

**TAX DEDUCTABLE  
NATURAL GAS LEASE & ROYALTY  
FINANCIAL PLANNING STRATEGIES**

**Preserving Wealth – Reducing Taxes**  
**BOTH Now and Later**

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**What do you do now?**

**What do you want to happen?**




**Plan Ahead**



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**Family Issues**  
**Avoid Common Mistakes**  
**Evaluate Tax Impact**  
**Estate Planning**  
**Appraisal Issues**  
**Creative Financial Strategies**






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**FAMILY ISSUES**



**Cash Needs?**

**Present**



Pay off Debt, Loans, Credit Cards, Auto, College

**Future**



Planned Upgrades, Rainy Day Fund



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## **FAMILY ISSUES**

**Income**

**Present or Deferred?**

**Retirement Plans**

**Coordinate with Pensions, IRA's, Keogh's**



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## **Avoid Common Mistakes**

**Spontaneous &  
Emotional Spending**

**Trips, Toys, Gifts**

**Income Tax?**







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## EVALUATE THE TAX IMPACT

**Federal & State Income Tax Rate = 40-50%**

### Income Tax

<u>Gross</u>	<u>Tax Due</u>	<u>Net</u>
\$250,000	\$100,000	\$150,000
\$500,000	\$200,000	\$300,000

### Estate Tax

<u>Valuation</u>	<u>Tax Due</u>	<u>Net to Heirs</u>
\$5,000,000	\$2,250,000	\$2,750,000
\$10,000,000	\$4,500,000	\$5,500,000



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## Estate Planning

Limited Liability Company (LLC)  
 Family Limited Partnership (FLP)  
 Dynasty Trust



It is critical to use Professional Services  
 Not a "Do it Yourself" process

**PRESERVE WEALTH & REDUCE TAXES**



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## **Appraisal Issues**

**Non Producing  
Producing  
Gifting LLC/FLP  
Charitable Deductions  
Estate Tax**



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## **Identity Protection**



### **Where to invest**

**Permanent Life Insurance  
Fixed Annuities  
Low Risk Investments  
Hard Assets**

**Don't risk more than you can afford to lose!**



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# Creative Financial Strategies



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## TAX ADVANTAGED STRATEGIES

### Trusts

Legal document drafted by an attorney

**Types:**


Revocable & Irrevocable

**Benefits:**

- Avoid Probate
- Controlled Distributions
- Spendthrift Provisions
- Income Tax Avoidance
- Estate Tax Avoidance
- Special Needs
- Private







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## TAX ADVANTAGED STRATEGIES


**Social Capital**

1. Family
2. Government
3. Charity

Choose 2

**Reduced Taxes adds to Family & Charity**

**Result = Social Legacy = Doing Well by Doing Good**



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## TAX ADVANTAGED STRATEGIES

**Charitable Remainder Trust (CRT)**

- Income Tax Deduction
- Avoids Capital Gain
- Lifetime Income Stream

**CRUT**

**NIMCRUT**

- Lifetime
- Fixed Period
- Immediate or Deferred
- Immediate Income Tax Deduction

**ILIT**

- Used to own Life Insurance to Pay Estate Taxes

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## NET INCOME UNITRUST

Valued Client Age 70

**Initial Amount**  
\$250,000

Valued Client Age 68

**Trust Principal**  
\$250,000

20 Years

**Charity**  
\$25,000

**Income Deferral = 5 years**

**5.7% Unitrust**

1. Transfer asset into trust. Trustee is responsible for management. Income tax deduction of \$75,280 may save \$33,112.
2. Unitrust Annual income amount is \$14,250 payable for twenty years. If trust pays 5.7% income, total lifetime income is \$285,000.
3. After income paid for 20 years, trust principal is paid to charity.

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## NIMCRUT Payout Illustration

**NET INCOME UNITRUST - - AFTER TAX CASH FLOW**

Client Name: Annuity Client (ages 70/68)  
Trust Amount: \$250,000  
Trust Terms: 5 year deferred with 20 year payout

Ordinary Income Tax Rate: 40%  
Capital Gain Tax Rate (if applicable): 15%  
Exclusion Ratio: 60.6%

Payout Year	Gross Income Payout	Tax Free Principal	Ordinary Income	Capital Gain Payout	Net After Tax Cash Flow
1	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
2	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
3	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
4	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
5	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
6	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
7	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
8	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
9	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
10	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
11	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
12	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
13	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
14	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
15	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
16	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
17	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
18	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
19	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
20	\$ 14,250	\$ 8,631	\$ 5,619	\$ -	\$ 12,002
<b>Totals</b>	<b>\$ 285,000</b>	<b>\$ 172,625</b>	<b>\$ 112,376</b>	<b>\$ -</b>	<b>\$ 240,050</b>





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## The NIMCRUT Summary

**Immediate Income Tax Deduction**

**Income for Specified Period**

**Reinsurance**

**25 Year Summary**

All CASH	\$500,000
Split 50/50 CASH & NIMCRUT	\$250,000 / \$250,000

**All CASH must earn 7.25% over 25 years (40% tax bracket) to equal the 50/50 Cash & NIMCRUT option...**



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## Financial Safeguards

Trustee should comply with state reserve requirements by maintaining segregated reserve funds in a **Master Trust Account** for the purpose of securing its planned giving obligations.

### Investment Policy

Assets should be invested in accordance with the provisions of the "**Uniform Prudent Investor Act**". The following objectives are pursued in order of priority:

- |                        |           |
|------------------------|-----------|
| 1. Safety of Principal | 2. Income |
| 3. Liquidity           | 4. Growth |

### Reinsurance

Trustee obtains reinsurance to secure their obligation in order to minimize the investment risk associated with market volatility. All annuities are purchased from insurance companies rated at least "A" or better by A.M. Best.



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## Tax Deductible Education Funding

Children  
Grandchildren  
Relatives  
Special Circumstances



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## Spiritually Speaking...

Psalm 24:1 & 1 Corinthians 10:26

The Earth is the Lord's, and everything in it.

Psalm 33:7

He gathers the waters of the sea together as a heap; He lays up the deeps in storehouses.

Isaiah 58:6-7

<sup>6</sup> "No, this is the kind of fasting I want... <sup>7</sup> Share your food with the hungry, and give shelter to the homeless. Give clothes to those who need them, and do not hide from relatives who need your help."



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## **God's Plan for Abundant Resources...**

**Luke 6:38**

**"Give, and you will receive. Your gift will return to you in full – pressed down, shaken together to make room for more, running over, and poured into you lap. The amount you give will determine the amount you get back."**

**Isaiah 58:8**

**"Then your salvation will come like the dawn, and your wounds will quickly heal. Your godliness will lead you forward, and the glory of the Lord will protect you from behind."**



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