

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

	<u>Allen</u>	<u>Betty</u>
Age	57	54
Age at Death for this Illustration	57	54

General Assumptions

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

Existing Estate Planning

Will	No	Yes
Revocable Living Trust	No	No
Marital Trust Provisions	No	No
Credit Shelter Trust Provisions	No	No
QTIP Trust Provisions	No	No
Generation Skip Trust Provisions	No	No
Irrevocable Life Insurance Trust	No	No
Durable General Power of Attorney	No	No
Durable Health Care Power of Attorney	Yes	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

- w Allen's gross estate consists of \$195,489 and Betty's consists of \$240,035.
- w Potential federal estate taxes currently range from \$0 to \$0.
- w Administrative, probate, and final expenses could total from \$39,628 to \$41,338.
- w Additional planning could save up to \$22,854 in estate taxes and other costs.

ESTATE TAX ILLUSTRATION

Retirement @ 65

First death

Separate property - Allen
Separate property - Betty
1/2 community property
1/2 joint property
Life Insurance in estate
Retirement plans*

Allen dies first

\$401,919

130,462

41,754

Betty dies first

\$29,725

130,462
70,000
27,300

Gross estate

\$574,135

\$257,487

Less expenses:

Debts
Final expenses
Administration @ 3.00%
Other expenses/gifts
Total expenses

(40,095)
(15,000)
(15,571)

(70,666)

(40,095)
(15,000)
(6,072)

(61,167)

Estate passing to heirs

\$503,469

\$196,320

To credit shelter trust**

\$331,253

Second death

Net estate from spouse
Separate property
1/2 Joint property
Life insurance in estate
Retirement plans*

Betty dies second

Without trust	With trust
\$503,469	\$172,216
29,725	29,725
130,462	130,462
70,000	70,000
27,300	27,300
\$760,956	\$429,703

Allen dies second

Without trust	With trust
\$196,320	\$196,320
401,919	401,919
130,462	130,462
41,754	41,754
\$770,456	\$770,456

Gross Estate

\$760,956

\$429,703

\$770,456

\$770,456

Less Expenses:

Debts
Final expenses
Administration @ 4.00%
Charity, other expenses, gifts
Total expenses

(40,095)
(15,000)
(28,234)

(83,329)

(40,095)
(15,000)
(14,984)

(70,079)

(40,095)
(15,000)
(28,614)

(83,709)

(40,095)
(15,000)
(28,614)

(83,709)

Net taxable estate
Tentative Federal estate tax
Less unified credit

\$677,627
221,522
(221,522)

\$359,624
108,072
(108,072)

\$686,746
224,896
(224,896)

\$686,746
224,896
(224,896)

Estimated Federal Estate tax

\$0

\$0

\$0

\$0

Remainder Estate
Credit shelter trust**
Life insurance outside estate
Irrevocable trust, other assets
Estate and Trust to heirs*

\$677,627

155,000

\$832,627

\$359,624
331,253
155,000

\$845,877

\$686,746

155,000

\$841,746

\$686,746

155,000

\$841,746

Gain to heirs with Trust

\$13,250

\$0

*Tax deferred retirement plan assets when received by heirs will be subject to payment of deferred income taxes.

**The Credit Shelter Trust is funded with the smaller of the current year Unified Credit exemption or separate property (less expenses.)

Normal retirement at age 65

FUTURE ESTATE SETTLEMENT COSTS - Allen dies first.

Retirement @ 65

E5

Age	Assets & insurance*	Debts & expenses** (after both deaths)	Net Estate	Without trust		Credit Shelter Trust ***		Gain with Trust	
				Estate tax	To Heirs (1)	Estate tax	To Heirs (1)		
57	54	\$986,622	(\$153,996)	\$832,627	(\$0)	\$832,627	(\$0)	\$845,877	\$13,250
58	55	1,021,463	(148,791)	872,671		872,671		872,671	
59	56	1,078,768	(145,028)	933,739		933,739		933,739	
60	57	1,113,869	(142,519)	971,349		971,349		971,349	
61	58	1,200,282	(142,453)	1,057,829		1,057,829		1,057,829	
62	59	1,364,906	(146,432)	1,218,474		1,218,474		1,218,474	
63	60	1,430,122	(144,187)	1,285,935		1,285,935		1,285,935	
64	61	1,512,774	(142,328)	1,370,446		1,370,446		1,370,446	
65	62	1,580,174	(138,950)	1,441,224		1,441,224		1,441,224	
66	63	1,586,118	(131,453)	1,454,665		1,454,665		1,454,665	
67	64	1,596,162	(128,679)	1,467,483		1,467,483		1,467,483	
68	65	1,627,575	(132,256)	1,495,319		1,495,319		1,495,319	
69	66	1,677,924	(136,961)	1,540,963		1,540,963		1,540,963	
70	67	1,729,549	(141,813)	1,587,736		1,587,736		1,587,736	
71	68	1,781,968	(146,740)	1,635,229		1,635,229		1,635,229	
72	69	1,765,745	(149,014)	1,616,731		1,616,731		1,616,731	
73	70	1,891,285	(157,061)	1,734,223		1,734,223		1,734,223	
74	71	1,942,772	(162,297)	1,780,475		1,780,475		1,780,475	
75	72	1,996,873	(167,780)	1,829,093		1,829,093		1,829,093	
76	73	2,050,999	(173,371)	1,877,627		1,877,627		1,877,627	
77	74	2,105,700	(179,106)	1,926,594		1,926,594		1,926,594	
78	75	2,160,886	(184,986)	1,975,899		1,975,899		1,975,899	
79	76	2,216,438	(191,011)	2,025,427		2,025,427		2,025,427	
80	77	2,272,242	(197,181)	2,075,061		2,075,061		2,075,061	
81	78	2,328,182	(203,495)	2,124,687		2,124,687		2,124,687	
82	79	2,384,087	(209,953)	2,174,134		2,174,134		2,174,134	
83	80	2,440,051	(216,656)	2,223,395		2,223,395		2,223,395	
84	81	2,405,945	(227,233)	2,178,712		2,178,712		2,178,712	
85	82	2,440,366	(231,803)	2,208,564		2,208,564		2,208,564	
86	83	2,432,057	(234,521)	2,197,536		2,197,536		2,197,536	
87	84	2,374,265	(232,753)	2,141,512		2,141,512		2,141,512	
88	85	2,315,620	(231,026)	2,084,593		2,084,593		2,084,593	
89	86	2,259,175	(230,532)	2,028,642		2,028,642		2,028,642	
90	87	2,159,991	(232,090)	1,927,901		1,927,901		1,927,901	
91	88	2,127,208	(235,489)	1,891,719		1,891,719		1,891,719	
92	89	2,079,055	(234,902)	1,844,153		1,844,153		1,844,153	
93	90	2,020,068	(233,650)	1,786,418		1,786,418		1,786,418	
94	91	1,961,172	(232,488)	1,728,684		1,728,684		1,728,684	
95	92	2,054,409	(242,078)	1,812,331		1,812,331		1,812,331	
96	93								
97	94								
98	95								
99	96								
100	97								
101	98								
102	99								
103	100								
104	101								

16

16

(1) Plus value of life insurance outside of the estate, irrevocable trusts and other assets (\$155,000) if applicable.

*Assets & Insurance = residence, personal prop., savings, investments, retirement accounts and life insurance.

**Debts and expenses = mortgages, loans, final expenses (with inflation adjustments), and estimated estate administration costs.

***The Credit Shelter Trust is funded with the smaller of the current year Unified Credit exclusion or separate property plus 1/2 community property.

Note: This illustration assumes the 2001 tax law changes are continued after 2010 (estate tax is repealed.)

Normal retirement at age 65

03.aj

FUTURE ESTATE SETTLEMENT COSTS - Betty dies first.

Retirement @ 65

E6

Age	Assets & insurance*	Debts & expenses* (after both deaths)	Net Estate	Without trust		Credit Shelter Trust ***		Gain with Trust
				Estate tax	To Heirs (1)	Estate tax	To Heirs (1)	
57	54	\$986,622	(\$144,876)	\$841,746	(\$0)	\$841,746	(\$0)	\$841,746
58	55	1,021,463	(139,132)	882,331		882,331		882,331
59	56	1,078,768	(134,784)	943,984		943,984		943,984
60	57	1,113,869	(131,638)	982,231		982,231		982,231
61	58	1,200,282	(130,730)	1,069,552		1,069,552		1,069,552
62	59	1,364,906	(133,306)	1,231,600		1,231,600		1,231,600
63	60	1,430,122	(130,225)	1,299,897		1,299,897		1,299,897
64	61	1,512,774	(127,493)	1,385,281		1,385,281		1,385,281
65	62	1,580,174	(123,171)	1,457,003		1,457,003		1,457,003
66	63	1,586,118	(114,896)	1,471,223		1,471,223		1,471,223
67	64	1,596,162	(111,314)	1,484,848		1,484,848		1,484,848
68	65	1,627,575	(114,124)	1,513,451		1,513,451		1,513,451
69	66	1,677,924	(117,973)	1,559,951		1,559,951		1,559,951
70	67	1,729,549	(121,933)	1,607,616		1,607,616		1,607,616
71	68	1,781,968	(126,018)	1,655,950		1,655,950		1,655,950
72	69	1,765,745	(125,407)	1,640,338		1,640,338		1,640,338
73	70	1,891,285	(134,568)	1,756,716		1,756,716		1,756,716
74	71	1,942,772	(138,612)	1,804,160		1,804,160		1,804,160
75	72	1,996,873	(142,824)	1,854,049		1,854,049		1,854,049
76	73	2,050,999	(147,067)	1,903,931		1,903,931		1,903,931
77	74	2,105,700	(151,371)	1,954,329		1,954,329		1,954,329
78	75	2,160,886	(155,728)	2,005,158		2,005,158		2,005,158
79	76	2,216,438	(160,132)	2,056,307		2,056,307		2,056,307
80	77	2,272,242	(164,575)	2,107,667		2,107,667		2,107,667
81	78	2,328,182	(169,051)	2,159,131		2,159,131		2,159,131
82	79	2,384,087	(173,548)	2,210,539		2,210,539		2,210,539
83	80	2,440,051	(177,981)	2,262,070		2,262,070		2,262,070
84	81	2,405,945	(184,393)	2,221,552		2,221,552		2,221,552
85	82	2,440,366	(188,081)	2,252,285		2,252,285		2,252,285
86	83	2,432,057	(189,106)	2,242,951		2,242,951		2,242,951
87	84	2,374,265	(189,374)	2,184,892		2,184,892		2,184,892
88	85	2,315,620	(189,650)	2,125,969		2,125,969		2,125,969
89	86	2,259,175	(189,081)	2,070,093		2,070,093		2,070,093
90	87	2,159,991	(181,964)	1,978,027		1,978,027		1,978,027
91	88	2,127,208	(180,385)	1,946,823		1,946,823		1,946,823
92	89	2,079,055	(181,282)	1,897,773		1,897,773		1,897,773
93	90	2,020,068	(181,832)	1,838,236		1,838,236		1,838,236
94	91	1,961,172	(182,474)	1,778,698		1,778,698		1,778,698
95	92	2,054,409	(189,636)	1,864,773		1,864,773		1,864,773
96	93							
97	94							
98	95							
99	96							
100	97							
101	98							
102	99							
103	100							
104	101							

I6

I6

(1) Plus value of life insurance outside of the estate, irrevocable trusts and other assets (\$155,000) if applicable.

*Assets & Insurance = residence, personal prop., savings, investments, retirement accounts and life insurance.

**Debts and expenses = mortgages, loans, final expenses (with inflation adjustments), and estimated estate administration costs.

***The Credit Shelter Trust is funded with the smaller of the current year Unified Credit exclusion or separate property plus

1/2 community property.

Note: This illustration assumes the 2001 tax law changes are continued after 2010 (estate tax is repealed.)

Normal retirement at age 65

03.aj

ESTATE TAXES - SIMPLE WILLS

Retirement @ 65

When assets are passed to heirs by simple wills (or by State statutes when no wills exist), the estate will probably be subject to the maximum amount of Federal Estate taxes.

Allen dies first

Allen's property \$401,919	1/2 Joint Property \$130,462	Life insurance	Retirement plans \$41,754
Gross estate		\$574,135	
Less debts and expenses		(\$70,666)	
Federal estate Tax			
Received from Allen		\$503,469	
Betty's property & insurance		230,187	
Betty's retirement accounts		27,300	
Gross estate		\$760,956	
Less debts and expenses		(\$83,329)	
Federal estate tax		0	
Plus life insurance outside estate		155,000	
Heir's Estate		\$832,627	
Estate shrinkage		15.61%	

While estate taxes may not be a serious problem for smaller estates, time, combined with the growth of successful investments or inflation can result in substantial estate tax liability.

Betty dies first

Betty's property \$29,725	1/2 Joint Property \$130,462	Life insurance \$70,000	Retirement accounts \$27,300
Gross estate		\$257,487	
Less debts and expenses		(\$61,167)	
Federal estate tax			
Received from Betty		\$196,320	
Allen's property & insurance		532,382	
Allen's retirement accounts		41,754	
Gross estate		\$770,456	
Less debts and expenses		(\$83,709)	
Federal estate tax		(\$0)	
Plus life insurance outside estate		155,000	
Heir's Estate		\$841,746	
Estate shrinkage		14.68%	

You may want to consider various types of trust or estate planning techniques to help assure that all aspects of your estate disposition are handled according to your wishes and with the minimum estate taxation. This report is an estimate and does not constitute legal advice. You should always obtain legal counsel before taking action affecting your estate planning.

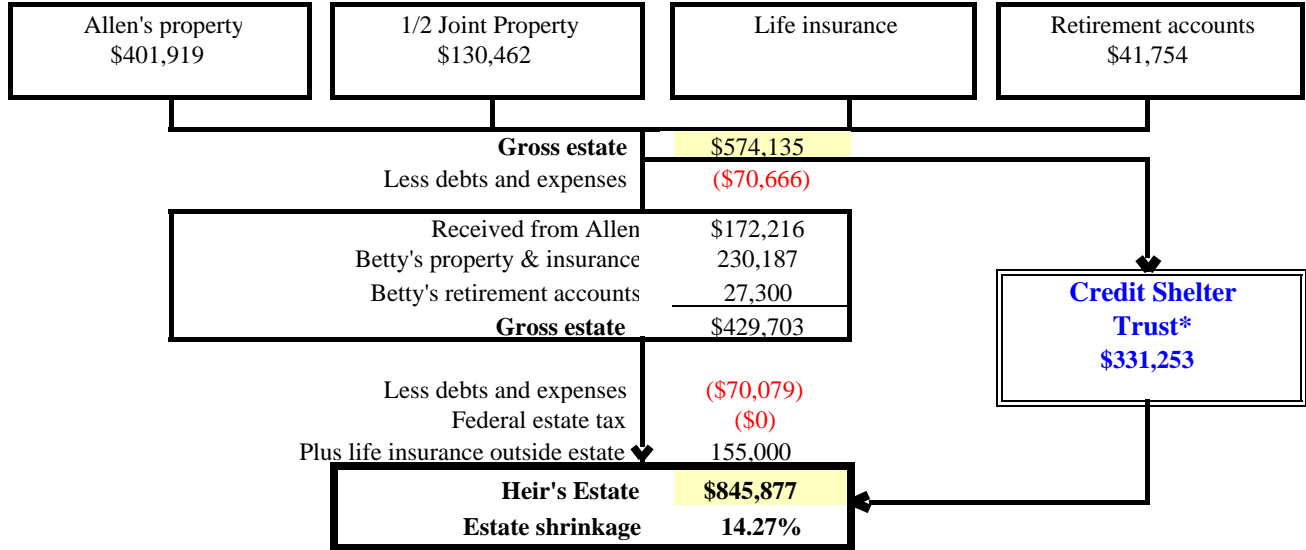
Normal retirement at age 65

ESTATE TAXES - With TRUST

Retirement @ 65

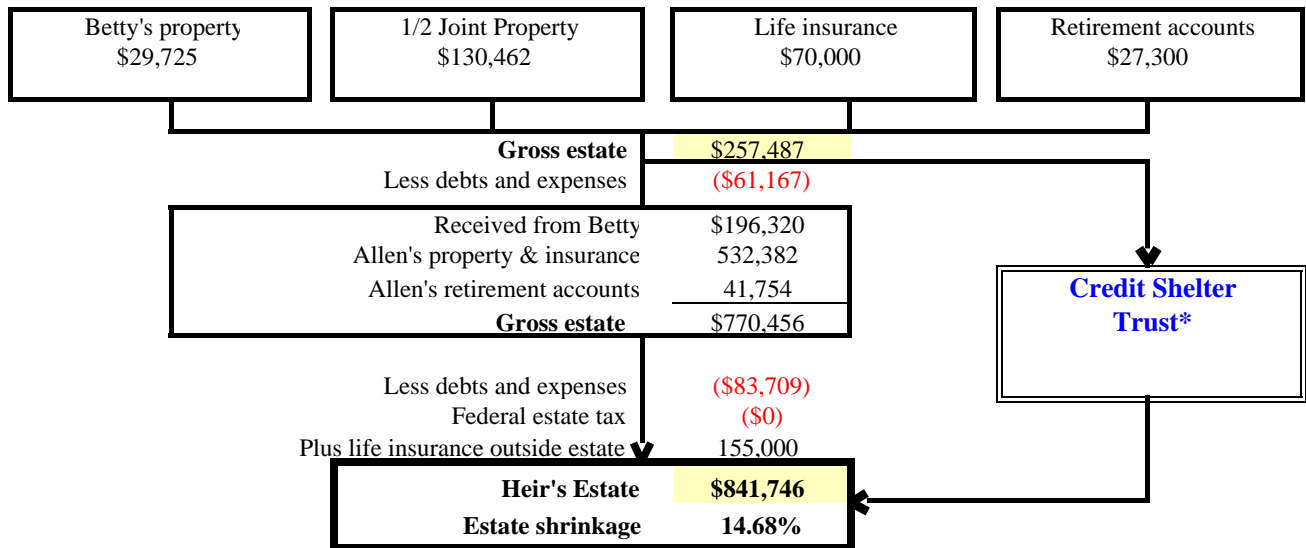
You might consider using a Credit Shelter Trust to minimize the cost of passing your assets to your heirs. This is accomplished by arranging to have a portion of your assets placed into trust upon the first death. The income from the trust may be made available to the surviving spouse, allowing the remaining trust assets to pass to the heirs without ever being included in the second spouse's estate.

Allen dies first



In order to take advantage of trust planning techniques, your assets must be owned in a manner that will enable the assets to flow into the trust, such as separately owned or community property assets. Jointly held assets may be placed in the trust only if the surviving spouse makes a special election.

Betty dies first



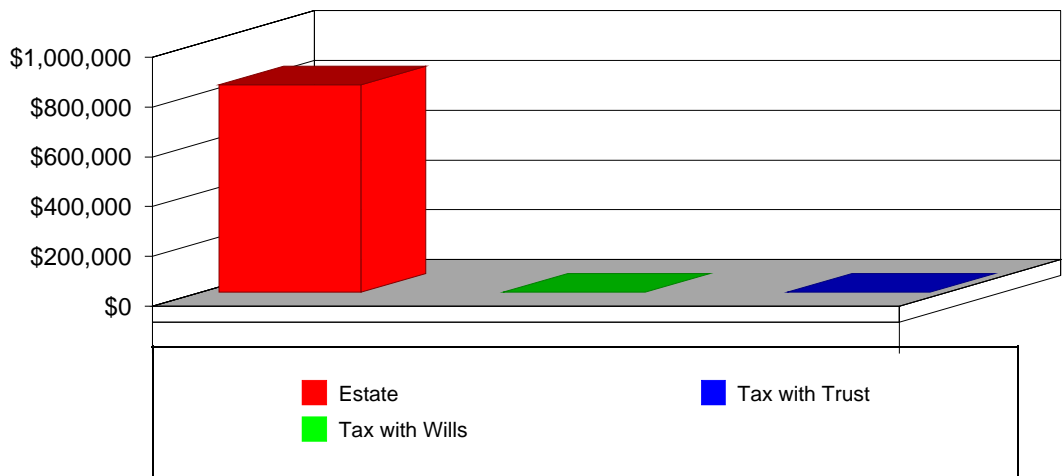
If you decide to use this technique, you should coordinate the process with all appropriate legal and financial advisors to evaluate the benefits of a trust. Implementation would require preparation of will and trust arrangements and possible retitling of some assets in order to maximize the effect of the trust planning.

**The Credit Shelter Trust is funded with the smaller of the current year Unified Credit exclusion or separate property plus 1/2 community property. (Less expenses)
Normal retirement at age 65*

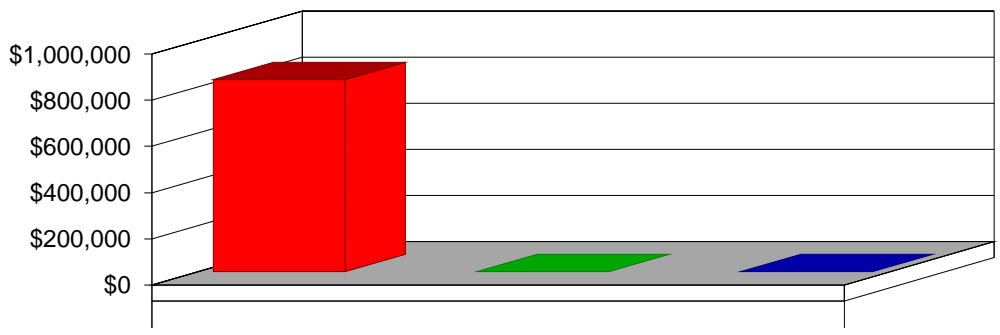
ESTATE TAXES

Retirement @ 65

Allen dies first



Betty dies first



	<u>Allen dies first</u>		<u>Betty dies first</u>	
All assets including life insurance	\$986,622		\$986,622	
Debts and expenses	(153,996)		(144,876)	
Net estate	\$832,627		\$841,746	
	<u>Simple wills</u>	<u>Credit shelter trust</u>	<u>Simple wills</u>	<u>Credit shelter trust</u>
Estate tax	\$0	\$0	\$0	\$0
Gain using trust	\$13,250		\$0	