



**Schwan Financial Group**<sup>LLC</sup>

..... THE COMPLETE PLAN PEOPLE

# Being Valuable vs Creating Value for Your Customers

**John P. Schwan**

**Founder, CEO Schwan Financial Group, LLC**

# Proud to be a Multi-Family Private Office

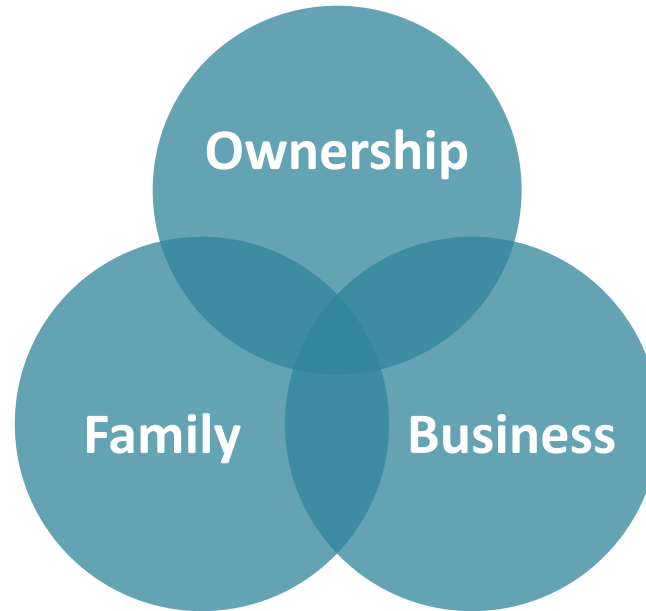


**Helping People Since 1984**

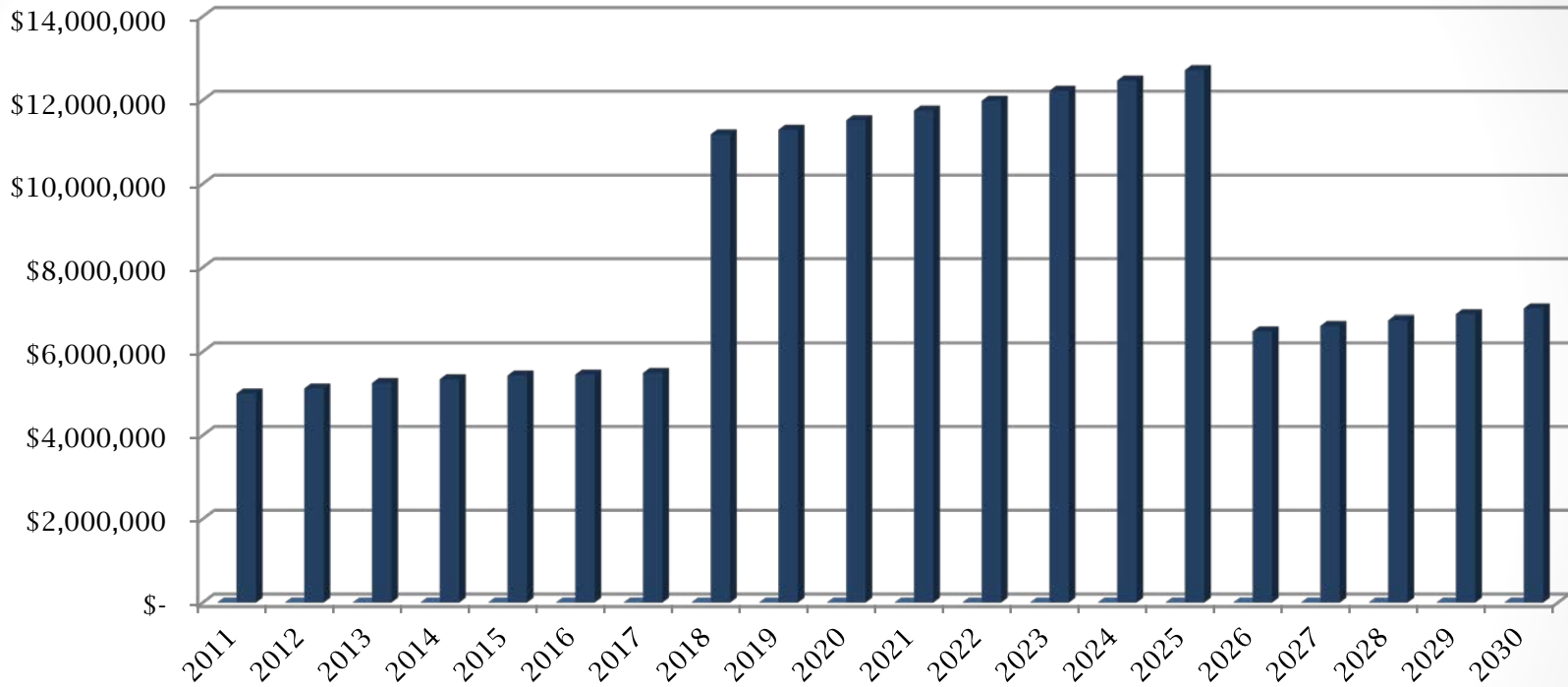
**Estate Planning · Tax Planning  
Portfolio Design & Management · Business Succession**

# Issues Family Wealth Face

- Income & Estate Taxes
- Lifetime Income / Multi-Families
- Family Relationships
- Preparing Heirs
- Succession Planning / Sustainable
- Divorces
- Lawsuits
  - Mismanagement / Shareholder
- Ownership vs Control



# Estate Tax Exemption - Past & Projected

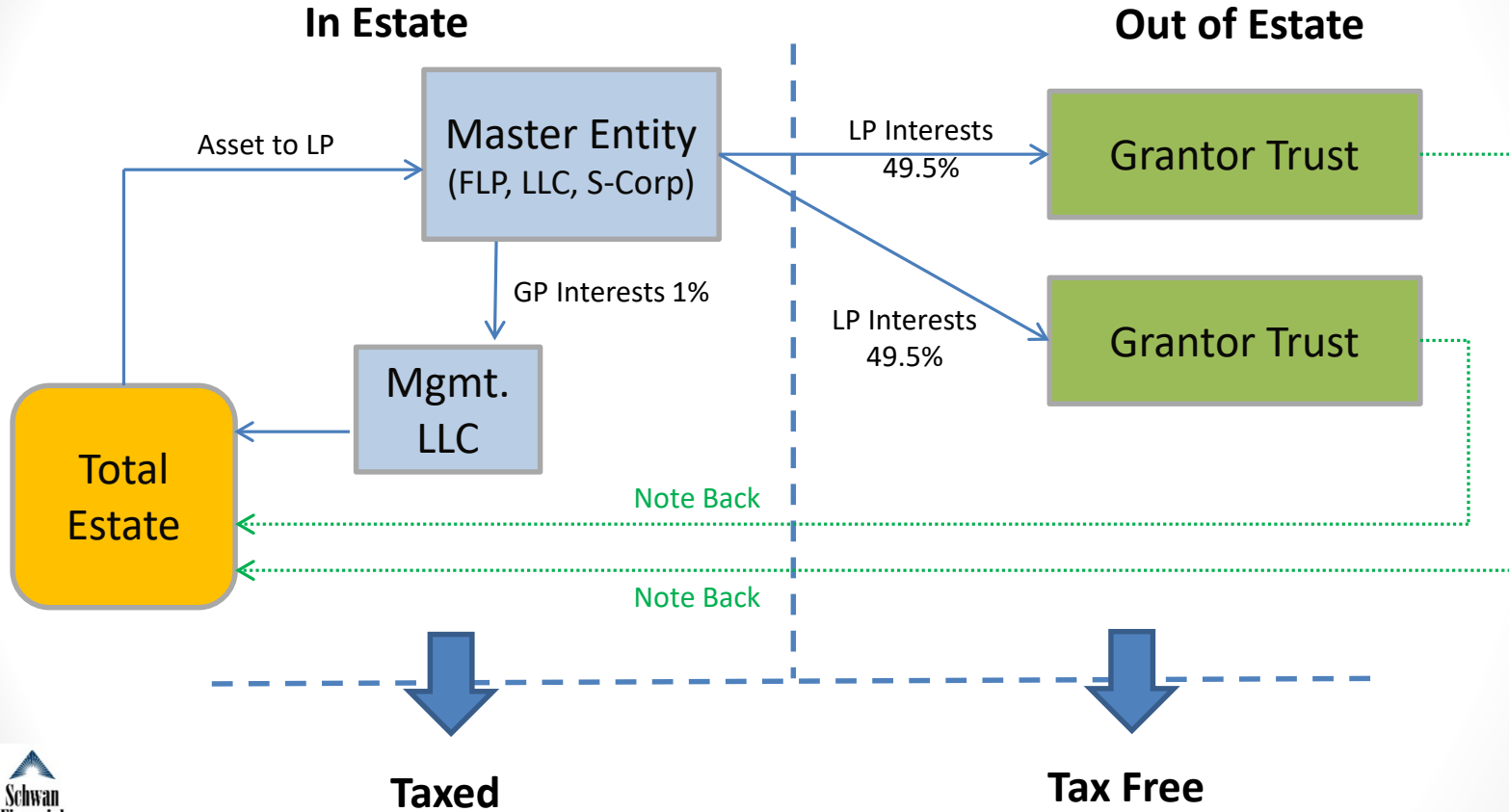


\*Estate and GST Tax - the new law doubles the federal gift, GST, and estate tax exemptions starting in 2018. This law sunsets in 2026 to reverting to 2017 law.

\*Portability - no change in new law

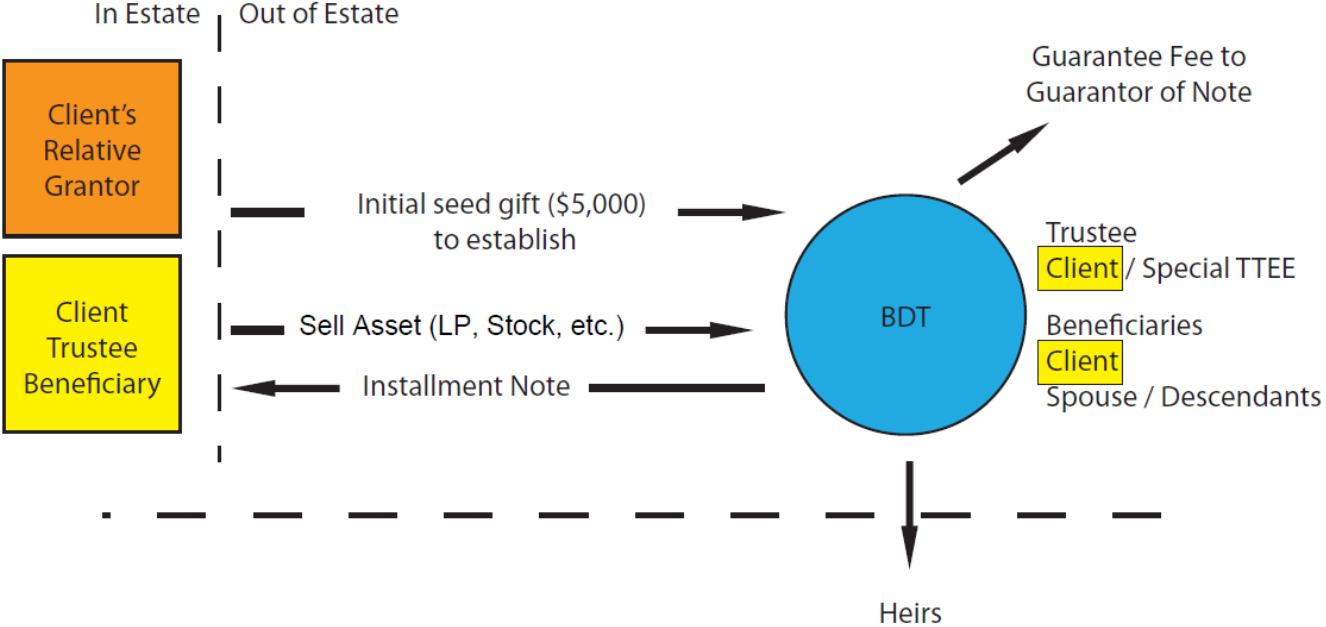
\*Stepped Up Basis - no change in new law

# How the IRS Views Your Estate



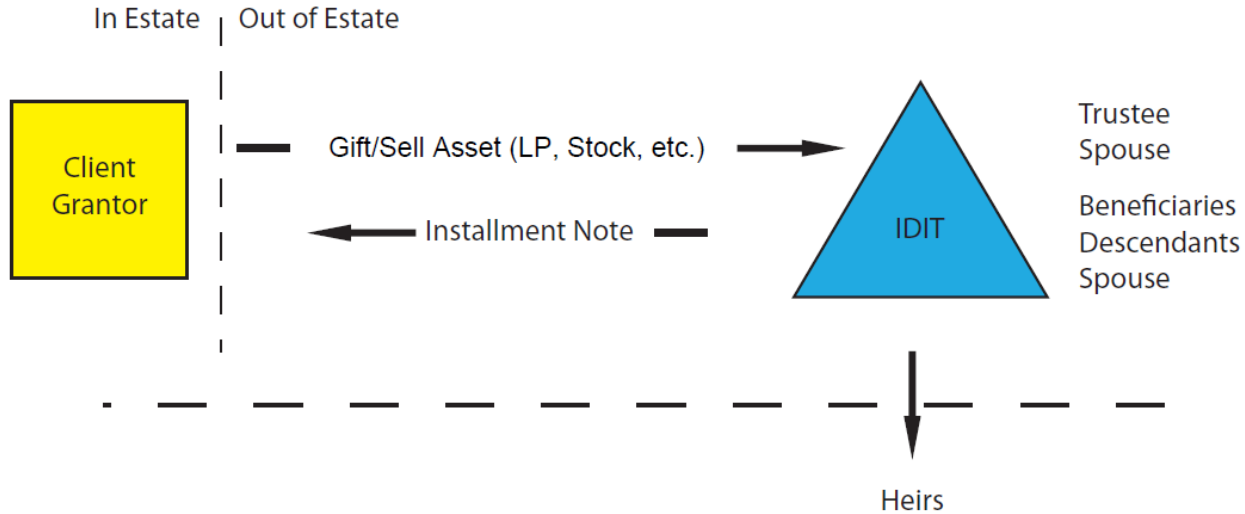
# Trust Planning

## Simple look at a BDT structure



# Trust Planning

## *Simple look at an IDIT structure*



Mr. & Mrs. Valued Client – Estate Flow Chart

2018 - \$11.2 Million Exemption Per Spouse

01-01-18

Each have used \$4,285,817 of their lifetime exemptions

In Estate

Out of Estate

**Mr. & Mrs. Valued Client Total Estate**

S-Corp Voting Stock	\$3,000,000
CRT	\$1,300,000
Liquid assets	\$5,245,000
GLI	\$1,027,000
Home/Motor home	\$500,000
Personal Property, Checking, Other	\$1,000,000
Partnerships	\$16,000
<b>Total</b>	<b>\$12,988,000</b>

**Taxes - State Residence**

State Death Tax  
1<sup>st</sup> death \$ 89,000

**Retirement CRT**  
\$1,300,000  
(6% payout)

**ABC, Inc.**

**Mr. Valued Client Grantor Trust (IDIT)**

Grantor:	_____	xxxx230 (Mr. Client)	\$10,000,000
Trustee:	_____	xxxx5810 (Mrs. Client)	\$10,000,000
Beneficiaries:	Spouse & children	ABC stock	\$15,041,000
		Investments	\$6,716,000
		<b>Total</b>	<b>\$41,757,000</b>

**Mr. Valued Client Irrevocable Trust (BDT)**

Grantor:	_____	ABC stock	\$5,013,000
Family Trustee:	_____	Investments	\$4,277,000
Trustee:	_____		\$9,290,000
Beneficiaries:	Client, Spouse, & descendants		

**Boys' BDT Trusts**

xxxx859 (Child 1)	\$15,065,000
xxxx060 (Child 2)	\$14,849,000
xxxx628 (Child 2)	\$15,737,000
xxxx136 (Child 3)	\$10,547,000
xxxx363 (Child 3)	\$10,443,000
<b>Total</b>	<b>\$66,638,000</b>

**\$29 Plans**  
\$448,000

**Spouse/Marital Trust**

401(k)	\$120,000
CRT	\$1,300,000
Other	\$9,525,000
<b>Total</b>	<b>\$10,945,000</b>

**Taxes - State Residence**

State Death Tax 2<sup>nd</sup> death \$406,000  
Federal Estate Tax 2<sup>nd</sup> death \$1,469,000  
**Total** \$1,875,000

**Bypass Trust**  
\$1,054,000

**Gifts**

ABC stock	\$12,441,000
Investments	\$2,440,000
Current Notes	(\$10,682,000)
New notes - Eyr LP Sale (\$10,993,000)	\$9,847,000
<b>Total</b>	<b>\$3,996,000</b>

**Grandchildren Trust**

xxxx694 (GK 1)	\$2,127,000
xxxx578 (GK 2)	\$2,474,000
xxxx474 (GK 3)	\$2,620,000
xxxx011 (GK4)	\$3,045,000
<b>Total</b>	<b>\$10,266,000</b>

**Transfers to Heirs**  
\$7,600,000

**Charitable Fund**  
\$3,000,000

**Charity**

Pension	\$120,000
CRT	\$1,300,000
Charity Fund	\$3,000,000
Lead trust	\$6,916,000
<b>Total</b>	<b>\$11,336,000</b>

**Lead Trust 4-layer**  
\$7,600,000

**CRT**  
(Not funded, Pension directly to charity)

**Transfers to Children, Grandchildren (G3)**  
\$176,565,000

Total to Heirs: \$184,165,000





# Trust Planning

## Retain Benefits while saving income/estate taxes, 20% 199A deduction under new tax laws

- **Domestic Asset Protection Trust (DAPT)** - Give away assets and remove future appreciation from your estate while retaining the benefit of the assets and having asset protection.
- **Incomplete Non-Grantor Trust (ING)** – Avoid state income tax on current income and capital gains on sale by contributing certain low basis assets to ING Trust.
  - 1202 Stock - Avoid capital gain tax on sale of certain C-Corporation stock
- **Testamentary IRA Trust** –
  - Spendthrift, Creditor, and Divorce protection
  - Special needs planning
  - Investment management
  - Estate planning
  - Control

# Ways to Pay

Objective  
**\$1,000,000**

Options	Total \$	Cost per \$1
Cash	\$1,000,000	\$1.00
Sell Assets	\$1,333,333	\$1.33
Bank Financed (\$115K Annual Payment)	\$1,725,000	\$1.73
Sec. 6166 (Pay \$600 Upfront, \$400K Deferred)	\$1,077,000	\$1.08
Sinking Fund (Save \$45K annually for 15 years)	\$675,000	\$0.68
<b>Pre Funding</b>	<b>\$400,000</b>	<b>\$0.40</b>

NOTE: Preliminary analysis of Insurance Alternatives  
Cash) Assumes liquid cash paid dollar-for-dollar – Savings  
Sell Assets) Assumes assets sold at a discount of 25% - Fire Sale

Bank Financed) Assumes bank financing for 15 years at 8%  
Sec. 6166) Assumes estate meets IRS Code Section §6166 requirements  
Sinking Fund) Assumes annual saving for 15 years at 5% growth after-tax



# Thank You For Your Time and Attention



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