

Adam and Betty Capital Estate Planning Flowchart

Prepared by:

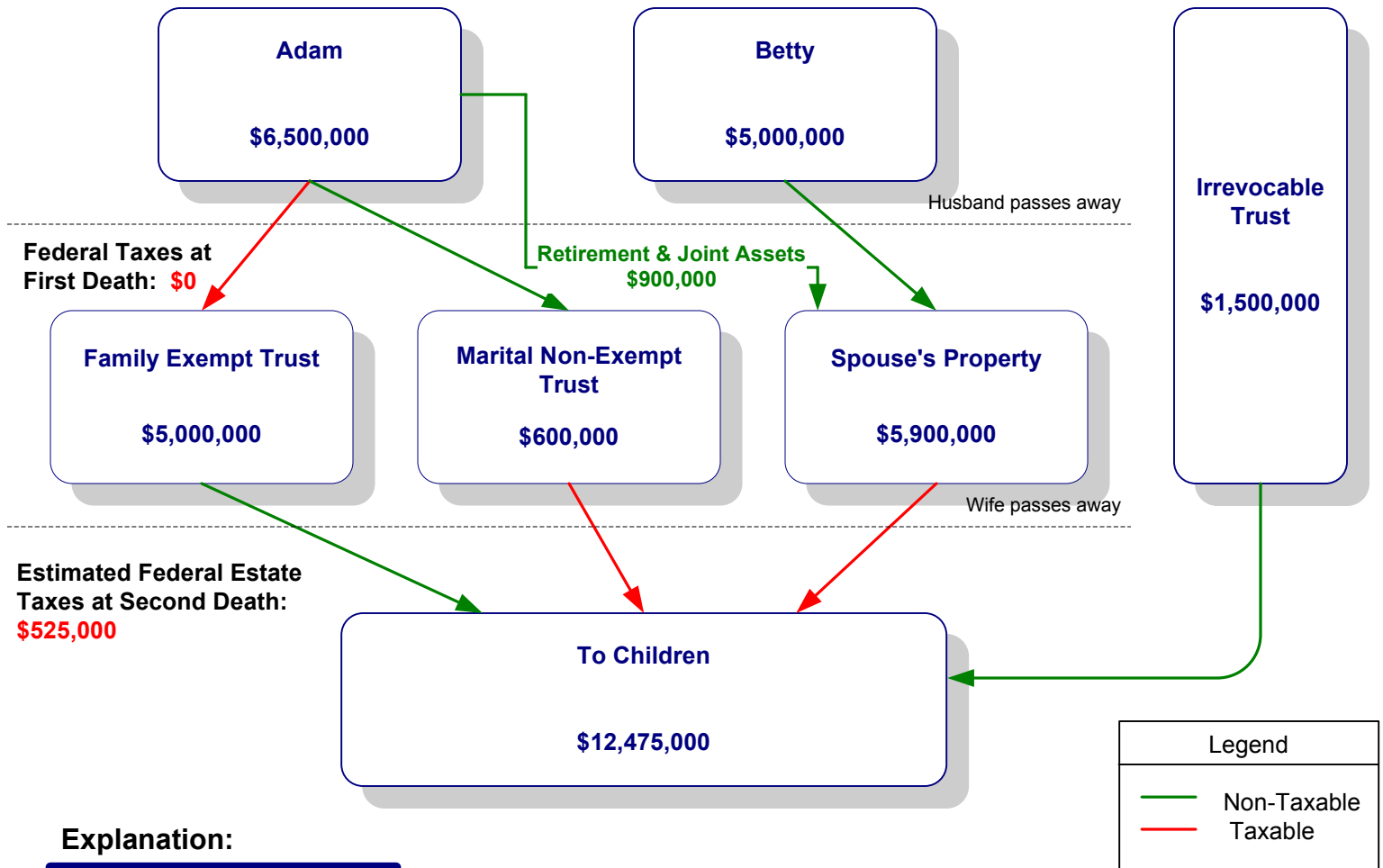
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Situation: Planning to maximize estate tax exemption, plus an irrevocable life insurance trust



Explanation:

The above flowchart illustrates the flow of your assets and federal estate taxes levied in a scenario where you have each created revocable trusts designed to maximize each spouse's exemption from federal estate tax and have properly funded those trusts. Under this scenario, an amount up to the available federal exemption amount of the first spouse to die is allocated to a "Family Trust." Your retirement assets are not typically used to fund the Family Trust as that would usually cause adverse income tax consequences. The remainder of the "first spouse's" estate is allocated to a "Marital Trust." The result is that there is no federal estate tax upon the assets in the Family Trust at the death of either spouse, and any federal estate taxes due upon the assets allocated to the Marital Trust are still deferred until the death of the second spouse to die. In this scenario, one of you has also created an irrevocable trust to shelter the proceeds of life insurance from estate taxes, provided that all the proper procedures have been followed. The benefits of the federal estate tax planning dealt with in this flowchart may be best illustrated by comparing this flowchart to the companion flowchart showing the scenario where all assets of the first spouse to die pass directly to the surviving spouse. This diagram does not depict the impact of possible state estate taxes. Note that the impact of state estate taxes can have a material adverse financial impact on your planning.

This flowchart contains approximate values based upon information you have provided and is intended for illustration purposes only. Please understand that other factors, such as income and other taxes, asset appreciation and depreciation, and expenses of your estate, may have a dramatic effect upon the ultimate size of your net estate passing to your beneficiaries. In addition, changes in the tax and other laws may have a significant impact upon your estate. The federal tax estimates in this flowchart are based upon the death of both spouses under current law, in 2011.