7,838,537	9,586,080	11,406,598	13,303,371	15,279,829	15,510,567	16,776,270
Life insurance proceeds GDOT	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Captive Insurance Accumulation	442,500	865,530	1,305,481	1,763,030	2,238,882	2,733,767	3,248,448	3,378,386	5,625,260
Total assets to heirs	23,233,178	25,609,437	23,440,557	27,250,326	29,732,772	32,319,338	35,014,675	35,275,505	37,001,946

TOTAL CAPTIVE INSURANCE COMPANY DETAILS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
Captive Balance Sheet (100%)									
Assets									
Initial Capitalization (non-deductible)	100,000	104,000	108,160	112,486	116,986	121,665	126,532	131,593	219,112
Captive Insurance Company	650,000	1,363,000	2,104,520	2,875,701	3,677,729	4,511,838	5,379,312	5,594,484	9,315,227
Total (Marketable Securities)*	750,000	1,467,000	2,212,680	2,988,187	3,794,715	4,633,503	5,505,843	5,726,077	9,534,339
These are gross numbers subject to potential claims against the captive insurance company.									
* Assumes 4.0% annual growth on profits and reserves.									
Assets in Captive	\$ 750,000	\$ 1,467,000	\$ 2,212,680	\$ 2,988,187	\$ 3,794,715	\$ 4,633,503	\$ 5,505,843	\$ 5,726,077	\$ 9,534,339

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
James's Captive Trust Balance Sheet (59%)									
Assets									
Initial Capitalization (non-deductible)	59,000	61,360	63,814	66,367	69,022	71,783	74,654	77,640	129,276
Captive Value	383,500	804,170	1,241,667	1,696,663	2,169,860	2,661,984	3,173,794	3,300,746	5,495,984
Total (Marketable Securities)*	442,500	865,530	1,305,481	1,763,030	2,238,882	2,733,767	3,248,448	3,378,386	5,625,260
These are gross numbers subject to potential claims against the captive insurance company.									
* Assumes 4.0% annual growth on profits and reserves.									
Cash Flow									
Captive Premium Income		405,330	405,330	405,330	405,330	405,330	405,330	-	-
Net Income		405,330	405,330	405,330	405,330	405,330	405,330	-	-
James's Assets in Captive	\$ 442,500	\$ 865,530	\$ 1,305,481	\$ 1,763,030	\$ 2,238,882	\$ 2,733,767	\$ 3,248,448	\$ 3,378,386	\$ 5,625,260

TOTAL CAPTIVE INSURANCE COMPANY DETAILS - PROPOSED PLAN

(Continued)

CIC Cash Flow	Current	2012	2013	2014	2015	2016	2017	2018	2031
Income									
Premium Income (6 yrs)		750,000	750,000	750,000	750,000	750,000	750,000	-	-
Total Income		750,000	750,000	750,000	750,000	750,000	750,000	-	-
Initial Captive Capitalization		100,000	-	-	-	-	-	-	-
Expenses									
Captive Management Fees		(63,000)	(63,000)	(63,000)	(63,000)	(63,000)	(63,000)	-	-
Net Income (Cash Flow)		687,000	687,000	687,000	687,000	687,000	687,000	-	-
Taxable Income	Current	2012	2013	2014	2015	2016	2017	2018	2031
Initial Captive Set up Fee (Amortized deduction)		(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	-	-	-
831(b) Premium Exclusion		(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	-	-
Taxable Income		(765,000)	(765,000)	(765,000)	(765,000)	(765,000)	(750,000)	-	-

GRANTOR DEEMED OWNER TRUST DETAILS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
GDOT Balance Sheet									
Seed Gift - Consulting Corp Interests	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000
Consulting Corp Interests - Sold	10,200,000	10,200,000	10,200,000	10,200,000	10,200,000	10,200,000	10,200,000	10,200,000	10,200,000
Reinvested excess cash flow	-	1,045,326	2,142,919	3,295,391	4,505,486	5,776,087	7,110,217	6,682,055	2,026,270
Note payable to James	(10,200,000)	(9,634,486)	(9,054,382)	(8,459,311)	(7,848,888)	(7,222,716)	(6,580,388)	(5,921,488)	-
Net equity	4,550,000	6,160,840	7,838,537	9,586,080	11,406,598	13,303,371	15,279,829	15,510,567	16,776,270
GDOT Income Tax Estimation									
Consulting Corp ¹		2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	295,000	-
Earnings from reinvestment acct./Seed Gift		-	10,453	21,429	32,954	45,055	57,761	71,102	21,679
Total earnings		2,124,000	2,134,453	2,145,429	2,156,954	2,169,055	2,181,761	366,102	21,679
GDOT Cash Flow									
Capital Distribution from excess cash		-	-	-	-	-	-	712,572	228,321
Consulting Corp ¹		2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	2,124,000	295,000	-
Cash flow from reinvestment acct./SeedGift		-	10,453	21,429	32,954	45,055	57,761	71,102	21,679
Installment Note payments to James		(828,674)	(828,674)	(828,674)	(828,674)	(828,674)	(828,674)	(828,674)	-
Insurance Premium		(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Cash flow to reinvest		1,045,326	1,055,780	1,066,755	1,078,280	1,090,381	1,103,087	-	-
GDOT Insurance									
Net death benefit	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
All Pay Premium		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Amortization - Installment Note**									
Balance Due	10,200,000	9,634,486	9,054,382	8,459,311	7,848,888	7,222,716	6,580,388	5,921,488	-
Principal		565,514	580,104	595,071	610,423	626,172	642,328	658,900	-
Interest		263,160	248,570	233,603	218,250	202,501	186,346	169,774	-
Total payment		828,674	828,674	828,674	828,674	828,674	828,674	828,674	-
** Note is amortized over 15 years									

¹ Increased W-2 income for all years prior to retirement. This will decrease the available profit distributions from Consulting Corp.

DETAILS OF JAMES'S QUALIFIED PLAN - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2017	2018	2031
James's Qualified Plans									
James's age		64	65	66	67	68	69	70	83
Minimum distribution factor		33.0	32.0	31.1	30.2	29.2	28.3	27.4	16.3
Securities in plans	662,263	695,307	974,465	1,270,373	1,584,036	1,916,518	2,268,949	2,642,526	3,080,753
Plan contributions		224,000	224,000	224,000	224,000	224,000	224,000	-	
Plan balance during life	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Plan balance at death of survivor	662,263	919,307	1,198,465	1,494,373	1,808,036	2,140,518	2,492,949	2,642,526	3,080,753
Minimum distribution		-	-	-	-	-	-	-	189,259
Actual distribution		-	-	-	-	-	-	-	189,259

PLAN ASSUMPTIONS

JAMES MYER

The plan is based on numerous assumptions. Important among these are the yield and growth assumptions contained on the balance sheet in the Financial Analysis section. Other important assumptions are contained on this Plan Assumptions page.

Tax Rate Assumptions

State Income Tax Rate

No state income tax

State Inheritance - Estate Tax

No state estate tax

Tax on IRD

Unless a qualified plan is given to charity, we assume the beneficiary designations are changed to provide for a stretch out distribution.

7520 Rates

Highest rate

1.5% December, 2011

Current rate

1.3% February, 2012

Lowest rate

1.3% February, 2012

Long Term AFR Rate

2.6% February, 2012

Salary and Other Earned Income Assumptions

Annual increase in James's earned income

0%

Number of years James's income is expected to continue

6

Lifestyle Need Assumptions

Net annual outlay for James's lifestyle needs, not including gifts or taxes

\$500,000

Annual cost of living increase used in the plan

2%

Settlement and Administrative Expenses

Fixed estate settlement costs

\$50,000

Variable estate settlement costs

1.00% (of assets)

FAMILY INFORMATION

JAMES MYER

CLIENT

James Myer
123 Main St.

Date of Birth February 2, 1948

CHILDREN

CHILD'S NAME

Jessica Myer
Matthew Myer
Thomas Myer

GRANDCHILDREN

NAME

Mike Myer
Sam Myer
Michelle Myer
Jenny Myer

DISCLAIMER AND DISCLOSURE

JAMES MYER

InKnowVision, LLC does not give accounting or investment advice to its clients. The effectiveness of any of the strategies described will depend on your individual situation and on a number of complex factors.

You should consult with your other advisors on the accounting and investment implications of the proposed strategies before any strategy is implemented.

Any discussion in this presentation relating to tax, accounting, investments, regulatory, or legal matters is based on our understanding as of the date of this presentation. Rules in these areas are constantly changing and are open to varying interpretations.

Assumption Issues The plan involves numerous assumptions. While we believe that these assumptions are reasonable, it is important to understand that it is a virtual certainty that the actual results will differ from those illustrated. Returns on investment and performance of financial products such as insurance can cause the results to vary. Changes in tax, trust or property laws can cause plan results to vary. Plan implementation that differs from that described in the plan will cause the results to vary. Provision of state law may cause the plan results to vary.

Tax Opinions The IRS has recently issued new rules for tax practitioners regarding covered opinions, reliance opinions and marketed opinions. While this is an arcane area, suffice it to say that these opinions are often obtained by taxpayers for purposes of avoiding penalties. These opinions are obtained at substantial cost and after substantial legal analysis. If you believe that such an opinion would be helpful to you prior to entering into any of the transactions outlined in this plan, you should feel free do so.

Be advised that nothing in this analysis should be construed by you, your advisors or any one else as a covered opinion, reliance opinion, marketed opinion or any other type of opinion regarding any of the transactions or outcomes outlined in this plan.