

# SAGE HILL

Advisory & Management

## **Estate Planning with Less Life Insurance**

By

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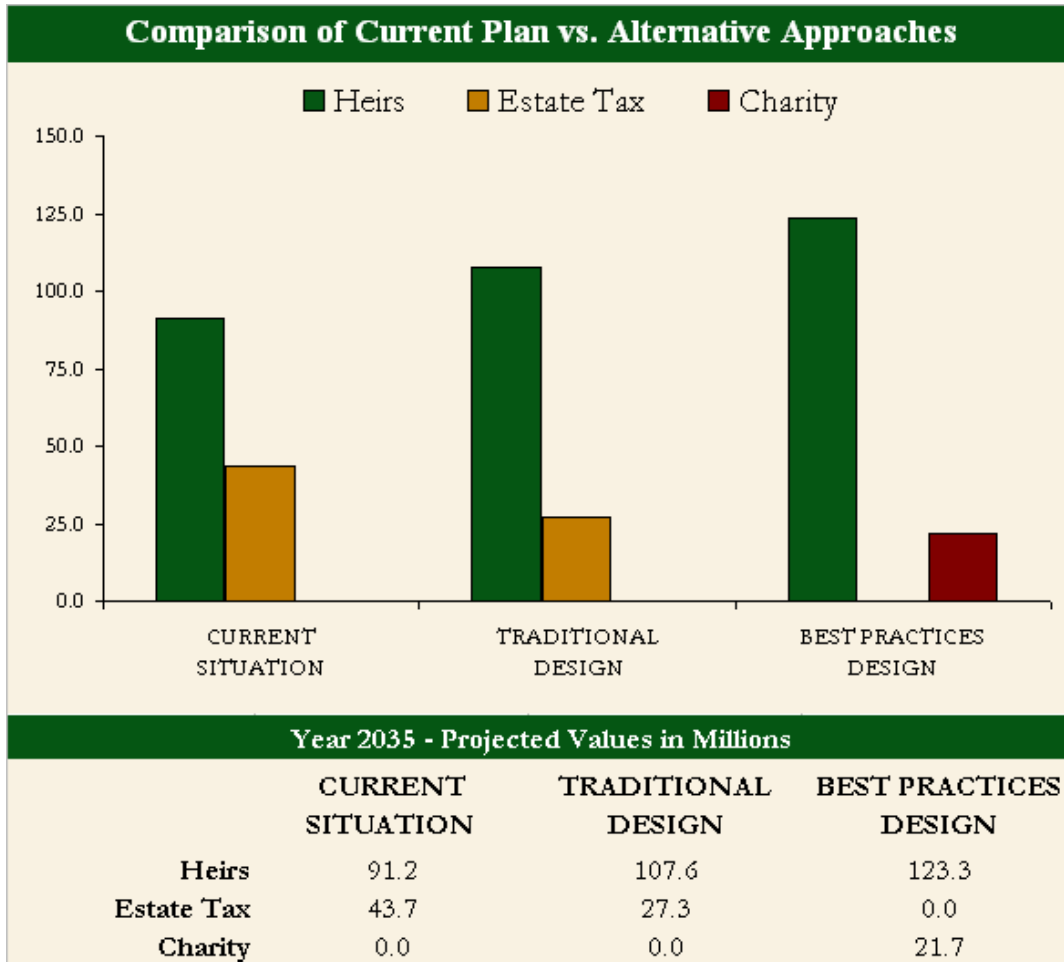
***Life Insurance, particularly when owned within an Irrevocable Life Insurance Trust, is typically a wonderful investment...particularly if you don't live to 100! Of course, if you're 60 years old today and live to 70, the IRR is extraordinary!!***

***The problem is: if you're doing fine carpentry, you don't use a sledgehammer! All joking aside, life insurance is a tool to fund a solution....you don't begin with life insurance, then build the technique around it. Unfortunately, we've seen too many estate plans and proposals where the latter has been the case...***

***What we believe is best practice in Financial and Legal Estate Planning is to maximize technique....then, consider your funding mechanism. For example, the new temporary estate and gift tax law allows each individual to gift \$5,000,000 during their lifetime without current gift tax (this is an increase from \$1,000,000 last year). Thus, for a married couple, that is, of course, a total of \$10,000,000 of current gifts totally out of your estate....saving you \$3,500,000 in estate tax! ... and, don't forget the appreciation on the asset gifted as well (which could easily save someone in their 60's an additional \$10,000,000 in taxes)!! If your estate is larger, how about using technique to turn that \$10,000,000 gift into a \$120,000,000 gift, thus saving \$42,000,000 for your future generations? Lofty numbers, of course, but this is exactly what we are designing as the foundation in an estate plan for an 80 year old gentleman with a \$500,000,000 estate.***

***There are many legitimate techniques available ... no need to adopt the technique du jour and subject yourself to having the IRS break apart your plan.***

***So, if for example, Bill and Joan (both age 60, with a \$30,000,000 net worth) adopt a technique-oriented estate plan rather than a life insurance centric plan, see below what they've created...***



*Over their 25 year life expectancy, their heirs receive greater than \$15,000,000 additional funds, plus Bill and Joan have gifted over \$21,000,000 to charities. Meanwhile, they have reduced their life insurance premiums from over \$400,000 per year to approximately \$125,000 per year! I will suggest that the fees that they have paid to Sage Hill, their attorney, and CPA are much less than the ~ \$36,000,000 in benefits which this represents over their 25 year life expectancy! Seriously, your fees for your professional team are pennies against your dollars of benefits and life insurance premium savings.*

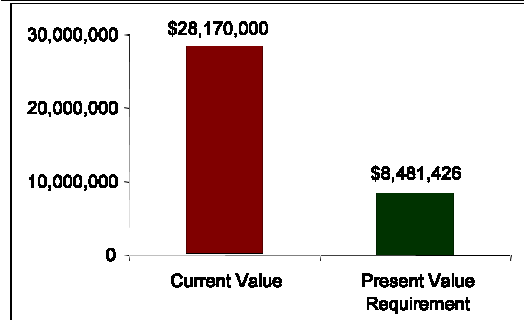
*If Bill and Joan are like most people we've met over our 30 years in this business, before they implement significant gift planning however, they want to make sure that there's enough money for their lifestyle....plus some! Thus, the analysis below. After working with Bill and Joan to best estimate their operating cost of living plus anticipated capital expenditures, we are able to determine very succinctly their "excess assets"...i.e. "excess" over the net present value of their needs.*

Objectives	Market Value
Annual Income after taxes:	\$250,000.00
Inflation Rate:	3%
Continue Income until Age:	100

Time Horizon Data	
Current Age:	60
Retirement Age:	60
Time Horizon to meet objective (Years):	0

Target Growth Rate Data	
Target Rate of Return:	5.00%
Assumed Flat tax rate:	29.28%
Target Asset Value:	\$8,481,426
Current Market Value:	\$28,170,000

**Current Market Value  
vs.  
Present Value Requirement**



**Objective Status - Excess Assets of \$19,688,574**

Objective Funding Data		
Description	Source	Market Value
Personal Financial Assets	Municipal Bonds, Stocks, etc.	\$2,170,000
Business Interests	Family Owned Business	\$26,000,000
<b>TOTAL</b>		<b>\$28,170,000</b>

*With the Excess Assets determined, an early and thoughtful wealth transition can begin. In estate planning, time is your best ally to achieve your goals. In the event that you run out of time prematurely, a thoughtfully planned life insurance solution can protect you and your loved ones. So...for our friends in the life insurance business....we haven't thrown good life insurance professionals under the bus!*

*Philip Toffel and Frank Antalek are co-founders and members of Sage Hill Advisory & Management, LLC. Sage Hill is a multi-family office headquartered in Saratoga Springs, New York. Sage Hill represents successful business owners and other successful families, many of whom are in transition from having built highly successful businesses to succession of their companies' leadership to the next generation of family or management...or, preparing their companies for sale.*

*Thoughtful, cost-efficient estate planning is traditionally an integral component of proper succession or pre-sale planning.*