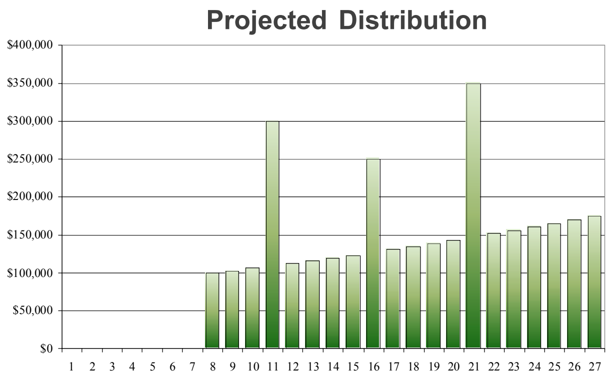
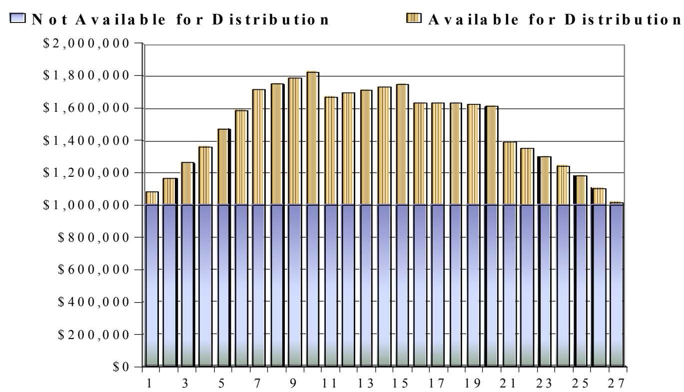
Case Strategy: *NIMCRUT Invests in a Variable Annuity*

MILLER

Mike and Nancy Miller, both age 60, have a large taxable estate made up of highly appreciated assets. They want to reduce the burden that income, capital gain, and estate taxes will have on their net worth. They also have a desire to support their community and society through voluntary charitable gifts.

Mike and Nancy are intrigued by the use of a Net Income with Make-up Charitable Remainder Unitrust (NIMCRUT) to attain their goals. Because Mike and Nancy do not have a current need for cash flow from their NIMCRUT, they have decided to pursue a deferral strategy that incorporates deferred variable annuities as the primary investment product. The diagrams below illustrate the projected cash flow benefits and flexibility over Mike's and Nancy's joint life expectancy of 27 years.





1. Mike and Nancy transfer $1 Million of appreciated property (tax basis of $100,000) to a NIMCRUT. The Millers receive a $121,000 charitable income tax deduction.
2. The trustee subsequently sells the property and the Millers avoid $173,000 of capital gains tax.
3. The trustee reinvests the sale proceeds in variable annuities in order to defer current income.
4. After a 7-year deferral period, Mike and Nancy begin to receive distributions from the NIMCRUT. Pursuant to a distribution plan designed with their advisor, the distributions begin at $100,000 and increase by 3% each year.
5. Additionally, in years 11, 16 and 21, the NIMCRUT pays Mike and Nancy larger distributions such that the annual pre-tax distribution in those years equals $300,000; $250,000; and $350,000 respectively.
6. At Mike and Nancy's death, the charities they selected as trust beneficiaries will receive a projected gift of $1,015,000.

Mike and Nancy
Lifetime Cash Flow
$3,204,000

Heirs
Supplemental Planning

Charity
Remainder Interest
$1,015,000

Capital Gain Tax Savings
$173,000

Assumptions:

AFR=5.0%; NIMCRUT payout rate=9%; annuity grows at 8%.
Distributions will be taxed as ordinary income.
Combined Federal and state income tax rate of 38.25%.
Combined Federal and state capital gain tax rate of 19.25%.
Mike and Nancy can benefit their heirs through the use of life insurance or other separate planning.
In order to receive any cash flow under this strategy, the value of the annuity must be greater than the investment in the contract at the time of each distribution.

For more details about this strategy contact us at CharitableRemainderTrust.com or call 800-535-4720.

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