

A Triple Bonus . . . The ability to benefit your charities today while still maintaining access and control over your funds for tomorrow . . .

QUOTE OF THE DAY

Helping people doesn't have to be an unsound financial strategy.
- Melinda Gates

Making better decisions easier . . .
It is time to expect more from "wealth management" and it all starts today.

Our Who . . . about TailorMade
TailorMade is the advisor to the advisor to elite investment managers, other professionals and a select group of families and business owners around the country. We focus on private client matters at the intersection of estate, business, tax and asset protection knowing that an asset allocation pie chart rarely ever equates to a proper or comprehensive financial plan for a client. Our deep technical knowledge delivers a balance between the legal, tax, emotional and wealth aspects of our client goals. Individually connecting a customized "tailor-made" comprehensive planning solution that works both today and tomorrow is what we do.

In Brief

THE CHALLENGE

An executive client is expecting a large bonus this year. The family wants to do more today with their charitable efforts, but are still concerned about saving enough for retirement and their other family plans.

THE ANALYSIS

In examining both the clients current and future income, needs and goals, the large sum would be extremely helpful in addressing their long term financial planning goals. The clients currently give to several charities on a consistent basis and would like to make some of the charitable work a family tradition while still having flexibility on "who, when and how much."

THE SOLUTION¹

The clients created a Charitable Lead Annuity Trust (CLAT) and deposited a portion of the unexpected bonus into the trust achieving multiple benefits. First, the trust created a current "front loaded" tax deduction to offset the large obligation resulting from the bonus. Second, the trust will annually fund a Donor Advised Fund (DAF) to support the family's current and future planned gifting efforts. Finally, at the trust termination (8 years) the remaining assets inside the trust will revert back to the family to support the retirement and other planning goals.

Objectives

- Reduce current income tax hit from increased bonus
- Avoid permanent planning / Retain control and access
- Systematically reduce the impact of taxes on overall family wealth
- Develop a simplified vehicle to allow children and grandchildren to become accustomed to philanthropy

Summary of Services Provided

- Team based approach (Investment Advisor, CPA and Attorneys)
- Update/revision of current personal legal documents (Wills/Trusts/Directives/POAs)²
- Initial calculations on CLAT viability, structure and terms²
- Post-bonus planning to continue to invest in tax efficient investments
- Integration of current planning with future planning needs (Individualized Financial Plan)
- Simplifying complex lifestyles
- Periodic reviews to address any changes

Notes

- 1 - The terms of the CLAT are based on a determined payout rate, term of years while using the AFR determined at the time of creation. The NPV of the aggregate charitable payments represent the potential tax deduction in the calendar year the CLAT is created.
- 2 - The client's accounting and/or legal advisors drafted the final documents and determined the final calculation used for the deduction as a result of The Pease Amendment (Phase outs).

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