

# Contents

<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	<b>1-1</b>
Form 1-A	General Provision for Digital Fiduciary Access and Authority . . .	1-2.1
Form 1-1	Estate Planning Questionnaire . . . . .	1-4
Form 1-2	Sample “Mail-In” Sheet . . . . .	1-15
Form 1-3	Durable General Power of Attorney . . . . .	1-16
Form 1-4	Living Will . . . . .	1-21
Form 1-5	Health Care Power of Attorney . . . . .	1-23
<b>CHAPTER 2</b>	<b>OVERVIEW OF THE FEDERAL TRANSFER TAX SYSTEM AND RELATED INCOME AND PROPERTY TAX PROVISIONS</b>	<b>2-1</b>
2.1	Estate and Gift Tax Concept and Calculations . . . . .	2-1
2.1.1	“Gross Estate” . . . . .	2-3
2.1.1.1	Effect of Community and Other Marital Property on the Value of the Gross Estate . . . . .	2-3
2.1.1.2	Inclusion of Property in Which the Decedent Has Only a Retained Interest . . . . .	2-4
2.1.1.3	Inclusion of Certain Transfers Made within Three Years of Death . . . . .	2-5
2.1.1.4	Addition of All Prior Taxable Transfers to the Gross Estate . . . . .	2-6
2.1.2	“Taxable Estate” . . . . .	2-7
2.1.3	Estate Tax . . . . .	2-7
2.1.4	Deceased Spousal Unused Exclusion Amount — Portability . . . . .	2-9
2.1.5	No Arizona State Estate Tax . . . . .	2-10
2.2	Incentives for Lifetime Gifts . . . . .	2-10
2.2.1	The “Annual Exclusion” . . . . .	2-10
2.2.2	Tax Exclusivity . . . . .	2-12
2.2.3	Removal of Subsequent Appreciation and Income from Taxable Estate . . . . .	2-13
2.2.4	Gift-Splitting . . . . .	2-13
2.2.4.1	In General . . . . .	2-13
2.2.4.2	Separate Property Gifts by an Arizona Married Couple . . . . .	2-14
2.2.5	Electing Carryover Basis for Estate of Decedents Dying in 2010 . . . . .	2-15
2.2.6	No Arizona State Gift Tax . . . . .	2-16
2.3	The Generation-Skipping Transfer (GST) Tax Concept and Calculations . . . . .	2-16
2.3.1	GST Tax Definitions . . . . .	2-17
2.3.1.1	Who Is the “Transferor”? . . . . .	2-17
Form 2-1	GST Tax Instructions for QTIP Trust . . . . .	2-19
2.3.1.2	What Is an “Interest Held in Trust?” . . . . .	2-20

## CONTENTS

2.3.1.3	What Is a “Trust”?	2-21
2.3.1.4	Who Is a “Skip Person”?	2-21
2.3.1.5	Who Is a “Non-Skip Person”?	2-22
2.3.2	Generation Assignment	2-22
2.3.3	Tax Recognition	2-23
2.3.3.1	Direct Skips	2-23
2.3.3.2	Taxable Termination	2-24
2.3.3.3	Taxable Distributions	2-24.1
2.3.4	Taxable Transfer Exceptions	2-25
2.3.4.1	Predeceased Ancestor Exception	2-25
2.3.4.2	Ninety-Day Rule	2-27
	Form 2-2 Special Rule for Certain Lineal Descendants	2-27
2.3.4.3	Exclusion for Certain Medical and Education Payments	2-27
2.3.4.4	Exclusion for Certain Gifts that Qualify for the Annual Exclusion	2-27
2.3.4.5	Grandchild Exclusion for Direct Skips	2-28
2.3.4.6	Transfers Subject to a Prior Tax	2-28
2.3.5	Exemption from GST Tax	2-29
2.3.5.1	The GST Tax Exemption	2-29
2.3.5.2	Allocation of the GST Tax Exemption	2-30
2.3.5.3	The Dynasty Trust	2-30
2.3.5.4	Lifetime Allocations	2-32
2.3.5.5	Effective Dates of Allocation	2-34
2.3.5.6	Special Rules during Estate Tax Inclusion Period	2-36
2.3.5.7	Allocation of GST Tax Exemption after Transferor’s Death	2-37
2.3.5.8	Taxable Amount	2-38
2.3.5.9	Applicable Rate	2-39
2.3.5.10	Inclusion Ratio	2-39
2.3.5.11	Inclusion Ratio for Charitable Split-Interest Gifts	2-41
2.3.5.12	Valuation Rules and Payment of “Appropriate” Interest	2-41
2.3.5.13	Preserving “Grandfathered” Exemption	2-43
2.3.6	Separate Shares and Trusts	2-45
2.3.6.1	Payment of Pecuniary Amounts	2-46
2.3.6.2	Additions to Existing Trusts	2-46
2.3.6.3	Multiple Transferors to a Single Trust	2-47
2.3.6.4	Mandatory Severance of a Single Trust — Separate Shares or Multiple Transferors	2-47
2.3.6.5	Allocation of GST Tax Exemption	2-47
2.3.6.6	Severances	2-48
2.3.7	No Arizona State GST Tax	2-49
2.4	Income Tax Issues Related to Estate Planning	2-49
2.4.1	Income Tax Basis Issues	2-49
2.4.1.1	Unrealized Capital Gain Eliminated at Death	2-49

2.4.1.2	Effect of Community Property Status on Income Tax Basis at Death . . . . .	2-51
	Form 2-3 Division, Allocation, or Distribution of Trust Property . . . . .	2-52
2.4.1.3	2010 Carryover Basis Rules . . . . .	2-52
2.4.1.4	“Carryover” Income Tax Basis for Lifetime Gifts and the Addition of Gift Tax Payable . . . . .	2-53
2.4.2	Income in Respect of a Decedent (IRD) . . . . .	2-56
2.4.3	Shifting the Income Tax Burden . . . . .	2-56
2.4.4	The “Kiddie Tax” . . . . .	2-57
2.4.5	The Income Tax on Trusts and Estates . . . . .	2-57
2.4.5.1	Income Taxation in Arizona . . . . .	2-58
2.4.5.2	Separate Income Taxpayer . . . . .	2-58
2.4.5.3	Separate and Multiple Share Rules . . . . .	2-58
2.4.5.4	Irrevocable Trust Distributions . . . . .	2-59
2.4.5.5	Distributable Net Income (DNI). . . . .	2-59
2.4.5.6	Character of Distributions . . . . .	2-60
2.4.5.7	Accumulation of Income and the Throwback Distribution Rules . . . . .	2-61
2.4.5.8	Gains Recognized to the Settlor on Sales of Appreciated Property . . . . .	2-61
2.4.5.9	Character of Arizona Unitrust Distributions . . . . .	2-61
2.4.6	Grantor Trust Rules . . . . .	2-63
2.4.6.1	Reversionary and Remainder Interests . . . . .	2-63
2.4.6.2	Control of Beneficial Enjoyment . . . . .	2-64
2.4.6.3	Administrative Powers Held in Non-Fiduciary Capacity . . . . .	2-65
2.4.6.4	Power to Amend or Revoke . . . . .	2-66
2.4.6.5	Income that May Be Paid to Settlor, Settlor’s Spouse, or Those the Settlor Is Obligated to Support . . . . .	2-66
2.4.6.6	When Beneficiaries Are Treated as Grantors: I.R.C § 678 . . . . .	2-68
2.4.6.7	Intentionally Defective Grantor Trusts . . . . .	2-69
2.4.6.8	Subsequent Federal Gift Tax Issues . . . . .	2-70
<b>CHAPTER 3</b>	<b>TRANSFERS SUBJECT TO THE GIFT TAX . . . . .</b>	<b>3-1</b>
3.1	Is Anything of Value Being Transferred? . . . . .	3-2
3.1.1	Outright Gifts . . . . .	3-3
3.1.2	Gifts to “Annual Exclusion” Trusts. . . . .	3-3
3.1.3	Section 529 Accounts . . . . .	3-4
3.1.4	Direct Payment of Tuition or Medical Expenses . . . . .	3-4
3.1.5	Gifts to Minors — Custodial Accounts. . . . .	3-4
3.1.6	Gift Completion . . . . .	3-5
3.2	Bargain Sales (Part-Gift/Part Sale) . . . . .	3-6.1
3.2.1	Transfers to Non-Charitable Beneficiaries . . . . .	3-6.1
3.2.2	Transfers to Charitable Entities . . . . .	3-6.2
3.2.2.1	Bargain Sale Rules . . . . .	3-6.2

## CONTENTS

	3.2.2.2	Transfers of Encumbered Property to Charitable Organizations .....	3-9
	3.2.3	Transfers of Property Subject to Mortgage in Excess of Basis .....	3-9
3.3		Transfers Involving Concurrent Ownership Interests .....	3-10
	3.3.1	Transfers of Arizona Joint Tenancies .....	3-10
	3.3.1.1	Completeness of Transfers of Real Property ....	3-10
	3.3.1.2	Transfers of Intangible Personal Property .....	3-12
	3.3.1.3	Where Joint Tenants Are Spouses and the Potential Loss of the Income Tax Basis “Step-Up” .....	3-12
	3.3.1.4	Where Joint Tenants Are Not Married .....	3-13
	3.3.1.5	Additional Income Tax Issues .....	3-15
	3.3.2	Transfers of Arizona Tenants-in-Common Interests .....	3-15
	3.3.3	Transfers of Arizona Community Property .....	3-15
	3.3.3.1	Management and Control .....	3-15
	3.3.3.2	Transfers of Real Property .....	3-15
	3.3.3.3	Transfers of Community Property between Spouses; Transmutation .....	3-16
3.4		The Indirect Gift .....	3-16
	3.4.1	Trust’s Payment of Grantor’s Income Tax Liability .....	3-16
	3.4.2	Guarantee of Another’s Obligations .....	3-18
	3.4.3	Payment of Another Person’s Tax Obligation .....	3-19
	3.4.4	Failure to Assert Rights .....	3-19
3.5		Gifts by the Illiquid Donor: The Net Gift .....	3-20
	3.5.1	Net Gifts and the Income Tax .....	3-22
	3.5.2	Net Gifts and the Grantor Trust Rules .....	3-23
3.6		Gifts Made by Third Parties .....	3-24
	3.6.1	From Revocable Trusts .....	3-24
	3.6.1.1	The Competent Trustor and the “Three-Year” Rule .....	3-24
	3.6.1.2	The Incompetent Trustor .....	3-25
	3.6.2	Under Arizona Powers of Attorney .....	3-26
	3.6.2.1	General Powers .....	3-26
	3.6.2.2	Durable Powers .....	3-26
	3.6.2.3	Springing Powers of Attorney .....	3-26
	3.6.2.4	Limited or Special Powers of Attorney .....	3-28
	3.6.2.5	Protecting the Agent from Adverse Estate and Gift Tax Consequences: Limitations on the Agent’s Ability to Make Gifts .....	3-28
3.7		Preservation of the Gift Tax Return Value .....	3-29
3.8		Lifetime Gifts of the QTIP Interest .....	3-32
3.9		Actuarial Valuation Tables Updated .....	3-32
<b>CHAPTER 4</b>		<b>PLANNING FOR THE MARITAL DEDUCTION .....</b>	<b>4-1</b>
4.1		The Importance of “Bypassing” the Estate of the Surviving Spouse ....	4-1
	4.1.1	Use of Applicable Credit .....	4-1
		Form 4-1 Bypass Trust with Sprinkling Powers .....	4-3
	4.1.2	Use of Impecunious Spouse’s Applicable Credit .....	4-5

4.2	Marital Deduction Formula Clauses and Funding Issues .....	4-5
4.2.1	Pecuniary Marital Deduction Formula .....	4-6
4.2.2	Fractional Share Marital Deduction Formula .....	4-8
4.2.3	Non- <i>Pro Rata</i> Funding of the Fractional Share .....	4-9
4.2.4	Pecuniary “Bypass” Formula .....	4-9
4.2.5	Funding the Formula with IRD .....	4-10
4.3	General Requirements for Transfers Qualifying for the Marital Deduction .....	4-10
4.3.1	What Constitutes a “Terminable Interest”? .....	4-14
4.3.2	Spendthrift Clauses and the Marital Deduction .....	4-15
4.3.3	Delays in Funding .....	4-16
4.3.4	Planning for the Transferee-Spouse’s Incapacity .....	4-16
4.3.5	The Use of the QTIP Trust in Marital Deduction Planning ...	4-16
	4.3.5.1 The Property Must “Pass” from the Transferor .....	4-17
	4.3.5.2 The “QTIP Election” Is Made for the Property ..	4-17
	4.3.5.3 The Spouse Has a “Qualifying-Income Interest-for-Life” .....	4-18
	4.3.5.4 Powers of Distribution of Principal at Transferee-Spouse’s Death .....	4-20
4.4	Equalizing the Estate Tax between Spouses .....	4-21
4.4.1	Lifetime Planning for the Estate Tax Split .....	4-22
4.4.2	Use of a Power of Appointment in the Impecunious Spouse ..	4-22
4.5	Pre- and Post-Marital Agreements and Transfers in Arizona .....	4-23
4.5.1	Gift Tax Implications of Pre-Marital Agreements .....	4-23
4.5.2	Gift and Estate Tax Implications of Post-Marital Agreements .....	4-23

## **CHAPTER 5 IRRECOVABLE TRANSFERS IN TRUST AND USE OF SIMILAR VEHICLES .....**

5.1	Overview of Trust Planning and Drafting .....	5-1
5.1.1	The Concept of a Trust .....	5-1
	5.1.1.1 Revocable vs. Irrevocable .....	5-2
	5.1.1.2 The Role and Authority of the Trustee .....	5-3
	Form 5-1 Appointment of Successor Trustee ..	5-4.1
	Form 5-2 Resignation of Trustee .....	5-5
5.1.2	Arizona Rule Against Perpetuities .....	5-6
5.1.3	Arizona Rules on Restraints on Transfer and Creditors’ Rights .....	5-7
5.1.4	Privacy and Disclosure Requirements .....	5-7
5.1.5	Special Drafting Provisions for Business Owners .....	5-8
	Form 5-3 Instructions for Subchapter S Stock .....	5-9
	Form 5-4 Power to Operate and Form Entities .....	5-10
5.1.6	Planning for the Special Needs of Beneficiaries .....	5-10
5.1.7	Lifetime QTIP Trust .....	5-10
5.2	Reciprocal Transfer Doctrine .....	5-11
5.3	Techniques for Transfers to Minors .....	5-11
5.3.1	Uniform Transfers to Minors Act (UTMA) Accounts .....	5-12
5.3.2	I.R.C. Section 2503(c) Trusts .....	5-13

## CONTENTS

5.3.3	<i>Crummey</i> Powers and the Minor Beneficiary . . . . .	5-14
5.3.4	Direct Payments for Educational and Medical Expenses . . . . .	5-15
5.3.5	Outright Transfers and Guardianships . . . . .	5-17
5.4	<i>Crummey</i> Trust Requirements . . . . .	5-17
5.4.1	Notice Requirements . . . . .	5-17
5.4.2	Multiple Holders of Demand or Withdrawal Powers . . . . .	5-18
5.4.3	“Hanging” Powers . . . . .	5-19
	Form 5-5 Hanging Power . . . . .	5-20
5.4.4	Trust with Limited Testamentary Power of Appointment . . . . .	5-21
5.4.5	Donee’s Income Tax Consequences . . . . .	5-21
5.5	Powers of Appointment . . . . .	5-22
5.5.1	Tax Classification of Powers . . . . .	5-22
	5.5.1.1 General Power of Appointment . . . . .	5-22
	5.5.1.2 Limited Power of Appointment . . . . .	5-23
5.5.2	Scope of Powers of Appointment . . . . .	5-23
5.5.3	Taxation of Powers of Appointment . . . . .	5-23
	5.5.3.1 Estate Tax . . . . .	5-23
	5.5.3.2 Lifetime Exercise or Release . . . . .	5-24
	5.5.3.3 Disclaimers . . . . .	5-24
	5.5.3.4 Lapses and the “5 or 5” Power . . . . .	5-24
	5.5.3.5 Successive Powers . . . . .	5-25
	5.5.3.6 Certain Imputed Powers . . . . .	5-25
	Form 5-6 No Power to Make Distributions in Discharge of Support Obligations . . . . .	5-26
5.5.4	Gift Tax . . . . .	5-26
5.5.5	Income Tax . . . . .	5-26
5.5.6	Planning Considerations . . . . .	5-27
	5.5.6.1 Reasons for Using Power of Appointment . . . . .	5-27
	5.5.6.2 Drafting Considerations . . . . .	5-28
	5.5.6.3 Rule Against Perpetuities . . . . .	5-29
5.5.7	Exercising the Power of Appointment . . . . .	5-29
5.6	Incomplete Gift Non-Grantor Trusts (INGs). . . . .	5-30
<b>CHAPTER 6 FOREIGN MATTERS . . . . .</b>		<b>6-1</b>
6.1	Citizenship of Donee and the Marital Deduction . . . . .	6-1
6.1.1	Gift Tax Issues . . . . .	6-2
	6.1.1.1 Joint Tenancies . . . . .	6-2
	6.1.1.2 Joint and Survivor Annuities . . . . .	6-3
6.1.2	Estate Tax Issues . . . . .	6-3
6.1.3	The Qualified Domestic Trust (QDOT) . . . . .	6-5
	6.1.3.1 Introduction . . . . .	6-5
	6.1.3.2 Distinguishing Features of a QDOT . . . . .	6-6
	6.1.3.3 Requirements for QDOTs under the Treasury Regulations . . . . .	6-6
	6.1.3.3.1 Ordinary Trust . . . . .	6-6
	6.1.3.4 Governing Law . . . . .	6-7
	6.1.3.5 U.S. Trustee . . . . .	6-7
	Form 6-1 U.S. Trustee Requirement . . . . .	6-7

6.1.3.6	Right to Withhold Tax .....	6-7
6.1.3.7	Qualified Marital Interest Requirements .....	6-8
6.1.3.7.1	Property Passing to QDOT .....	6-8
6.1.3.7.2	Property Passing Outright to Spouse .....	6-8
6.1.3.8	Security and Other Arrangements for Payment of Tax — QDOTs with Assets over \$2 Million ..	6-8
6.1.3.8.1	Bank Trustee .....	6-9
6.1.3.8.2	Bond .....	6-9
6.1.3.8.3	Letter of Credit .....	6-9
6.1.3.8.4	Additional Governing Instrument Requirements for Bond or Letter of Credit Arrangements .....	6-10
6.1.3.9	Security and Other Arrangements for Payment of Tax — QDOTs with Assets of \$2 Million or Less .....	6-10
6.1.3.9.1	Multiple QDOTs .....	6-10.1
6.1.3.9.2	Look-Through Rules .....	6-10.1
6.1.3.9.3	Fluctuations in Value .....	6-11
6.1.3.10	Principal Residence and Related Personal Effects .....	6-11
Form 6-2	If QDT Property Has Fair Market Value Greater than \$2,000,000 .....	6-12
Form 6-3	If QDT Property Has Fair Market Value Less than \$2,000,000 .....	6-13
Form 6-4	Miscellaneous Rules Relating to Qualified Domestic Trusts .....	6-13
Form 6-5	Election to Qualify This Trust .....	6-14
6.1.3.11	Alternative Arrangements or Waivers .....	6-14
6.1.3.12	Governing Instrument Requirements for Certain Revocable and Testamentary Trusts Executed before November 21, 1995 .....	6-14
6.1.3.13	Governing Instrument Requirements for Certain Irrevocable Trusts Executed before November 21, 1995 .....	6-15
6.1.3.14	Generation-Skipping Transfer Tax Issues .....	6-15
6.1.4	Use of the Bypass Trust for Surviving Non-Citizen Spouse .....	6-16
6.1.5	Special Portability Rules for QDOTs .....	6-16
6.2	U.S. Estates of Non-Resident, Non-Citizens .....	6-17
6.2.1	What Is Subject to Gift and Estate Tax? .....	6-17
6.2.1.1	Bank Accounts .....	6-18
6.2.1.2	Shares of Stock .....	6-18
6.2.1.3	Debt Obligations .....	6-18
6.2.1.4	Proceeds of Life Insurance .....	6-19
6.2.1.5	Real Property and Tangible Personal Property ..	6-19
6.2.1.6	Mortgaged Property .....	6-19
6.2.2	What Is Subject to Generation-Skipping Transfer Tax? .....	6-19
6.2.3	Special Tax on “Covered” Gifts or Bequests .....	6-20

## CONTENTS

6.3	Treaty Issues for Property Located Outside the Domicile .....	6-24
6.4	The Foreign Death Tax Credit .....	6-25
6.4.1	Calculation of the FTC .....	6-26
6.4.2	Choosing between the FTC and a Treaty Deduction .....	6-27
6.5	Foreign Trusts .....	6-27
6.5.1	Definition of Foreign Trust .....	6-27
6.5.2	“Inbound” Grantor Trusts with Foreign Owners .....	6-28
6.5.2.1	Trusts Established by Non-U.S. Persons .....	6-29
6.5.2.2	Grandfathered Trusts .....	6-29
6.5.2.3	Exceptions .....	6-29
6.5.2.4	Information Reporting .....	6-30
6.5.2.5	Miscellaneous Provisions .....	6-32
6.5.2.5.1	Accumulation Distribution Interest Clause .....	6-32
6.5.2.5.2	Loans .....	6-32
6.5.2.5.3	Distributions through Intermediaries .....	6-32
6.5.3	“Outbound” Grantor Trusts with U.S. Owners .....	6-33
6.6	The Multinational Executive and Other Migratory Clients .....	6-34
6.7	Reporting Obligations for Foreign Accounts, Foreign Entities and Foreign Gifts. ....	6-34
<b>CHAPTER 7 DISCLAIMER PLANNING .....</b>		<b>7-1</b>
7.1	“Disclaimer” Defined .....	7-1
7.2	“Qualified Disclaimer” General Requirements .....	7-2
7.2.1	Requirement of Writing .....	7-2
7.2.2	Requirement of Non-Acceptance .....	7-3
7.2.2.1	Acceptance of Community Property .....	7-3
7.2.2.2	Acting in Concert to Accept Tax Benefits .....	7-5
7.2.3	Requirement of No Direction and Alternate Takers .....	7-6
7.3	Planning by the Original Transferor for Disclaimers by Beneficiaries ..	7-6
7.3.1	Arizona Default Provisions for Alternate Takers .....	7-6
7.3.2	Substitute Dispositions Provided by the Donor .....	7-7
7.3.3	Separate Interest Rule .....	7-8
7.3.3.1	Horizontal Disclaimers .....	7-8
7.3.3.2	Vertical Disclaimers .....	7-9
7.3.4	Planning by the Donor for Disclaimers by the Surviving Spouse .....	7-10
	Form 7-1 Surviving Spouse’s Disclaimer (Residue) .....	7-11
	Form 7-2 Surviving Spouse’s Disclaimer (Retirement Benefits) .....	7-13
7.3.5	Planning by the Donor for Disclaimers by Fiduciaries .....	7-13
	Form 7-3 Renunciation or Disclaimer of Trustee’s Powers .....	7-14
7.4	Disclaimer Planning for the Disclaimant .....	7-15
7.5	Use of Section 2518(c) of the Code: Disclaimer by Transfer Document .....	7-18
<b>CHAPTER 8 VALUATION ISSUES.....</b>		<b>8-1</b>
8.1	Estate “Freezes”: Discounts by Leverage with Deductible Interests ....	8-1



8.1.1	Transfers of Business Interests: I.R.C. § 2701 .....	8-1
8.1.1.1	Gift and Estate Tax Advantages of Transfers of Business Interests .....	8-3
8.1.1.2	Exceptions to the Application of Section 2701 of the Code .....	8-3
8.1.1.3	What Is Included within Section 2701? .....	8-5
8.1.1.4	Attribution Rules .....	8-7
8.1.1.5	Valuation Methodology .....	8-8
8.1.1.6	When Qualified Payments Are Not Made or Are Not Made on Time .....	8-12
8.1.1.7	Planning with Elections .....	8-13
8.1.2	Transfers in Trust: I.R.C. § 2702 .....	8-14
8.1.2.1	Gift and Estate Tax Advantages of Retained Lead Interest Trusts .....	8-14
8.1.2.1.1	Gift Tax Requirements .....	8-15
8.1.2.1.2	Estate Tax Consequences of a Retained Lead Interest Trust .....	8-16
	Form 8-1 Death Taxes Not Prorated .....	8-18
	Form 8-2 Proration of Death Tax .....	8-18
8.1.2.1.3	Generation-Skipping Transfer Tax (GSTT) Implications of Retained Lead Interest Trusts .....	8-19
8.1.2.1.3A	GRAT Sale of a Remainder Interest .....	8-20
8.1.2.1.4	Income Tax Consequences of Retained Lead Interest Trusts .....	8-21
8.1.2.2	Grantor Retained Income Trusts (GRITs) .....	8-21
8.1.2.3	Qualified Grantor Retained Annuity Trusts (GRATs) .....	8-23
8.1.2.4	Qualified Grantor Retained Unitrusts (GRUTs) .....	8-26
8.1.2.5	Graduated GRATs and GRUTs .....	8-28
	Form 8-3 Graduated GRAT Provision for Three-Year GRAT .....	8-28
8.1.2.6	Specific Requirements of GRATs and GRUTs .....	8-29
8.1.2.7	GRAT and GRUT Planning for the Arizona Married Couple .....	8-30
8.1.2.8	Undeveloped Real and Tangible Personal Property Trusts .....	8-31
8.1.2.9	Personal Residence Trusts (PRTs) and Qualified Personal Residence Trusts (QPRTs) .....	8-32
8.1.2.10	Unique Income Tax Requirements of PRTs and QPRTs .....	8-36
	Form 8-4 Trustor's Retained General Power of Appointment .....	8-38

## CONTENTS

8.1.2.11	Retention of the Use of the Residence by the Grantor after the Lead Interest Terminates . . . . .	8-38
	Form 8-5 Prohibition of Sale to Trustor . . . . .	8-40
	Form 8-6 Trustor's Power to Substitute Trust Property . . . . .	8-40
	Form 8-7 Trustor's Power to Lease Trust Property . . . . .	8-41
8.1.2.12	Arizona Property Tax Consequences of PRTs and QPRTs . . . . .	8-43
8.1.2.13	Unique Characteristics of Personal Residence Trusts. . . . .	8-43
	Form 8-8 Commutation of Trustor's Interest. . .	8-44
8.1.2.14	Unique Characteristics of the Qualified Personal Residence Trust . . . . .	8-44
	Form 8-9 Distribution of Excess Cash to Trustor. . . . .	8-45
8.1.2.15	PRT and QPRT Planning for the Married Couple Resident in Arizona or with Arizona Real Estate . . . . .	8-47
	8.1.2.15.1 Single Spousal PRTs and QPRTs . .	8-47
	8.1.2.15.2 Individual, Separate PRTs or QPRTs . . . . .	8-47
	8.1.2.15.3 PRT or QPRT by Only One Spouse Established during the Lives of Both Spouses . . . . .	8-48
	8.1.2.15.4 PRT or QPRT by Only One Spouse Established after the Death of the First Spouse to Die. . .	8-49
8.1.2.16	Sale of Remainder Interests . . . . .	8-49
8.2	Private Annuities and Installment Sales . . . . .	8-49
8.2.1	Private Annuities . . . . .	8-50
8.2.1.1	Income Tax Consequences . . . . .	8-50
	8.2.1.1.1 Before Proposed Treasury Regulations . . . . .	8-50
	8.2.1.1.2 After Proposed Treasury Regulations . . . . .	8-52
8.2.1.2	Gift Tax Consequences . . . . .	8-53
8.2.1.3	Estate Tax Consequences . . . . .	8-53
8.2.1.4	Advantages of Private Annuities over Self-Cancelling Installment Notes (SCINs). . . . .	8-54
8.2.2	Self-Cancelling Installment Notes (SCINs) . . . . .	8-54
	8.2.2.1 Income Tax Consequences of a SCIN . . . . .	8-55
	8.2.2.2 Gift Tax Consequences of a SCIN . . . . .	8-55
	8.2.2.3 Estate Tax Consequences of a SCIN . . . . .	8-56
	8.2.2.4 Advantages of SCINs over Private Annuities . . . . .	8-56

8.2.3	Installment Sales . . . . .	8-57
8.2.4	Sale to an Intentionally Defective Grantor Trust . . . . .	8-58
8.2.5	Use of Formula Clauses . . . . .	8-60
<b>CHAPTER 9 BUSINESS ENTITIES IN THE ESTATE</b>		
	<b>PLANNING CONTEXT . . . . .</b>	<b>9-1</b>
9.1	Types of Entities . . . . .	9-1
9.2	Family Limited Partnerships . . . . .	9-2
9.2.1	Federal Income Tax Treatment . . . . .	9-2
9.2.1.1	Transfers of Interests . . . . .	9-3
9.2.1.2	Contributions of Property . . . . .	9-3
9.2.1.3	Distributions . . . . .	9-4
9.2.1.4	Self-Employment Tax . . . . .	9-5
9.2.1.5	Redemptions . . . . .	9-5
9.2.1.6	Liquidations . . . . .	9-5
9.2.1.7	Conversion to Other Types of Entities . . . . .	9-6
9.2.1.8	Family Partnership Rules: Section 704(e) of the Code . . . . .	9-6
9.2.2	Arizona Income Tax Treatment . . . . .	9-9
9.2.3	Advantages of Using Family Partnerships . . . . .	9-9
9.2.4	Disadvantages of Family Partnerships . . . . .	9-10
9.3	Limited Liability Companies (LLCs) . . . . .	9-11
9.3.1	Federal Taxation of Limited Liability Companies . . . . .	9-11
9.3.2	Arizona Income Taxation of Limited Liability Companies . . . . .	9-12
9.3.3	Advantages of Limited Liability Companies . . . . .	9-12
9.4	S Corporations . . . . .	9-12
9.4.1	Formation . . . . .	9-13
9.4.2	Eligible Shareholders . . . . .	9-13
9.4.3	Limitation on Number of Shareholders . . . . .	9-14
9.4.4	Restriction on Capital Structure . . . . .	9-14
9.4.5	Income Taxation of S Corporation . . . . .	9-15
9.4.5.1	Federal . . . . .	9-15
9.4.5.2	Arizona . . . . .	9-15
9.4.6	Shareholder's Basis . . . . .	9-15
9.4.7	Income Taxation of Shareholders . . . . .	9-16
9.4.8	Special Allocations . . . . .	9-16
9.4.9	Transferability of Shares . . . . .	9-17
9.4.10	Conversion to Other Types of Entities . . . . .	9-17
9.5	"Check-the-Box" Regulations and the Income Taxation of Entities in Arizona . . . . .	9-17
9.6	Comparative Issues . . . . .	9-19
9.6.1	Valuation Discounts Common to FLPs, LLCs and S Corporations . . . . .	9-19
9.6.1.1	Introduction . . . . .	9-19
9.6.1.2	Estate Inclusion . . . . .	9-20
9.6.1.3	Control over Entity . . . . .	9-24
9.6.1.4	Gifts of Present Interest . . . . .	9-24
9.6.1.5	Step Transaction Doctrine . . . . .	9-25
9.6.2	Chapter 14 Issues . . . . .	9-27

## CONTENTS

9.6.2.1	Chapter 14 Special Valuation Rules . . . . .	9-27
9.6.2.1.1	Section 2701 of the Code . . . . .	9-27
9.6.2.1.2	Section 2702 of the Code . . . . .	9-28
9.6.2.1.3	Section 2703 of the Code . . . . .	9-28
9.6.2.1.4	Section 2704 of the Code . . . . .	9-30
9.6.3	Possible Advantages of FLPs over LLCs . . . . .	9-31
9.6.4	Possible Advantages of FLPs and LLCs over S Corporations . . . . .	9-32
9.7	Considerations for Particular Circumstances . . . . .	9-32
9.7.1	Passive Assets . . . . .	9-32
9.7.1.1	Real Estate . . . . .	9-32
9.7.1.2	Marketable Securities . . . . .	9-34
9.7.2	Operating Businesses and Closely-Held Companies . . . . .	9-35
	Form 9-0 Voting of Controlled Corporation Stock . . . . .	9-35
9.8	Financing the Payment of Estate Taxes on the Business Entity — Statutory Assistance . . . . .	9-36
9.8.1	Special Use Valuation . . . . .	9-36
9.8.2	Estate Tax Deduction for Qualified Family-Owned Businesses . . . . .	9-37
9.8.3	Section 303 Redemption to Pay Estate Taxes and Administration Expenses . . . . .	9-41
9.8.4	Section 6166 Deferral of Estate Taxes for Closely Held Businesses . . . . .	9-42
9.8.5	Section 6161 Deferral for Reasonable Cause or Hardship . . . . .	9-43
9.9	Financing the Payment of Estate Taxes on the Business Entity — Use of Life Insurance . . . . .	9-44
9.9.1	Who Is the Proper Insured? . . . . .	9-44
9.9.2	For What Purpose Is the Insurance Being Obtained? . . . . .	9-46
9.9.3	How Much Insurance Is Needed? . . . . .	9-46
9.9.4	What Is the Proper Type of Insurance and What Is the Appropriate Premium Level? . . . . .	9-46
9.9.4.1	Term Life Insurance . . . . .	9-46
9.9.4.2	Cash Value Life Insurance . . . . .	9-47
9.9.4.2.1	Whole Life . . . . .	9-47
9.9.4.2.2	Universal Life . . . . .	9-47
9.9.4.2.3	Survivor Joint-Life . . . . .	9-48
9.9.4.2.4	Survivorship Life . . . . .	9-48
9.9.4.3	Due Diligence . . . . .	9-49
9.9.4.4	Portfolio Diversification . . . . .	9-49
9.10	Business Purchase Agreements . . . . .	9-49
9.10.1	Purpose of Buy-Sell Agreements . . . . .	9-49
9.10.2	Types of Buy-Sell Agreements . . . . .	9-50
9.10.2.1	In General . . . . .	9-50
9.10.2.2	Cross-Purchase Agreements . . . . .	9-50
	Form 9-1 Subsequent Right of Refusal in Members . . . . .	9-50
	Form 9-2 Mandatory Buy-Out; Members Buy; Installments Permitted . . . . .	9-51

9.10.2.3	Redemption Agreements . . . . .	9-52
	Form 9-3 Company Right of First Refusal . . . . .	9-52
	Form 9-4 Optional Buy-Out; Company Buys; Cash Purchase . . . . .	9-53
9.10.2.4	Hybrid (Combination Cross-Purchase and Redemption) Agreements . . . . .	9-54
9.10.2.5	Sale to ESOP . . . . .	9-54
9.10.3	Funding and Payment Method . . . . .	9-55
9.10.3.1	Funding. . . . .	9-55
9.10.3.2	Price . . . . .	9-56
9.10.4	State Law Restrictions on Redemptions . . . . .	9-58
9.10.5	Income Tax Consequences . . . . .	9-58
9.10.5.1	C Corporations . . . . .	9-58
9.10.5.2	S Corporations . . . . .	9-59
9.10.6	Effect of Buy-Sell Agreement and Other Restrictions upon Gift, Estate and Generation-Skipping Transfer Tax Values . . . . .	9-60
9.11	Non-Tax Issues Related to Business Succession. . . . .	9-63
<b>CHAPTER 10 RETIREMENT PLANS IN ESTATE PLANNING . . . . .</b>		<b>10-1</b>
10.1	Qualified Retirement Plans and Individual Retirement Accounts (IRAs) . . . . .	10-1
10.1.1	Use of Qualified Retirement Plans and IRAs for Lifetime Gifts . . . . .	10-1
10.1.2	Testamentary Distributions of Qualified Retirement Plans and IRAs . . . . .	10-2
10.1.2.1	Required Minimum Distributions . . . . .	10-3
10.1.2.2	Distributions to Surviving Spouse and Spousal Rollovers. . . . .	10-7
	10.1.2.2.1 Methods of Payment. . . . .	10-7
10.1.2.3	Use of Qualified Retirement Plans and IRAs in Charitable Giving . . . . .	10-15
10.1.2.4	Exclusion of Life Insurance in Qualified Plans . . . . .	10-17
10.1.2.5	Community Property Interests of the Non-Participant Spouse . . . . .	10-20
	Form 10-1 Gift of Non-Probate Assets to Spouse . . . . .	10-21
10.1.2A	Inherited IRAs. . . . .	10-21
10.1.3	Payment of Estate Taxes on Qualified Retirement Plans and IRAs: Preservation of the Income-Tax-Free Environment . . . . .	10-22
10.1.4	Creditor Protection . . . . .	10-22
10.2	Use of Non-Qualified Deferred Compensation Plans in Estate Planning . . . . .	10-23
10.2.1	“Rabbi” and Secular Trusts. . . . .	10-25
10.2.2	Golden Parachutes and Handcuffs . . . . .	10-26
10.2.3	Treatment of Split-Dollar as Deferred Compensation Arrangement . . . . .	10-27

CONTENTS

10.2.4	Estate Tax Issues . . . . .	10-27
<b>CHAPTER 11 ESTATE, GIFT AND GENERATION-SKIPPING TAX LIABILITY AND APPORTIONMENT.....</b>		<b>11-1</b>
11.1	The Estate Tax. . . . .	11-1
11.1.1	The Federal Default Rules . . . . .	11-1
11.1.2	The Arizona Default Rules . . . . .	11-4
11.1.3	Planning Techniques for the Payment of Estate Taxes . . . . .	11-4
	Form 11-1 Death Taxes Non-Prorated and Paid from Revocable Trust (Revocable Trust). . . . .	11-5
	Form 11-2 Death Taxes Non-Prorated and Paid from Revocable Trust (Will) . . . . .	11-5
	Form 11-3 Allocation of Death Taxes to Specific Trust (Will) . . . . .	11-6
	Form 11-4 Death Taxes Attributable to QTIP Trust Not Prorated . . . . .	11-7
	Form 11-5 Allocation of Death Taxes Attributable to QTIP Trust . . . . .	11-7
	Form 11-6 Payment of Beneficiary's Death Taxes from Trust upon Beneficiary's Death . . . . .	11-8
11.2	The Federal Gift Tax . . . . .	11-9
11.2.1	Gift-Splitting and the Arizona Couple . . . . .	11-9
11.2.2	Gifts of QTIP Property . . . . .	11-10
11.3	Net Gifts and the Illiquid Estate . . . . .	11-11
11.3.1	Calculation of the Gift Tax . . . . .	11-11
11.3.2	Effect on Donor's Estate . . . . .	11-12
11.4	The Generation-Skipping Transfer Tax. . . . .	11-12
<b>CHAPTER 12 ESTATE PLANNING WITH LIFE INSURANCE . . . . .</b>		<b>12-1</b>
12.1	The Removal of the Proceeds from the Taxable Estate. . . . .	12-2
12.1.1	Use of Life Insurance Trusts . . . . .	12-3
	Form 12-1 Power to Transact Business with Interested Persons. . . . .	12-4
12.1.2	The Insured as Trustee . . . . .	12-4
	Form 12-2 Power to Deal with Insurance. . . . .	12-6
12.1.3	Payment of Premiums by the Insured . . . . .	12-6
12.1.4	Multiple Owners . . . . .	12-8
12.1.5	Payment of Premiums by Another . . . . .	12-8
12.1.6	<i>Crummey</i> Withdrawal Powers. . . . .	12-9
	12.1.6.1 In General. . . . .	12-9
	12.1.6.2 Use of <i>Crummey</i> Powers for Substantial Premiums . . . . .	12-10
12.2	Split-Dollar Life Insurance Arrangements for the Payment of Premiums . . . . .	12-11
12.2.1	Split-Dollar Arrangements between the Payor and a Third Party. . . . .	12-19
12.2.2	Split-Dollar Arrangements with S Corporations and Partnerships . . . . .	12-19

12.2.3	Split-Dollar Arrangements and the Majority Owner of a Corporation . . . . .	12-20
12.2.4	Terminating “Equity” Split-Dollar Arrangements under Final Split-Dollar Regulations . . . . .	12-22
12.2.5	Private Split-Dollar Arrangements . . . . .	12-23
12.3	Arizona Community Property Issues with Life Insurance . . . . .	12-24
12.3.1	Who Owns the Policy, Proceeds, or Incidents of Ownership? . . . . .	12-24
12.3.2	Providing for the Income Needs of the Non-Insured Spouse . . . . .	12-25
12.3.3	Reciprocal Transfer Doctrine . . . . .	12-26
12.4	Life Insurance “Transfer-for-Value” Issues. . . . .	12-27
12.4.1	The “Basis” Exception to the Transfer-for-Value Rule. . . . .	12-29
12.4.2	Statutorily Protected Transferees . . . . .	12-30
12.4.2.1	The Insured. . . . .	12-30
12.4.2.2	A Partner of the Insured . . . . .	12-31
12.4.2.3	A Partnership in Which the Insured Is a Partner . . . . .	12-32
12.4.2.4	A Corporation in Which the Insured Is an Officer or a Shareholder . . . . .	12-32
<b>CHAPTER 13 CHARITABLE GIFT PLANNING . . . . .</b>		<b>13-1</b>
13.1	Closely Held Corporate Charitable Contributions . . . . .	13-1
13.1.1	Constructive Dividends . . . . .	13-2
13.1.2	Redemption of Charitable Gifts of Business Interests . . . . .	13-2
13.2	Individual Gifts and Bequests . . . . .	13-4
13.2.1	Income Tax Deduction Limits. . . . .	13-4
13.2.1.1	Other Limitations . . . . .	13-6
13.2.2	Unlimited Gift and Estate Tax Deduction. . . . .	13-8
13.2.2.1	Reporting the Gifts. . . . .	13-8
13.2.2.2	Limits on Deduction for Tangible Personal Property . . . . .	13-9
13.3	Charitable Remainder Trusts. . . . .	13-10
13.3.1	General Features of CRTs . . . . .	13-10
13.3.2	Unique Aspects of the Charitable Remainder Unitrust (CRUT) . . . . .	13-13
13.3.2.1	NIMCRUTS . . . . .	13-14
13.3.2.2	Mandatory Provisions . . . . .	13-15
13.3.2.3	Optional Provisions . . . . .	13-17
13.3.3	Unique Aspects of the Charitable Remainder Annuity Trust (CRAT). . . . .	13-18
13.3.3.1	Mandatory Provisions . . . . .	13-19
13.3.3.2	Optional Provisions . . . . .	13-20
13.3.4	Taxation of the Donor . . . . .	13-21
13.3.4.1	Income Tax Deduction . . . . .	13-21
13.3.4.2	Capital Gains . . . . .	13-22
13.3.4.3	Gift Tax. . . . .	13-22
13.3.4.4	Estate Tax . . . . .	13-22

## CONTENTS

	13.3.4.5	Generation-Skipping Transfer Tax . . . . .	13-23
13.3.5		Income Taxation of the Trust . . . . .	13-23
13.3.6		Income Taxation of the Non-Charitable Beneficiary . . . . .	13-25
13.3.7		Prohibited Transactions Rules . . . . .	13-26
13.3.8		Planning Considerations . . . . .	13-27
	13.3.8.1	Funding the CRT . . . . .	13-27
	13.3.8.2	Marital Deduction Planning — Spousal CRT or QTIP with Remainder to Charity . . . . .	13-29
	13.3.8.3	Selecting a Trustee . . . . .	13-29
	13.3.8.4	Choosing the CRUT or the CRAT . . . . .	13-30
	13.3.8.5	Investment Issues . . . . .	13-30
	13.3.8.6	Economics of CRT Planning Need to Be Analyzed . . . . .	13-30
13.3.9		Some Applications . . . . .	13-31
	13.3.9.1	Retirement Plan Supplement or Substitute . . . . .	13-31
	13.3.9.2	Asset Diversification Opportunity . . . . .	13-31
	13.3.9.3	Closely Held Businesses . . . . .	13-32
	13.3.9.4	Charitable Giving and Wealth Replacement . . . . .	13-32
	13.3.9.5	Using Life Insurance and the CRUT as a Tax-Favored Means of Providing an Annuity for Donor's Spouse . . . . .	13-32
	13.3.9.6	Using Commercial Annuity to Fund Non-Charitable Beneficiary's Annuity Interest in CRAT . . . . .	13-33
	13.3.9.7	A Strategy for Dealing with Income in Respect of Decedent (IRD) . . . . .	13-33
13.4		Charitable Lead Trust . . . . .	13-33
	13.4.1	Income Taxation of Lead Trusts . . . . .	13-35
	13.4.2	Drafting Charitable Lead Trusts . . . . .	13-36
	13.4.3	Planning for Lead Trusts . . . . .	13-38
13.5		Gifts of Remainder Interests in Residence or Farm . . . . .	13-39
13.5a		Split-Interests in Tangible Personal Property . . . . .	13-40
13.5b		Conservation Easements . . . . .	13-40
13.6		Private Foundations . . . . .	13-43
	13.6.1	Definition of Private Foundation . . . . .	13-43
	13.6.2	Structure of a Private Foundation . . . . .	13-43
	13.6.3	Prohibited Transaction Rules . . . . .	13-44
	13.6.3.1	Excise Tax on Investment Income — Section 4940 of the Code . . . . .	13-44
	13.6.3.2	Taxes on Self-Dealing — Section 4941 of the Code . . . . .	13-44
	13.6.3.3	Minimum Distributions — Section 4942 of the Code . . . . .	13-46
	13.6.3.4	Excess Business Holdings — Section 4943 of the Code . . . . .	13-47
	13.6.3.5	Jeopardy Investments — Section 4944 of the Code . . . . .	13-48
	13.6.3.6	Taxable Expenditures — Section 4945 of the Code . . . . .	13-49



13.6.3.7	Additional Taxes/Abatement . . . . .	13-50
13.6.4	Qualification as a 501(c)(3) Organization . . . . .	13-50
13.6.5	Filing Requirements for Private Foundations . . . . .	13-51
13.6.6	Should a Private Foundation Be Created? . . . . .	13-51
13.7	Alternatives to Private Foundations . . . . .	13-51
13.7.1	Private Operating Foundation . . . . .	13-51
13.7.2	Restricted Gift to Public Charity . . . . .	13-52
13.7.3	Donor Directed Fund . . . . .	13-52
13.7.4	Donor Advised Fund . . . . .	13-52
13.7.5	Supporting Organization . . . . .	13-54
13.7.6	Publicly Supported Charity . . . . .	13-56
<b>APPENDIX A</b>	<b>ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 . . . . .</b>	<b>APP A-1</b>
<b>APPENDIX B</b>	<b>INTERNAL REVENUE CODE — ESTATE AND GIFT TAXES (SUBTITLE B, §§ 2001-2704). . . . .</b>	<b>APP B-1</b>
<b>APPENDIX C</b>	<b>TREASURY REGULATIONS — ESTATE AND GIFT PROVISIONS (UNDER SUBTITLE B). . . . .</b>	<b>APP C-1</b>
<b>APPENDIX D</b>	<b>WILL: UNMARRIED TESTATOR/TESTATRIX, SIMPLE — OPTIONAL TRUST FOR MINORS — OPTIONAL PROVISION FOR APPOINTING GUARDIAN AND CONSERVATOR . . . . .</b>	<b>APP D-1</b>
<b>APPENDIX E</b>	<b>WILL: MARRIED TESTATOR/TESTATRIX, SIMPLE — CONFIRMATION OF SPOUSAL INTEREST IN COMMUNITY PROPERTY — OPTIONAL TRUST FOR MINORS — OPTIONAL PROVISION FOR APPOINTING GUARDIAN AND CONSERVATOR. . . . .</b>	<b>APP E-1</b>
<b>APPENDIX F</b>	<b>WILL: UNMARRIED TESTATOR/TESTATRIX, POUR-OVER . . . . .</b>	<b>APP F-1</b>
<b>APPENDIX G</b>	<b>WILL: MARRIED TESTATOR/TESTATRIX, POUROVER — CONFIRMATION OF SPOUSAL INTEREST IN COMMUNITY PROPERTY . . . . .</b>	<b>APP G-1</b>
<b>APPENDIX H</b>	<b>REVOCABLE TRUST: ONE TRUSTOR (UNMARRIED), SIMPLE . . . . .</b>	<b>APP H-1</b>
<b>APPENDIX I</b>	<b>REVOCABLE TRUST: TWO TRUSTORS (MARRIED), FRACTIONAL MARITAL DEDUCTION FORMULA — SURVIVOR'S AND BYPASS TRUSTS. . . . .</b>	<b>APP I-1</b>
<b>APPENDIX J</b>	<b>REVOCABLE TRUST: TWO TRUSTORS (MARRIED), PECUNIARY MARITAL DEDUCTION FORMULA — SURVIVOR'S, BYPASS, AND QTIP TRUSTS WITH GST PLANNING. . . . .</b>	<b>APP J-1</b>
<b>APPENDIX K</b>	<b>REVOCABLE TRUST: PECUNIARY BYPASS FORMULA — SURVIVOR'S AND BYPASS TRUSTS. . . . .</b>	<b>APP K-1</b>

CONTENTS

APPENDIX L	IRREVOCABLE TRUST: ONE TRUSTOR (MARRIED), <i>SURVIVING SPOUSE AND CHILDREN BENEFICIARIES</i> — PRESENT INTEREST WITHDRAWAL POWER FOR ANNUAL GIFT TAX EXCLUSION — <i>PRIMARYLY USED FOR LIFE INSURANCE</i> . . . . .	APP L-1
APPENDIX M	IRREVOCABLE TRUST: ONE TRUSTOR, <i>ONE CHILD BENEFICIARY</i> — PRESENT INTEREST WITHDRAWAL POWER FOR ANNUAL GIFT TAX EXCLUSION — DISTRIBUTION OF PRINCIPAL AT AGES 25, 30, AND 35 . . . . .	APP M-1
APPENDIX N	IRREVOCABLE TRUST: ONE TRUSTOR, <i>MULTIPLE CHILDREN BENEFICIARIES (GROUP TRUST)</i> — PRESENT INTEREST HANGING WITHDRAWAL POWERS FOR ANNUAL GIFT TAX EXCLUSION — FINAL DISTRIBUTION OF PRINCIPAL WHEN YOUNGEST CHILD ATTAINS AGE 25 . . . . .	APP N-1
APPENDIX O	IRREVOCABLE TRUST: ONE TRUSTOR, <i>ONE GRANDCHILD BENEFICIARY (GENERATION SKIP)</i> — PRESENT INTEREST WITHDRAWAL POWER FOR ANNUAL GIFT TAX EXCLUSION, AND QUALIFYING FOR GST ANNUAL EXCLUSION — DISTRIBUTION OF PRINCIPAL AT AGES 25, 30, AND 35 . . . . .	APP O-1

INDICES

Subject Index . . . . .	INDEX-1
Forms Index . . . . .	INDEX-30