## Charitable Remainder Unitrust Presentation Input Screen

**Unitrust Questions**

| | |
|---|---|
| Case Name | Case for PGDC news |
| Name for Reports | Phil and Betty Anthropist |
| Date of Transfer | Mar 5, 2015 |
| Trust Period Measured by | Lives (L) |
| Payment Frequency | Quarterly |
| Valuation Date | Begin |
| Payment Date | End |
| Calculate Payout Rate | No |
| Unitrust Payout Rate | 5.000% |

**Beneficiary Information**

| | First Name | Date of Birth | IRS Age | Use |
|---|---|---|---|---|
| Donor | Phil | Jan 1, 1950 | 65 | Yes |
| Spouse | Betty | Jan 1, 1950 | 65 | Yes |

| | |
|---|---|
| Selection Method for AFMR | Use Best Rate |

**Gift Asset Questions**

| | |
|---|---|
| Gift Asset Type | Long Term Capital Gain |
| Value of Asset Transferred | 1,000,000 |
| Cost Basis of Asset | 200,000 |

**Deduction Comparison Questions**

| | |
|---|---|
| Starting Payout Rate | 5.000% |
| Payout Rate Increment | 0.500% |
| Number of Calculations | 20 |

v2015.1

# Charitable Remainder Unitrust

Prepared for Phil and Betty Anthropist

Prepared by Lee Hoffman

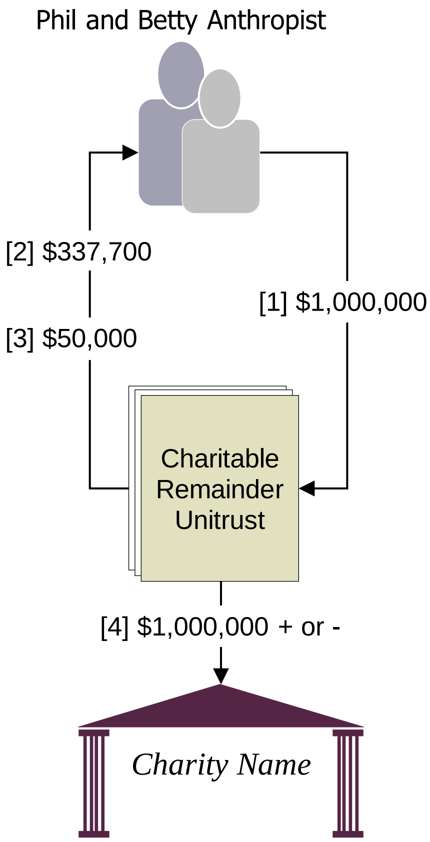
*The following information is intended for educational purposes only and should not be construed as legal, accounting, tax, or investment advice. You should consult your professional advisors prior to relying on any information contained herein.*

# Table of Reports

## What is a Charitable Remainder Unitrust?

A **charitable remainder unitrust** is a custom designed and individually managed trust to which you transfer cash or other assets that you would like to convert into an income stream. The trust is tax-exempt; therefore, when it sells any appreciated assets, it pays no ordinary income or capital gains tax. Furthermore, you may receive an income tax deduction for a significant portion of your gift.

The trust, which you may control, manages the trust assets and pays you (and your spouse or others) an annual income for life, a term of years, or combination, after which, the trust assets are distributed or held for the benefit of the charitable organization(s) you have selected.




[1] Phil and Betty Anthropist will transfer assets valued at $1,000,000 to the trust.

[2] Additionally, an income tax deduction of $337,700 will be generated, which may save as much as $133,729 in taxes.

[3] The trust will distribute income based on the payout rate of 5.0%. The income for the first full year will be approximately $50,000.

[4] When the trust terminates, the value of the trust, based on the $1,000,000 transferred, plus any growth or less any loss in trust value, will be transferred to Charity Name.

## Tax and Financial Benefits

Charitable remainder unitrusts offer several significant tax and financial benefits:

### Capital Gains Deferral

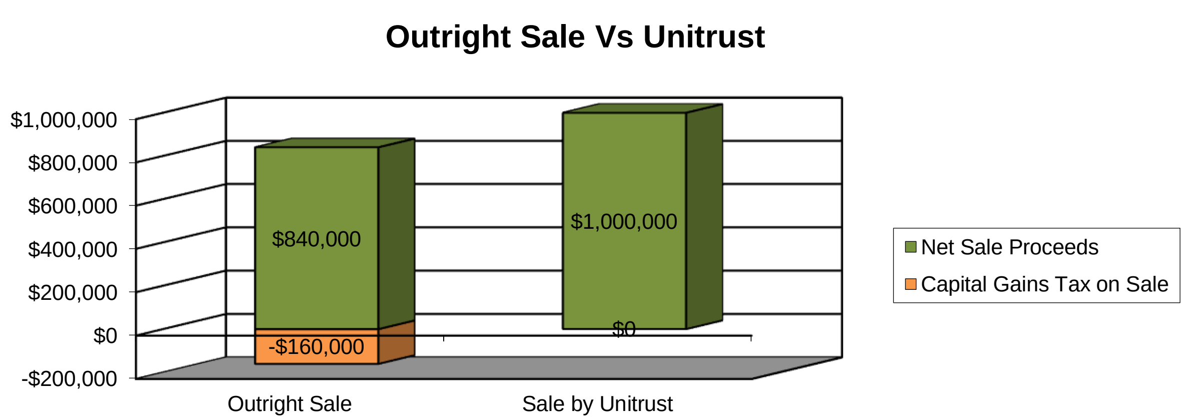
Charitable remainder unitrusts are frequently created by philanthropic individuals who own highly appreciated assets they are reluctant to sell because they would incur a significant capital gains tax.

The transfer of debt-free assets to a qualified charitable remainder unitrust is not considered a sale or exchange. Therefore, you do not realize any capital gain when you transfer appreciated assets to the trust.[1]

In addition, charitable remainder trusts are conditionally exempt from both federal and state income tax.[2] This means the trust does not pay any ordinary income or capital gains taxes when it sells appreciated assets. Income and capital gains are taxable only when they are received by the trust's income recipients under the four-tier system of income accounting. The ability to sell assets without paying capital gains tax increases the amount of capital available for the creation of income to the beneficiaries of the trust.

### Increased Cash Flow

Because a charitable remainder unitrust can sell contributed assets tax-free, 100% of your gift can be reinvested to produce income. This often means greater income than if you had sold the asset on a taxable basis outside the trust and then reinvested the after-tax proceeds.




NOTE: The ability of the unitrust to sell assets without paying capital gains tax preserves capital for the creation of income. The above graph assumes an asset value of $1,000,000 with a cost basis of $200,000. Based on a 20% capital gains tax bracket, the outright sale without the trust produces a capital gains tax of $160,000, reducing the amount available for the creation of income to $840,000. The outright sale produces income of $42,000 while the unitrust produces income of $50,000, assuming a 5% rate of return.

## Tax and Financial Benefits

### Current Income Tax Deduction

When you create a charitable remainder unitrust, you are making a current commitment to a future charitable gift. Because the trust is irrevocable, you may qualify to receive a current income tax deduction for a portion of your gift.

The combination of avoiding capital gains on the sale of contributed assets and a current income tax deduction often means that instead of writing a check at tax time, you might receive one.

**Charitable Remainder Unitrust Income Example**


NOTE: With proper investment management and a conservative payout rate selection, the unitrust can provide increasing income over time. When the trust investments produce a rate of return in excess of the payout rate of the trust, the excess is added to the trust's value. The income paid from the trust is based on the value of assets in the trust, thus income increases. Likewise, reductions in trust value will generate a reduction in income.

### Retained Control

Even though gifts to a charitable remainder unitrust are irrevocable, you can retain the right to choose who manages and administers your trust; as well as the power to substitute the charitable organization(s) that will ultimately receive the remainder interest.

### Continuity of Management

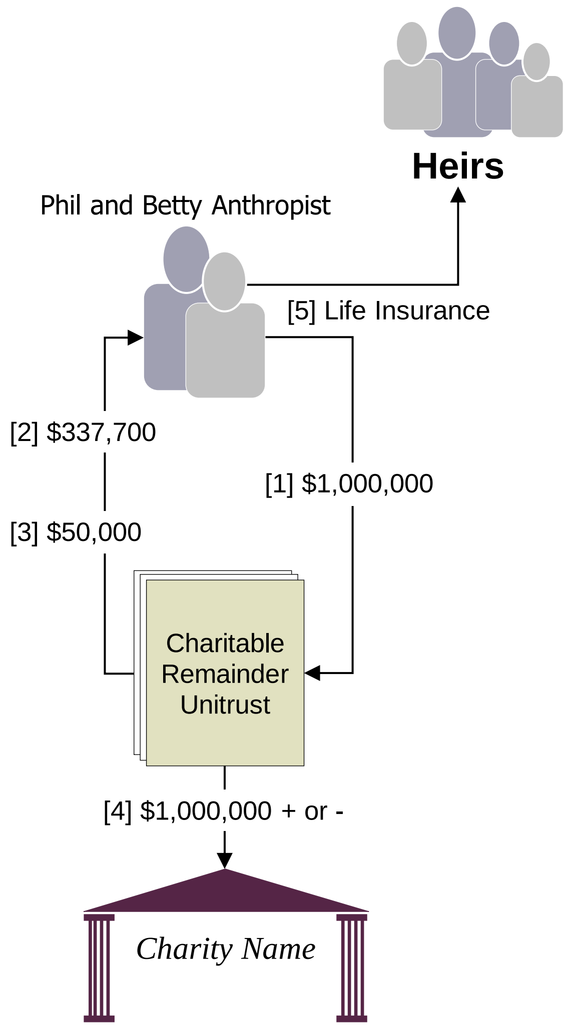
The charitable remainder unitrust not only provides the means to dispose of "high management" assets, it also supplies a mechanism to provide professional investment management during a person's later years when it may be needed most. Charitable remainder unitrusts offer you the peace of mind of knowing that in the event you become incapacitated or disabled, trust assets will be professionally managed and administered to maintain the uninterrupted flow of your income.

### Gift and Estate Tax Planning

Transferring assets to a charitable remainder unitrust that pays income to you (and/or your spouse) completely avoids both gift and estate taxes. Naming others, such as children or grandchildren, as income recipients can reduce your gift and/or estate taxes as well.

## Tax and Financial Benefits

In addition to the gift and estate tax savings generated by the trust itself, the cash flow created by the charitable remainder trust can be coordinated with other estate planning techniques. The most common combination involves transfer of cash from the donor to an irrevocable life insurance trust, or directly to family members, that is then used to purchase insurance on the life or lives or the donor or donors. Commonly referred to as a wealth replacement trust, the concept often enables donors to give more to charity without disinheriting their heirs by replacing the asset given to charity with life insurance proceeds paid for by the additional income and income tax savings created by the trust.




[1] Phil and Betty Anthropist will transfer assets valued at $1,000,000 to the trust.

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[3] The trust will distribute income based on the payout rate of 5.0%. The income for the first full year will be approximately $50,000.

[4] When the trust terminates, the value of the trust, based on the $1,000,000 transferred, plus any growth or less any loss in trust value, will be transferred to Charity Name.

[5] Life insurance proceeds pass to heirs and replace the value of the asset gifted to the trust.

1. Transferring debt-encumbered assets to a charitable remainder unitrust may cause the trust to fail to qualify and is not recommended.
2. A trust that has "unrelated business taxable income" (UBTI) loses its tax-exemption for that year and pays income tax in the same manner as taxable trusts (including capital gains tax on the sale of appreciated assets). With proper management, however, UBTI can be avoided.

## How Unitrusts Distribute Income

A charitable remainder unitrust pays an amount each year equal to a fixed percentage of its value for that year. The percentage payout rate, which is stated in the trust document, must be at least 5% and can be no more than 50%.

Each year, the trust is valued with that amount multiplied by the payout rate. The resulting unitrust amount is distributed to the income recipients that year, subject to the exceptions discussed below. Payments can be made once per year, or in equal monthly, quarterly, or semi-annual installments.

### Payout Options

There are four different payout formats available to charitable remainder unitrusts:

**Standard Unitrust.** As described above, a standard unitrust pays a fixed percentage of the annual value of the trust assets. If the trust does not have sufficient cash to distribute to satisfy its payout obligation, it must distribute assets. Because standard unitrusts always make the required payment, they are typically funded with liquid assets such as cash or marketable assets such as publicly traded securities.

**Net Income Unitrust.** Even though a unitrust is supposed to distribute a fixed percentage of its annual value each year, it can include a net income provision that permits it to pay the lesser of the full unitrust amount and actual trust income. This provision protects the trustee from having to distribute illiquid assets to satisfy its payout obligation during times when it lacks sufficient cash.

**Net Income with Make-Up Unitrust.** In the event the trust includes a net income provision, it can also provide that to the extent trust income in the current year exceeds the required unitrust amount, the trust can distribute any excess income to make up for income deficiencies from prior years. This type of trust is known as a "net income with make-up" unitrust and is designed to balance out income distributions over time.

**Flip Unitrust.** The fourth and final form of unitrust is known as a "flip" unitrust. It begins life as a net income or net income with make-up unitrust and converts or “flips” to a standard unitrust in the year following the happening of a “triggering” event as described in the trust document (such as the sale of the contributed asset). A flip unitrust can offer the best of both worlds in that it protects trust principal during times when the trust holds non-income producing assets, and then maximizes distributable income and simplifies investment management and administration after the asset is sold. The only potential negative is that any unpaid make-up amount is reduced to zero in the year following the triggering event.

## Taxation of Unitrust Distributions

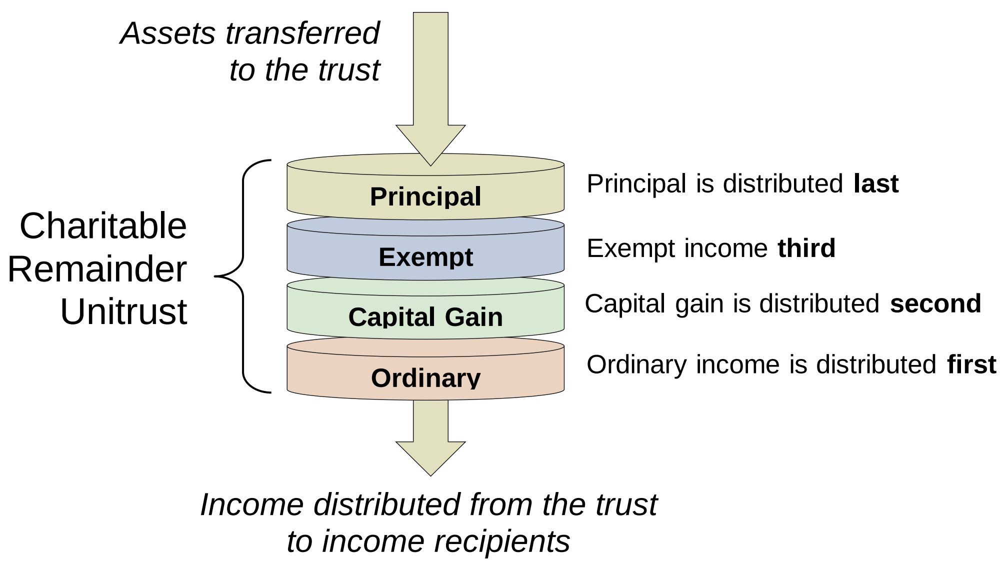
Distributions from a charitable remainder unitrust are taxed to income recipients based on what is known as the **"four-tier system"** of taxation. The system prioritizes the order in which income is distributed from the trust.

Under the four-tier system, to the extent the trust produces any ordinary income in the current or prior years, these amounts are considered distributed first. Capital gains come next, followed by tax-exempt income, and finally trust principal (which is also tax-exempt). As a result, the taxation of income distributions depends entirely on the tax character of the assets you contribute, if and when those assets are sold, and the types of income the trust subsequently earns on its investments.

As a general rule, if you transfer highly appreciated long-term capital gain property to the trust, after which the trustee sells it and reinvests in a balanced portfolio of stocks and bonds, you can expect a portion of your income distributions to be taxable as capital gains and a portion as ordinary income. Conversely, if you transfer tax-exempt bonds and the trustee continues to hold them, your income distributions would be tax-exempt.

After the close of each year, you will receive a Form K-1 that describes the tax character of your income distributions for inclusion on your income tax return.

**Four Tier System of Taxation**



## How Long Does Income Last

A CRUT can be designed to operate for the **life of one or more individuals, a term of up to 20 years, or a combination of life and term**. In most cases, CRUTs are designed to pay income to the donor or donors for their lifetimes.

## Trust Term Options

*The* ***Red vertical line*** *indicates end of trust term.*

**[1] Lives** Trust terminates at the end of the lives of all beneficiaries

The trust lasts for the lives of all beneficiaries, then terminates and the assets pass to charity.

**[2] Term of Years** Trust terminates at the end of a term of years

The trust lasts for a term of years written in the trust document, not to exceed 20 years.

**[3] The Shorter of Lives or Term of Years**

Term of years

Lives of beneficiaries

The trust lasts for a term of years not to exceed 20 or the lives of the beneficiaries, whichever is the shorter of the two.

**[4] The Longer of Lives or Term of Years**

Term of years

Lives of beneficiaries

The trust lasts for a term of years not to exceed 20 or the lives of the beneficiaries, whichever is the longer of the two.

**[5] Lives, Limited to a Term of Years, following Other Lives**

1st Life beneficiaries

Term of years

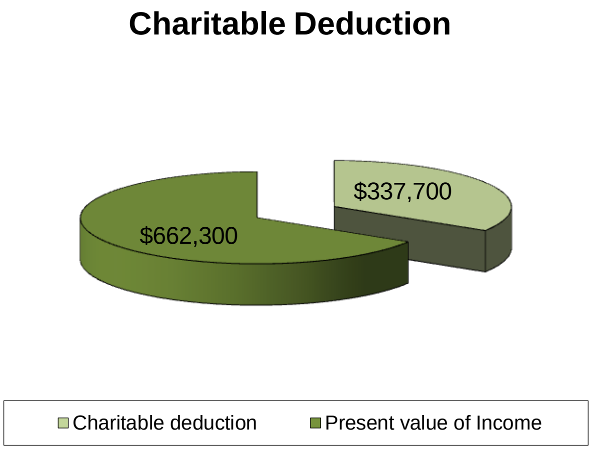
2nd Life beneficiaries

The trust pays income to a first set of life beneficiaries (the parents, as an example), then to a second set of beneficiaries (the children, as an example) for their lives or a term of years, the shorter of (as in option [3] ).

**Planning Note:** When an income beneficiary of a trust is other than the donor or donor's spouse, such as a child or grandchild of the donor, gift and estate tax ramifications of the trust design should be reviewed by the donor's counsel.

## How the Deduction is Calculated

When a donor contributes cash or other assets to a charitable remainder unitrust, the donor not only avoids recognizing capital gain on the sale of the contributed property; but may also receive a current income tax charitable deduction for a portion of the value of the assets transferred to the unitrust.




NOTE: Based on a contribution of $1,000,000, the term of the trust and a payout rate of 5%, the charitable income tax deduction would be $337,700, which may save as much as $133,729 in taxes based on an ordinary income tax bracket of 39.6%.

The deduction is based on the fact the donor is making an irrevocable commitment to a future charitable gift. The amount of the deduction is determined using IRS formulas that calculate the present value of the future gift. Factors used in calculating the deduction include the:

- **fair market value of the assets** transferred on the date of the gift
- **measuring term of the trust**, which may be based on a term of years, the age of the income beneficiaries, or a combination of the two
- unitrust **payout rate**
- **income payment frequency** (annual, semi-annual, quarterly, monthly), and
- **Charitable Federal Midterm Rate** (CFMR) in effect for the month of the gift or (at the election of the donor) during either of the prior two months.

### 10% Rule

In order for the trust to qualify, the present value of the gift must be at least 10% of the fair market value of the assets transferred. Depending on the measuring term of the trust, the 10% rule may limit the number of beneficiaries and/or the payout rate that can be used.

## Claiming the Charitable Deduction

As discussed in the previous section, when the donor makes a contribution to a charitable remainder unitrust, the deduction is based on the present value of the future charitable gift. However, there are limitations and reduction rules that may limit or reduce the amount of deduction the donor can claim on their income tax return in any given year.

The tax rules are designed so taxpayers cannot use the charitable deduction to completely eliminate their income tax liability. Therefore, the amount of charitable deduction the donor can claim in any given year is limited to a percentage of their income. The percentage depends on:

- the type of property given,
- how it is given,
- and the type of charitable organization to which it is given.

Furthermore, the amount of the deduction may be reduced based on the type of property contributed.

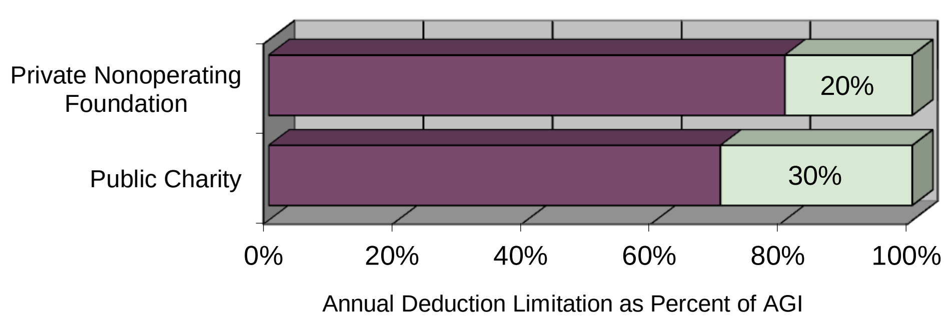
The following rules apply for federal income tax purposes. The rules for state income tax purposes may vary. Consult with your tax professional.

### Long-Term Capital Gain Property

Most charitable remainder unitrusts are funded with long-term capital gain property. If the remainder interest will be paid to a **public charity**, the **fair market value of the property** is used to calculate the discounted present value of your gift. You can claim the resulting amount as a deduction against up to **30% of your adjusted gross income** in the year you create the trust.

If your contribution consists of an asset **other than publicly-traded securities** and you name a **private nonoperating foundation** as remainderman, the deduction is based on the lesser of the asset's fair market value and your cost basis. The resulting deduction is subject to a **20% income limitation**.

**LTCG Deduction Limitations**

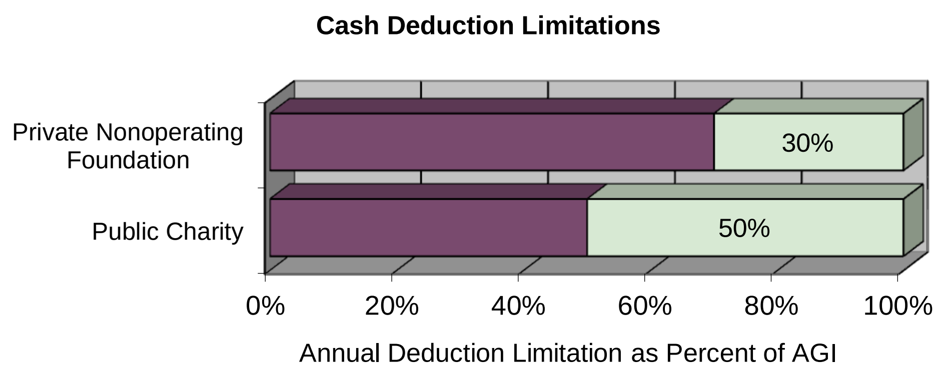


## Claiming the Charitable Deduction

**NOTE:** Contributions to Private Nonoperating Foundations of LTCG assets other than publicly traded stock are not only limited to 20% of AGI, but the deduction is based on the lesser of the FMV of the asset or its cost basis. This may dramatically reduce the deduction.

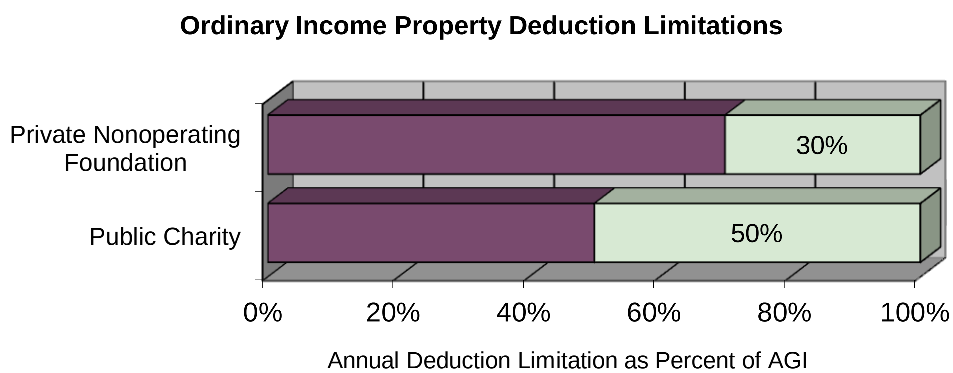
### Cash

If you contribute **cash** to a trust that names a **public charity**[3] as the remainder beneficiary, you can use the deduction against up to **50% of your adjusted gross income** in the year you create the trust. If the remainder interest will be paid to a **private nonoperating foundation**, the deduction is subject to a **30% limitation**.




### Ordinary Income Property

If you fund the trust with property that if sold would produce **ordinary income**, your deduction is subject to a **50% income limitation**; however, the deduction is calculated based on the lesser of the property's value or your adjusted cost basis. If you name a **private nonoperating foundation** as remainderman, the income limitation is **reduced to 30%**.



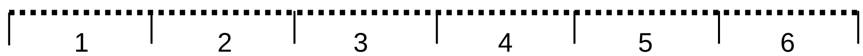

**NOTE:** The deduction for contributions to Private Nonoperating Foundations of ordinary income assets is based on the lesser of the FMV of the asset or its cost basis. This may dramatically reduce the deduction.

## Claiming the Charitable Deduction

### Carryover Rule

In all cases, if you can't use all of your deduction in the year of your contribution, you can carry any excess deduction over up to five more tax years, if necessary.

**Years**




Your deduction can be used in the year of the gift and 5 additional years

[3] For purposes of this discussion, public charities are described in IRC §170(b)(1)(A). They include all qualified charitable organizations except private nonoperating foundations.

## Questions and Answers

Following are frequently asked questions regarding charitable remainder unitrusts:

### Are charitable remainder unitrusts recognized by the IRS?

Yes, charitable remainder unitrusts were formally created by the Tax Reform Act of 1969 and are described in section 664 of the Internal Revenue Code. Charitable remainder unitrusts are qualified for income, gift, and estate tax purposes. There are more than 80,000 charitable remainder unitrusts in operation today.

### Who can receive income from the unitrust?

In most cases, income is paid to the donor and the donor's spouse. In addition, other individuals (such as children or grandchildren) can receive income; however, the donor must consider the possible gift and estate tax implications of such transfers.

If you name an individual other than yourself or your spouse as an income recipient of a charitable remainder unitrust, you may trigger gift or estate tax on the transfer. These rules can be fairly complex. Consult your professional advisors.

### What is the highest payout rate I can select?

The tax rules say the maximum allowable annuity or payout is 50%. As a practical rule, however, most unitrusts carry payout rates of between 5% and 10%.

There are several reasons. First, most charitable remainder unitrusts are designed to pay income to the donor for their lifetimes. A unitrust with a 50% payout rate would quickly exhaust its assets. In the case of a unitrust, most people want their incomes to increase from year to year to offset inflation. To accomplish this, they choose payout rates that, given a conservative investment return, will enable the unitrust to meet its payment obligations and continue to grow.

The second reason is even more important. Recent changes in the tax rules require that in order for a charitable remainder unitrust to be qualified, the present value of the future charitable gift (Which equals the income tax deduction) must be at least 10% of the amount transferred to the unitrust. This rule is designed to ensure that a portion of unitrust ultimately is distributed to charity.

There is no need to worry, however, because tests can be easily performed to ensure qualification prior to a unitrust being created.

### What types of assets can be contributed to a charitable remainder unitrust?

Although some charitable remainder unitrusts are funded with cash, the majority of unitrusts are funded with highly appreciated assets such as marketable securities, real estate, tangible personal property such as art and other collectibles, or stock in a C-corporation.

## Questions and Answers

### What types of assets should NOT be contributed to a charitable remainder unitrust?

There are a few types of assets that are not generally compatible with charitable remainder unitrusts. They include real property that is debt-encumbered or that is contaminated with hazardous materials, and assets that produce unrelated business taxable income, such as sole proprietorships, certain partnerships, and some types of real estate.

### Can I name more than one charitable beneficiary to receive a remainder interest?

Yes, there is no limit on the number of charitable organizations that can benefit from your unitrust. In addition, you can name them irrevocably or reserve the right to change them if you desire. You may also designate how the proceeds will be used.

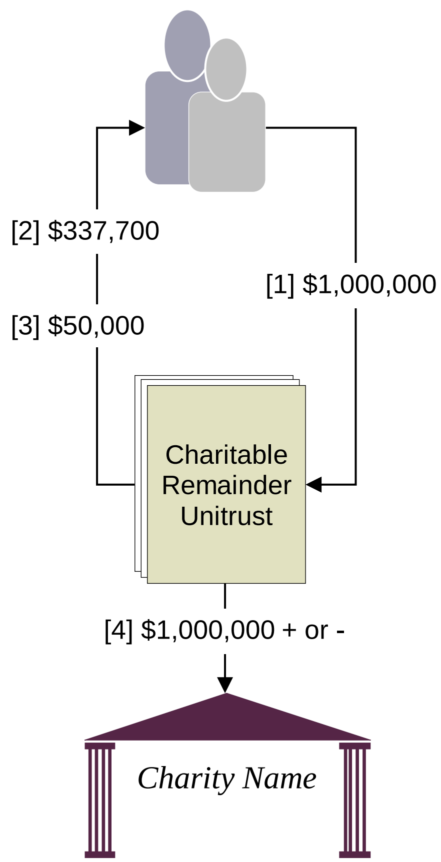
### At what level of financial contribution does a charitable remainder unitrust make sense?

A charitable remainder unitrust is an individually designed and drafted unitrust instrument. The unitrust is also individually managed and is required to file annual tax and information returns with the IRS and state tax authorities. The average amount held by charitable remainder unitrusts nationally is approximately $300,000; however, the availability of automated administration and investment management makes consideration of smaller amounts possible.

# Charitable Remainder Unitrust Design Diagram

**Income Interest for Two Lives**

**Prepared for Phil and Betty Anthropist**

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[1] Phil and Betty Anthropist will transfer assets valued at $1,000,000 to the trust.

[2] Additionally, an income tax deduction of $337,700 will be generated, which may save as much as $133,729 in taxes.

[3]  The trust will distribute income based on the payout rate of 5.0%. The income for the first full year will be approximately $50,000.

[4] When the trust terminates, the value of the trust, based on the $1,000,000 transferred, plus any growth or less any loss in trust value, will be transferred to Charity Name.

Additionally, approximately $160,000 in capital gains taxes will be saved upon the sale of the assets transferred to the trust because the trust is tax-exempt.

## Assumptions

| | |
|---|---|
| Date of transfer | March 5, 2015 |
| Payment frequency | Quarterly |
| The number of months from the valuation date and the first payout for the first full taxable year of the trust | 3 |
| IRC Sec. 7520(a) election to use 1/2015 discount rate of | 2.2% |
| The mortality table used in the calculation is based on the census taken in | 2000 |
| 10% remainder interest test | Passed |
| Type of asset gifted | Long Term Capital Gain |
| Ordinary income tax bracket of donor | 39.60% |
| Capital gains tax bracket of donor | 20% |

# Charitable Remainder Unitrust Summary of Benefits

**Summary of Benefits for Two Lives**

**Prepared for Phil and Betty Anthropist**

## A. Input Assumptions:

| | |
|---|---|
| Date of transfer | March 5, 2015 |
| Fair market value of asset transferred | $1,000,000 |
| Cost basis of asset | $200,000 |
| Unitrust payout rate | 5% |
| Payment frequency | Quarterly |
| IRC Sec. 7520(a) election to use 1/2015 discount rate of | 2.2% |
| The number of months from the valuation date and the first payout for the first full taxable year of the trust | 3 |
| The mortality table used in the calculation is based on the census taken in | 2000 |
| Type of asset gifted | Long Term Capital Gain |
| Ordinary income tax bracket of donor | 39.6% |
| Capital gains tax bracket of donor | 20% |

| Beneficiary Name | Age | Term of Income Interest |
|---|---|---|
| Phil | 65 | For life from the start of the trust |
| Betty | 65 | For life from the start of the trust |

## B. Summary

| | |
|---|---|
| Fair market value of asset transferred | $1,000,000 |
| Estimated present value of income interest for beneficiaries (with no investment assumptions) | $662,300 |
| Present value of remainder interest = the tax deduction | $337,700 |
| Present value of remainder interest in unitrust factor | 33.77% |
| 10% remainder interest test | Passed |
| Approximate income tax savings from deduction (over a period of up to 6 years) | $133,729 |
| Approximate capital gains tax savings through gift | $160,000 |
| Approximate first year income (payout rate times value of property transferred) | $50,000 |

# Charitable Remainder Unitrust Summary of Benefits Graphs

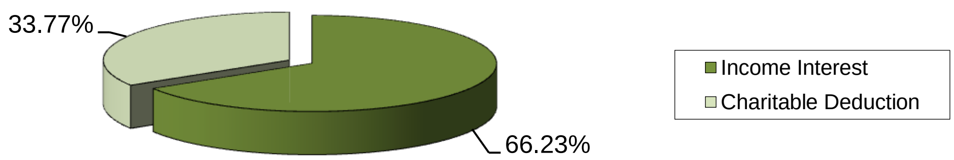
**Calculations Based on Two Lives**

**Prepared for Phil and Betty Anthropist**

## A. Deduction Summary

| | |
|---|---|
| Fair market value of asset transferred | $1,000,000 |
| Estimated present value of income interest for beneficiaries (with no investment assumptions) | $662,300 |
| Present value of remainder interest = the tax deduction | $337,700 |
| 10% remainder interest test | Passed |

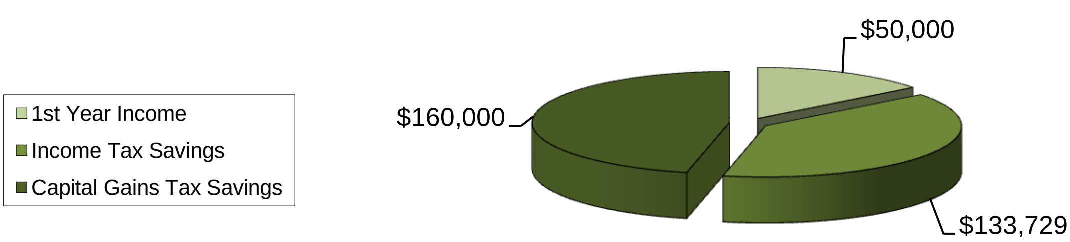
### Charitable Deduction




## B. Tax Savings and Income Summary

| | |
|---|---|
| Approximate first year income (payout rate times value of property transferred) | $50,000 |
| Approximate income tax savings from deduction (over a period of up to 6 years) | $133,729 |
| Approximate capital gains tax savings through gift | $160,000 |

### First Year Benefits



# Charitable Remainder Unitrust Deduction Calculation
## Deduction Calculation for Two Lives
### Prepared for Phil and Betty Anthropist

**A. Input Assumptions:**

| | |
|---|---|
| Date of transfer | March 5, 2015 |
| Fair market value of asset transferred | $1,000,000 |
| Unitrust payout rate | 5% |
| Payment frequency | Quarterly |
| The number of months from the valuation date and the first payout for the first full taxable year of the trust | 3 |
| IRC Sec. 7520(a) election to use 1/2015 discount rate of | 2.2% |
| The mortality table used in the calculation is based on the census taken in | 2000 |

| Beneficiary Name | Age | Term of Income Interest |
|---|---|---|
| Phil | 65 | For life from the start of the trust |
| Betty | 65 | For life from the start of the trust |

**B. Calculation of Present Value of Remainder Interest Factor:**
**(Interpolation of Table U factor for Two Lives)**

| | | |
|---|---|---|
| 1. | Factor from Table F based on the payment period, the number of months between the valuation date and the first payment date, and the discount rate | 0.986509 |
| 2. | Adjusted payout rate (Table F factor * payout rate) | 4.932545% |
| 3. | The nearest usable payout rate less than the Line 2 rate | 4.8% |
| 4. | Line 2 minus Line 3 | 0.132545% |
| 5. | Line 4 divided by .20 percent | 0.662720 |
| 6. | Factor from Table U at the Line 3 rate | 0.347240 |
| 7. | Factor from Table U at the rate .20 percent higher than the Line 3 rate | 0.332850 |
| 8. | Line 6 minus Line 7 | 0.014390 |
| 9. | Line 8 times Line 5 (interpolation adjustment) | 0.009540 |
| 10. | Present value of remainder interest factor (Line 6 - Line 9) | 0.337700 |

**C. Calculation of Tax Deduction for Charitable Remainder Unitrust:**

| | | |
|---|---|---|
| 1. | Fair market value of asset transferred | $1,000,000 |
| 2. | Present value of remainder interest in unitrust factor as a percent | 33.77% |
| 3. | Present value of remainder interest = the tax deduction (Line 1 * Line 2) | $337,700 |
| 4. | 10% remainder interest test | Passed |

# Charitable Remainder Unitrust Multiple Payout Rates

**Multiple Payout Rates for Two Lives**

**Prepared for Phil and Betty Anthropist**

**A. Input Assumptions:**

| | |
|---|---|
| Date of transfer | March 5, 2015 |
| Fair market value of asset transferred | $1,000,000 |
| Unitrust payout rate | 5% |
| Starting unitrust payout rate | 5% |
| Payout rate increment | 0.5% |
| Number of calculations | 20 |
| Payment frequency | Quarterly |
| The number of months from the valuation date and the first payout for the first full taxable year of the trust | 3 |
| IRC Sec. 7520(a) election to use 1/2015 discount rate of | 2.2% |
| The mortality table used in the calculation is based on the census taken in | 2000 |

| Beneficiary Name | Age | Term of Income Interest |
|---|---|---|
| Phil | 65 | For life from the start of the trust |
| Betty | 65 | For life from the start of the trust |

**B. Deduction Calculations:**

| | Payout Rate | Charitable Deduction | First Year Unitrust Payout | 10% Remainder Test |
|---|---|---|---|---|
| 1 | 5% | $337,700 | $50,000 | Passed |
| 2 | 5.5% | $304,360 | $55,000 | Passed |
| 3 | 6% | $274,630 | $60,000 | Passed |
| 4 | 6.5% | $247,980 | $65,000 | Passed |
| 5 | 7% | $224,220 | $70,000 | Passed |
| 6 | 7.5% | $202,850 | $75,000 | Passed |
| 7 | 8% | $183,780 | $80,000 | Passed |
| 8 | 8.5% | $166,630 | $85,000 | Passed |
| 9 | 9% | $151,280 | $90,000 | Passed |
| 10 | 9.5% | $137,460 | $95,000 | Passed |
| 11 | 10% | $125,060 | $100,000 | Passed |
| 12 | 10.5% | $113,890 | $105,000 | Passed |
| 13 | 11% | $103,840 | $110,000 | Passed |
| 14 | 11.5% | $94,790 | $115,000 | Failed |
| 15 | 12% | $86,630 | $120,000 | Failed |
| 16 | 12.5% | $79,260 | $125,000 | Failed |
| 17 | 13% | $72,600 | $130,000 | Failed |
| 18 | 13.5% | $66,580 | $135,000 | Failed |
| 19 | 14% | $61,120 | $140,000 | Failed |
| 20 | 14.5% | $56,190 | $145,000 | Failed |