

## Principal Protection and Income Planning

### Situation

A local farmer, referred to us by a current client, was looking for estate and business succession planning assistance. He is a second generation farmer who accumulated significant farmland on his own as well as through inheritance. He has three children, a son (which he has a strained relationship with, who has no interest in farming) and two daughters, both married with children (One daughter's husband is farming with our client and is looking to take over farming operation upon our client's death). On the advice of his CPA, he had set up a C-Corporation for his farming operation and was in the process of annually gifting shares to his two daughters. Our client and his wife are on their second marriage with no common children. His objective is to pass his farm ground equally between his two daughters, bequest a small annuity to his son, and provide a comfortable lifestyle to his wife upon his death.

### Client Snap Shot

Male, age 78

Female, age 71

Net Worth of \$9,000,000

(\$7,000,000 tied up in illiquid farm ground, 1½ in Living Trust and 1½ in Corporation)

Wants to provide his wife with \$50,000 of annual, after tax, income at his death

Estimated estate tax liability of \$1,500,000

(no assets titled in wife's name and all lifetime exemptions were used)

### Strategy/Concept/Recommendation

1. After a full estate review and analysis, we recommended purchasing an individual life policy to cover the majority of the potential estate tax liability.
2. To achieve the objective of passing the assets to his children and providing his wife with income, we recommended implementing a Qualified Terminal Interest Property Trust (QTIP).
3. Since he did not want to transfer farm ground into the QTIP, we recommended he purchase an Equity Indexed Annuity (EIA) to provide his wife with a guaranteed income stream upon his death, principal protection at all times, and participation in market upswings for growth potential.

### Results of Planning

- Purchased a \$1,000,000 guaranteed universal life policy  
Provided his daughters with liquidity to cover potential estate tax need without selling ground
- Completely revised his Will and Living Trust and executed a QTIP trust  
Transferred \$400,000 to the QTIP and purchased an EIA