Integrating Charitable Strategies with Insurance and Annuities

Presenters:
Lani Starkey, JD, LLM
Fifty Rock Consulting

Randy Huston, CFP
Yellowstone Trust Administration

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Outcome: Two Questions

1) **When should I integrate insurance and annuities with a charitable tax strategy client or prospect?**

2) **When should I recommend a charitable tax strategy to an insurance and annuity client or prospect?**

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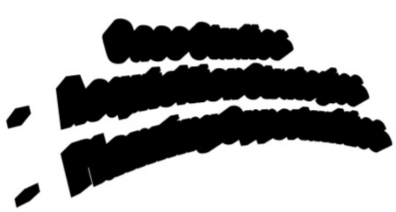

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Income Tax Savings
to Pay Premiums

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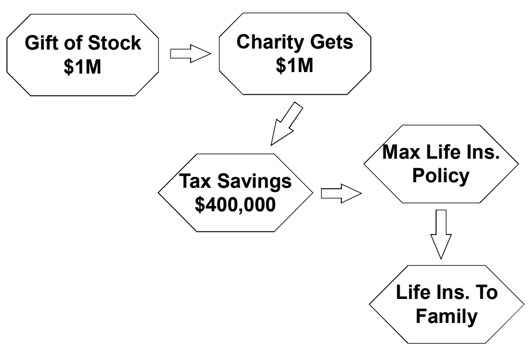
Local Charitable Client



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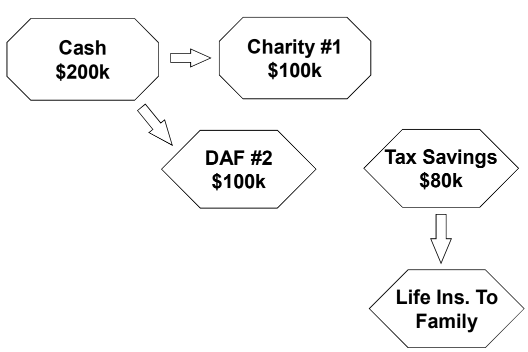
Kauai "Giving Back" Donor



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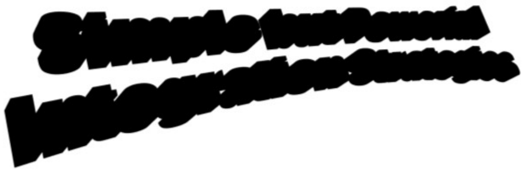

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5 Simplest Ways to “Insure” Gifts

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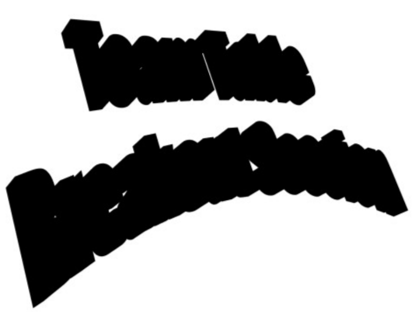

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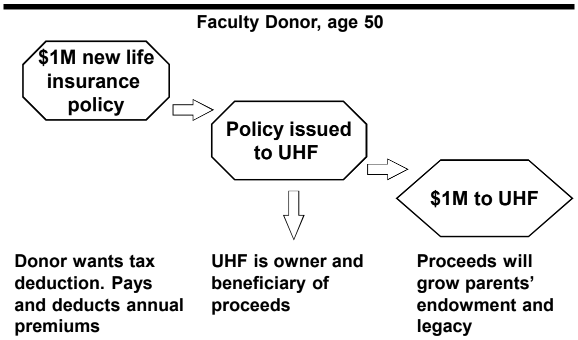
Purchase and Give Ex.



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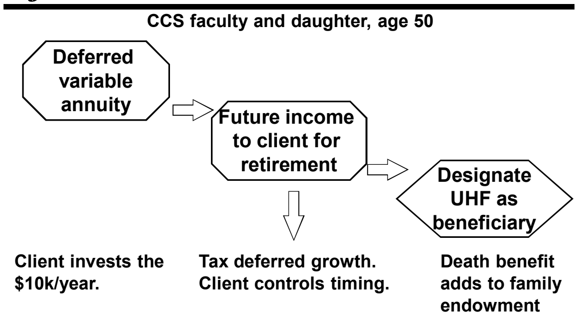
If She Had Needed Income…



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Advanced Integration Strategies

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Basic Structure

- I.R.C. Section 664
- Irrevocable Trust
- Exempt from Income/CG Tax
- Income to Individuals
- Remainder to Charity

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The Big 4 Benefits

- Income Tax Deduction
- Receive Lifetime Income
- Avoidance of Capital Gains Tax
- Future Gift to Charity/Legacy Creation

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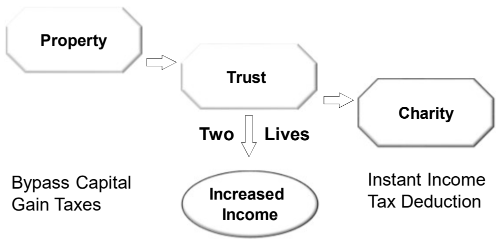
The Big 4 Benefits



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Donor Can Fund Trust With

- **Cash**
- **Stocks and Bonds**
- **Real Estate (No Debt)**
- **Insurance and Annuities**
- **Tangible Personal Property: Artwork, Inventory, Crops, Equipment, Livestock, Antiques**

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Donor Can Select…

- **Trustee (Remove also)**
- **Investment Advisor/Investments**
- **Payout Percent (5%-8%)**
- **Duration**
- **Income Beneficiaries**
- **Charities (Remove also)**

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Annuity & Unitrust CRTs

CRT

- CRAT
  - I. Straight
- CRUT
  - I. Straight
  - II. NIMCRUT
  - III. NICRUT
  - IV. Flip

Unitrust=Variable

Annuity=Fixed

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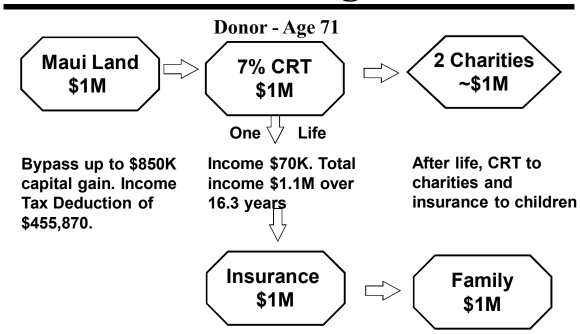
Give it Twice using Insurance



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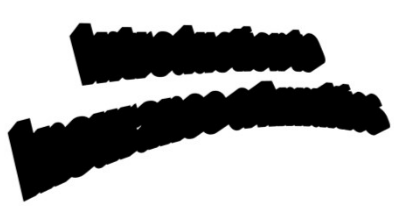

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Benefits of Life Insurance

"Individuals can make a significant contribution with a relatively modest cost, using the leverage provided by life insurance."

-- Steve Leimberg, CEO/author

- THE TOOLS AND TECHNIQUES OF ESTATE PLANNING
- THE TOOLS AND TECHNIQUES OF FINANCIAL PLANNING
- THE TOOLS AND TECHNIQUES OF EMPLOYEE BENEFIT AND RETIREMENT PLANNING
- THE TOOLS AND TECHNIQUES OF LIFE INSURANCE PLANNING
- THE TOOLS AND TECHNIQUES OF CHARITABLE PLANNING
- THE TOOLS AND TECHNIQUES OF RISK MANAGEMENT

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Benefits of Life Insurance

- **Passes outside probate**
- **Investment Diversification**
- **Guaranteed death benefit**
- **Access to cash values**
- **Liquidity**
- **Amplified gift**
- **Donor recognition for death benefit**
- **Protection against creditors**
- **Negligible risk of contest by disgruntled heirs**
- **Peace of Mind**
- **Cost-efficient inheritance for heirs**

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Benefits of Deferred Annuities

- **Tax Deferred Growth**
- **No Annual Contribution Limit**
- **Death Benefit**
- **Income Control and Flexibility**

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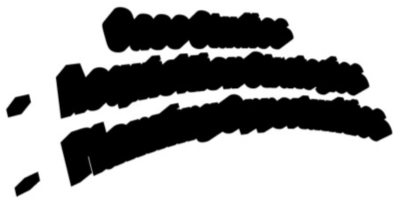

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The Perfect Storm

- Client is 72, commercial fisherman, dating, and looks nothing like George Clooney
- Estate of $10.5M ($1.3M of annuities)
- Son, age 45 and girlfriend, age 66
- Trigger:
- Unhappy with current annuity investments
- But $400k of ordinary income if changed
- Goals:
- Wants to minimize/avoid income taxes
- Enhance future retirement income

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The Perfect Solution

- Client creates two Charitable Remainder Trusts
- CRT #1 – Pays income for life of client and GF
- CRT #2 – Pays income for life of client and BPW
- Investments:
- Advisor selects a $650k deferred annuity for each CRT ($1.3m total)
- Client elects to defer income until …
- Taxes:
- Dual CRTs generate $467k income tax deduction with DAF as future beneficiary

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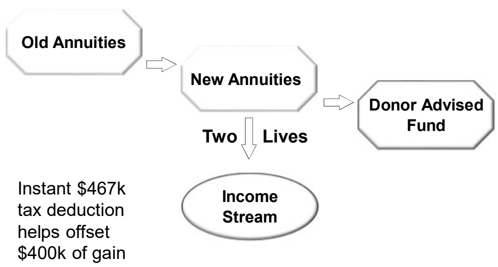
Charitable Remainder Trust



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The Preacher's Father

- Financials and Facts:
- Client's son is Pastor of a church
- Client has $250k cash available
- Desiring at least $1m life insurance policy
- Currently doesn't need extra income
- Long, positive relationship with church

- Goals:
- Client wants to make financial "deductible" gift to son via the church

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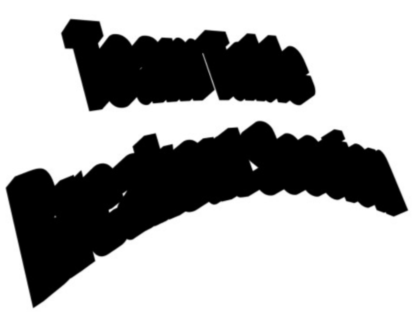

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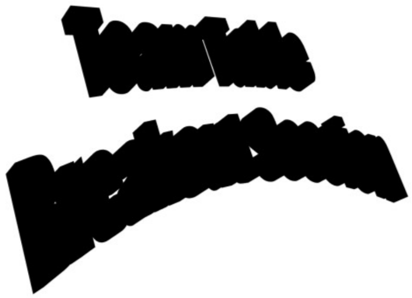

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The Postman Always Insures Twice

- Donor, 70, has Income Producing Real Estate Worth $1 Million ($200k Cost Basis)
- Donor has Other Assets but Not in a Taxable Estate
- Donor is a Widow with One Son
- Donor Insurable on a *Rated* Basis
- Donor Likes All the Features of the CRT but Not Willing to Pay for a $1 Million Face Policy

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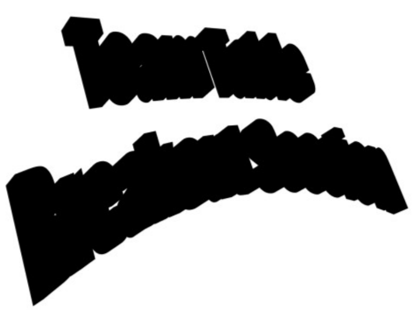

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The Uninsurable Client

- Retired Mother Has Highly Appreciated Rental Real Estate Worth $500,000 With a Cost Basis of $100,000
- Mom Does Not Need the Income or Tax Deductions
- Two Grown Children, 63 and 61, Both Want More Income and Tax Deductions
- Mom is Not in a Taxable Estate
- Mom is Not Insurable

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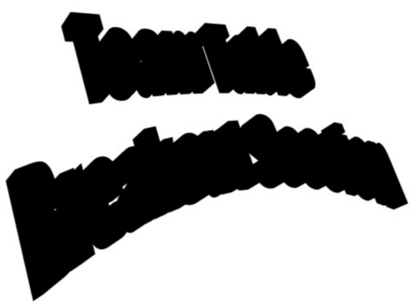

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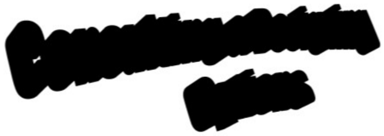

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Get Expert Guidance

- 1. Retain a Trust Administration Company
- 2. Work with Qualified Charities
- 3. Contact your Firm's Specialist
- 4. Hire Local Counsel and/or CPA
- 5. Collaborate with your Experienced Peers
- 6. Self-study and Research

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Easy Steps to "Insure" Success

- Regularly Include Charitable Tax Strategies in Your Financial, Insurance and Estate Planning Proposals
- Review Client/Donor Files for New Opportunities
- Identify and Market to Existing Clients/Donors
- Use Free Online and Peer-to-Peer Resources
- Simplicity is Key – Try to Avoid Complex Structures
- Let's Work Together to Achieve More Exciting and Synergistic Results

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THANK YOU!

Lani Starkey, JD, LLM
Principal
Fifty Rock Consulting
(808) 367-5399
www.fiftyrockconsulting.com

Randy Huston, CFP
Executive Vice President
Yellowstone Trust Administration
(808) 572-6394
www.yellowstoneta.com

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