

Santa Barbara Estate Planning Council

Topics of discussion:

- I. Do you understand your clients' True Wealth? Do your clients?
- II. How can your client pass their \$20 million estate, tax-free?
- III. How can your client help their child buy their first home without the danger of losing ½ the interest in a child's divorce?
- IV. Use of an Irrevocable Life Insurance Trust (ILIT)
 - a. Who is the trustee??
 - i. Are they or will they manage the family's values as well as the assets?
 - ii. What are their responsibilities? Are they at risk of being sued?
 - b. How do you change the terms?
 - i. 3rd party trustee
 - ii. Family Private Trust Company
- V. Do you have a process for ongoing life insurance sales to the next generation?
 - a. Proud Parent or Grandparent Program
 - b. The Rockefeller Plan

THE J R BAKER GROUP

"Empowering Families through the Generations"

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By Referral Only

THE J R BAKER PROCESS

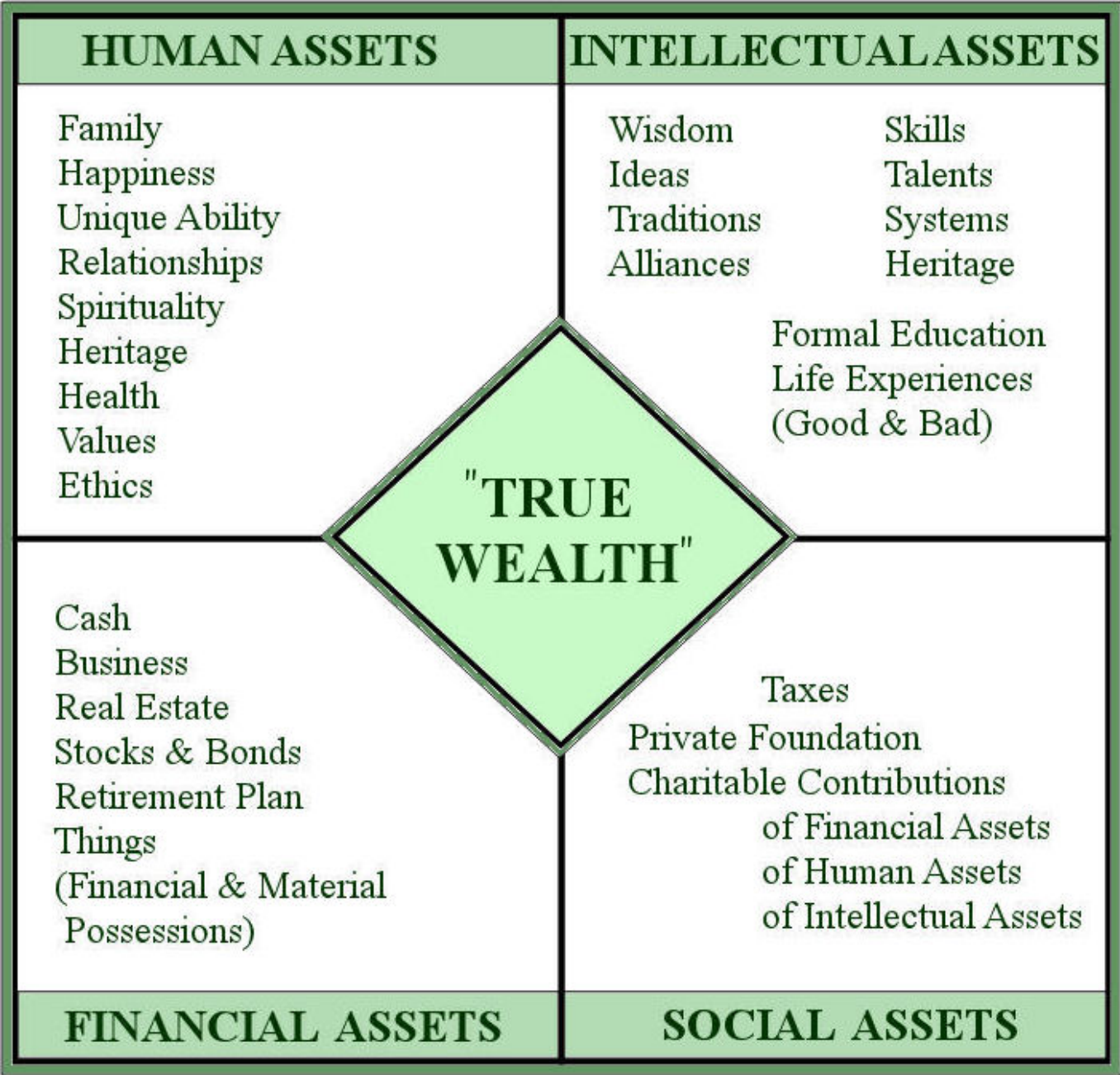
WEALTH OPTIMIZATION AND LEGACY PLANNING

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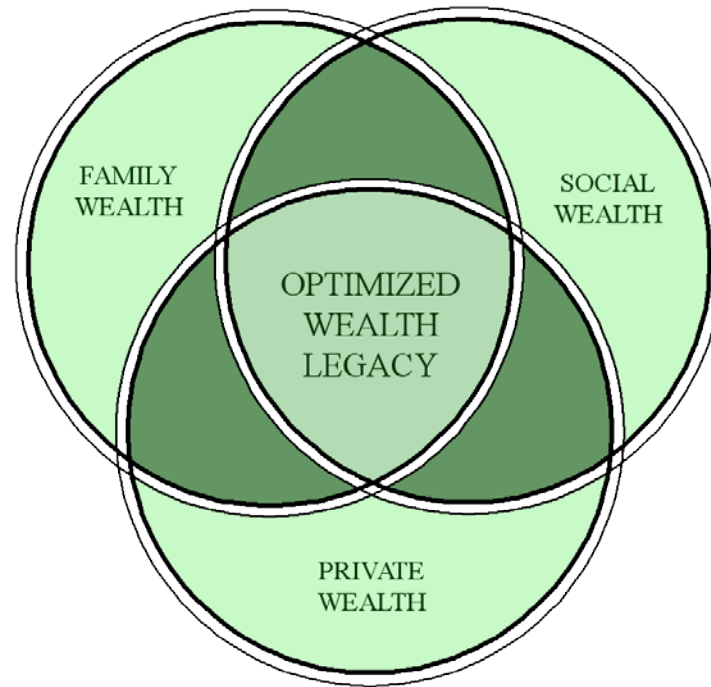
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Investment Advisory Services offered through The J R Baker Group a Wealth Management Firm

Understanding the principle of “True Wealth”



Understanding the principle of Optimized Financial Wealth



PRIVATE, SOCIAL AND FAMILY FINANCIAL WEALTH



Private Wealth is comprised of assets and earnings over which you inherently have control and use to ensure lifetime personal financial independence.

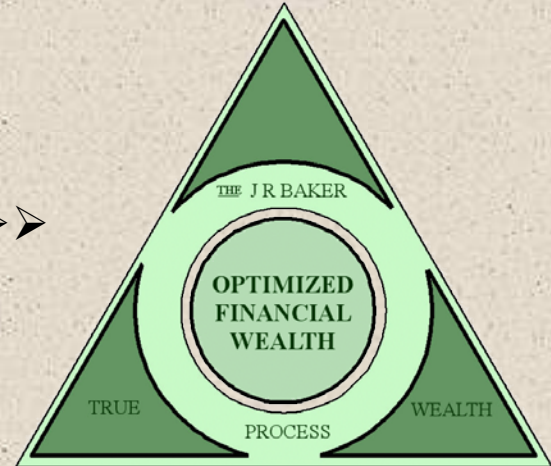
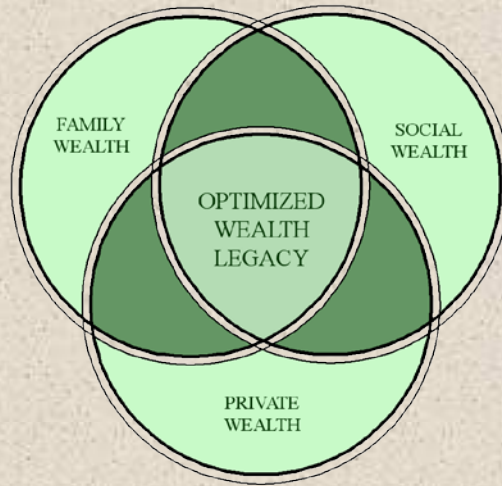
Family Wealth is the legacy you transfer to your heirs. When wealth is inherited, especially at a young age, it typically has a tremendous impact on the one who receives it. It is important to consider that the amount made available to an heir is appropriate, specific and in line with your value system.

Social Wealth is comprised of assets and earnings which will be either government-directed (through taxes) or self-directed through gifts made to your choice of philanthropic organizations. Social Wealth also encompasses the time, talent and energy expended for the benefit of others.

*"Every affluent father wishes he knew
how to give his sons the hardships
that made him rich." – Robert Frost*

THE J R BAKER PROCESS

HUMAN ASSETS	INTELLECTUAL ASSETS
Family Happiness Unique Ability Relationships Spirituality Heritage Health Values Ethics	Wisdom Ideas Traditions Alliances Skills Talents Systems Heritage Formal Education Life Experiences (Good & Bad)
Cash Business Real Estate Stocks & Bonds Retirement Plan Things (Financial & Material Possessions)	Taxes Private Foundation Charitable Contributions of Financial Assets of Human Assets of Intellectual Assets
FINANCIAL ASSETS	SOCIAL ASSETS

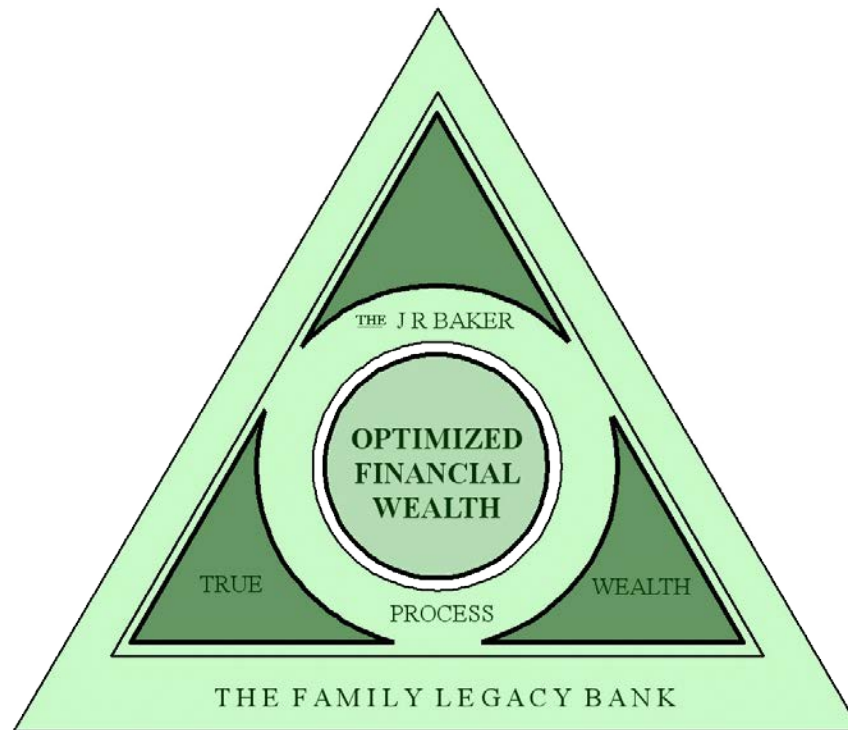


The J R Baker Process is a step-by-step process that helps you define and express your values and objectives regarding wealth. Well-conceived objectives that are a true reflection of your values can help assure that your plan design and implementation can occur with optimal effectiveness.



Executing The J R Baker Process via the Family Legacy Bank

The Family Legacy Bank is a structure of inter-linked entities combined with drafted documents designed to coincide with your family's "True Wealth" and Optimized Wealth and Legacy Plans. This structure provides choices and helps create an environment in which family stewardship and values transfer can be accomplished.



Clarity Balance Focus Confidence

THE J R BAKER PROCESS

DESIGN PHASE			EXECUTION PHASE	EMPOWERMENT PHASE	
DISCOVER PHASE THE J R Baker Process <i>Planning Triage</i>	THE J R Baker Process <i>Understanding The Family Financial Philosophy</i>	Wealth Optimization <i>Strategies & Plan Design</i>	Plan Delivery & Execution	Intergenerational Values Transfer	Ongoing Wealth Optimization and Maintenance <i>The Ultimate in Personal Virtual Services</i>
Introduction Discovery Interview Questionnaire Review of Financial Resources Review of Current Plan Defining Scope of Engagement Suitability Strategic vs. Tactical Assign Relationship Manager	Analysis & Documentation The Legacy Biography Planning Affirmations The Legacy Goal Profile Blueprint of Current Plan Development & Drafting of Family Financial Philosophy (FFP) Table of Consistencies & Inconsistencies	Wealth Strategies Design Team (Unique Abilities) Proprietary Strategies Customized Solutions Tailored to the Client Assembling the Strategies into a Custom Wealth Optimization and Legacy Plan	Assembling the Virtual Implementation Team Facilitation of Implementation Adjustments & Modifications Coordination of Legal Documents Customized Financial Instruments & Tools Family Bank / Family Office Services	Responsibility of Wealthy Family Retreat Professional Stewardship Youth Advisory Board Family Charity Family Involvement Competency Self-esteem Motivation Discipline Judgment Maturity Integrity	Review & Update Client Profile Plan Monitoring and Maintenance Monitor Vision Status Strategy Consulting Investment Consulting Services Insurance Monitoring and Management Cash Flow Management Tactical Social Asset Planning Asset Acquisition Assistance & Planning Asset Monetization
▼▼	▼▼	▼▼	▼▼	▼▼	▼▼
Present Engagement Letter	Data Confirmation Packet	Present Preliminary Wealth Optimization and Legacy Plan	Present Final Wealth Optimization and Legacy Plan	Client CD-ROM	



The J R Baker Group Wealth Optimization Plan for John and Susan Sample

12/13/2014

WILLS

John's Relevant Living Trust™

Susan's Relevant Living Trust™

Family Values and Goals:

1. Maintain current life style, \$300,000
2. Maintain health Increase at 3%/yr
3. Help all family members help themselves in the development of their talents and unique abilities.
4. Have \$7million of assets not need for income

Investment LLC (98%)	Cash	Pension	Alaska Notes	Portfolios	Real Estate Partnerships	Private Investment	Real Estate Residence	Company Ownership	Personal
\$3,920,000	\$250,000	\$3,000,000	\$4,164,000	\$3,000,000	\$1,000,000	200,000	\$3,000,000	\$1,000,000	\$500,000
\$2,744,000				\$2,100,000	\$600,000	\$120,000		\$600,000	
							\$3,000,000		\$500,000
									\$20,034,000
									\$6,164,000
									\$10,914,000

5. Help provide education for our children
6. Help all family members maintain their health and well being.
7. Do not take away their joy of earning a dollar.
8. Transfer the use of assets to children in the most efficient way.
9. Help the enhancement of their human & intellectual capital.

Transfer costs today with no planning: \$3,740,000
 Transfer costs in 2035 with no planning: \$10,635,000

Assume: Return 8%
 after tax 5%
 Growth 3%

With option to discount and gift/sale assets now

Gift to Alaska Trust	2,000,000
Sale to Alaska Trust	4,164,000

The Sample Family Bank

Heirs/Posterity

Access the Family Empowered Bank to grants, loans, business ventures, and philanthropic goals.

60% of proceeds from sale of business in 2007

SOCIAL CAPITAL

The Sample Charitable Remainder Trust (5% joint)
 Owns 99% of a specially designed partnership:

Sample Investment Partners

Year	Trust balance	Annual Income	Example	
			Trust Balance	Annual Income
12/31/07	5,850,000	0	5,850,000	0
12/31/08	6,022,545	295,455	6,318,000	0
12/31/09	6,200,180	304,169	6,823,440	0
12/31/10	6,383,054	313,140	7,369,315	0
12/31/11	6,571,322	322,376	6,723,720	1,235,140
12/31/12	6,765,143	331,885	6,922,036	339,582
12/31/13	6,964,680	341,674	7,126,201	349,598
12/31/14	7,170,103	351,752	7,336,388	359,909

PRIVATE CAPITAL

THE SAMPLE ALASKA IRREVOCABLE DYNASTY TRUST

College 529 plans			Owns SAMPLE ALASKA LLC	
Child #1	Child #2	Child #3	2014	
\$120,000	\$75,000	\$60,000	Gift of portion of discounted assets noted above	\$ 2,000,000
			Sale of portion of discounted assets noted above	4,164,000
			Additional value of assets due to discounting	2,956,000
			Note to Susan and John (will be paid down with gifting)	(4,164,000)
			Portfolio (1% of Sample Investment Partners)	72,425
			2% of Investments, LLC	80,000
			Real Estate Partnerships Investments	150,000
			Alaska Trust Money Market	25,000
			Checking	5,000
			Insurance Insurance Policy \$100,000 per year	599,980
				\$ 5,888,405
			2035 Value of assets in Alaska Trust/LLC	\$ 16,572,859
			Life Insurance Death Benefit	7,200,000
			Assumed Credit Exemption	10,680,000
				\$ 34,452,859
			2050	\$ 53,676,432
			TCLT	\$ 57,680,996

The Sample Family Foundation

A Testamentary Private Foundation

2035	TFCRT distributions	\$13,338,504
2050		\$20,780,955
	TCLT distributions	\$6,006,847
	Total trust value	\$26,787,802
	-Perpetual	
	-Family significance	
	-No inheritance tax	
	-Can make loans	
	-Supports qualified charities, annually	\$2,143,024
	-Heirs can be paid board members	

Death Occurs in 2035 with estate growth at 3% - TCLT
 Assume Note from Alaska paid down annually with gifting for 7 beneficiaries (\$196k/yr)
\$4,004,564
 The trust distributes income to the Family Foundation for 15 years **\$6,006,847**
 The trust will then distribute the assets to the Family Bank LLC **\$4,004,564**

Wealth Preservation Services, LLC

The Wyoming Private Trust Company

- Trustee for Life Insurance Trusts and Private Foundations.
- The client sets up the “Private Trust Company”
- The client can be the manager of the “Private Trust Company”
Eliminates the individual trustee (friend) fiduciary liability
- Institutional trust companies are expensive and they do not manage the family values – only the assets.
- Institutional trust companies tend to be impersonal, staffed with lawyers who may not adhere precisely to the settler’s wishes or values.
- Institutional trust companies tend to invest in their products that do not necessarily meet the requirements of the trust beneficiaries.
- Family members can sit on the Board of Directors.
- Family board members will be shielded from liability, unlike family members who would serve as individual trustees.

The Family Proud Grandparent Program

for

Grandchild - Female Age 5

	Projected Benefits	Adding Assistance with Tuition for Grades 7-12	529 Plan and Life Insurance		Totals
			529 Plan at 4% \$8,400/yr - 10 yrs	Life Insurance Current Assumptions \$11,600/yr - 10 yrs	
Deposit \$20,000 a year for 10 years	\$200,000	\$200,000	\$84,000	\$116,000	\$200,000
Grow account value income tax-free					
Allow for tax-free withdrawals for 7th -12th grade		\$66,000	n/a	\$66,000	\$66,000
		<small>\$5k/year for 7th & 8th \$14k/year for 9th - 12th</small>		<small>\$5k/year for 7th & 8th \$14k/year for 9th - 12th</small>	
Allow for tax-free withdrawals for college education at age 18 \$30,000 a year for 4 years	\$120,000	\$120,000	\$120,000	\$0	\$120,000
Allow for a tax-free withdrawal to help buy first home at age 30	\$100,000	\$100,000	n/a	\$100,000	\$100,000
Starting at age 66, provide tax-free income for retirement \$262,000 for 20 years	\$5,240,000	\$3,640,000	n/a	\$2,260,000	\$2,260,000
		<small>\$182k for 20 years</small>		<small>\$113k for 20 years</small>	
Age 86 Total projected lifetime benefits	\$5,460,000	\$3,926,000	\$120,000	\$2,426,000	\$2,546,000
Plus					
Provide Family protection in case of premature death Age 86	\$2 mil to \$8 mil+ \$5,400,000	\$2 mil to \$7 mil+ \$5,400,000		\$1 mil to \$4 mil+ \$3,100,000	
Total estimated payout to Simone and Family	\$10,860,000	\$9,326,000	\$120,000	\$5,526,000	\$5,646,000

* All presented values are based on non-guaranteed assumptions and assume current tax laws for life insurance remain in effect. Values are also noted in current dollars and not adjusted for inflation. Refer to the life insurance company's illustration for further details and disclosures. Values are not adjusted for inflation.

THE ROCKEFELLER PLAN

A suggestion for a Perpetual Growth of your Foundation. In a few generations, a modest deposit becomes similar to the Rockefeller Foundation.

“Anyone can be a Rockefeller”

Here’s how it works...

STAGE 1

Current Foundation Value \$10,000,000

5%, or \$500,000 goes to growth or to supported causes.

2%, or \$200,000 buys 20 single premium universal life policies on 20 lives of younger contributors. Average age 45, 10:1 \$2,000,000, Joint Life.

STAGE 2

\$2,000,000 Mortality Gain Matures

80%, or \$1,600,000 adds to \$9,500,000 for a total of \$11,100,000 Endowment.

20%, or \$400,000 buys (say) 40 policies on lives as above: 4,000,000

STAGE 3

\$4,000,000 Mortality Gain Matures

80%, or \$3,200,000 adds to the \$11,100,000 for a total of \$14,300,000 Endowment

20%, or \$800,000 buys (say) 80 policies on lives as above: \$8,000,000

STAGE 4

\$8,000,000 Mortality Gain Matures

80%, or \$6,400,000 adds to the \$14,300,000 for a total of \$20,700,000 Endowment.

20%, or \$1,600,000 buys (say) 160 policies on lives as above: \$16,000,000

STAGE 5

\$16,000,000 Mortality Gain Matures

80%, or \$12,800,000 adds to the \$20,700,000 for a total of \$33,500,000 Endowment.

20%, or \$3,200,000 buys (say) 320 policies on lives as above: \$32,000,000

STAGE 6

\$32,000,000 Mortality Gain Matures

80%, or \$25,600,000 adds to the \$33,500,000 for a total of \$59,100,000 Endowment.

20%, or \$6,400,000 buys (say) 640 policies on lives as above: \$64,000,000