

**Split-Interest Purchase: Comparison of  
Single Life Interest and Successive Life Interests**

	<u>Single Life Interest</u>	<u>Successive Life Interests</u>
<b>Date Remainder Vests</b>	LDB's death	Death of survivor of LDB and DRB
<b>Share of \$48 Million Purchase Price</b>	<ul style="list-style-type: none"> <li>• LDB (Life Interest: 32.867%) \$15,776,160</li> <li>• Trust (Remainder Interest: 67.133%) <b>\$32,223,840</b></li> </ul>	<ul style="list-style-type: none"> <li>• LDB &amp; DRB (Life interests: 42.290%) \$20,299,200 (see Assumptions &amp; Notes)</li> <li>• Trust (Remainder Interest: 57.710%) <b>\$27,700,800</b></li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Residence is encumbered by life estate for shorter period</li> <li>• Additional planning flexibility after LDB's death e.g., Trustees may (but are not required to) charge DRB rent, thereby reducing her estate</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces share of purchase price borne by trust</li> <li>• DRB's right to continue to use residences upon LDB's death is assured</li> </ul>
<b>Other Considerations</b>	<ul style="list-style-type: none"> <li>• Gives Trustees more flexibility as they own the residence sooner--after LDB's death, DRB's use of the residence is in the Trustees' discretion.</li> <li>• Trustees can charge rent, which is a "gift tax-free" transfer from DRB to the trust, reducing her taxable estate</li> </ul>	<ul style="list-style-type: none"> <li>• Determining share of purchase price (and capital improvement costs) borne by each successive life estate may require retaining an actuary (for each expenditure)</li> <li>• DRB must pay for her interest using independent funds</li> <li>• DRB has right to use the residence until her death— Trustees cannot sell without her consent while she is living</li> </ul>

**Assumptions & Notes:**

- Above calculations assume that the purchase occurs in July, 2014 when the Section 7520 rate is 2.2%, Leon is age 63 and Debra is age 60. The calculations are based on Life Table 2000CM.
- For planning purposes, the value of successive life interests is determined by calculating the value of (i) LDB's life interest, and (ii) a joint and survivor term interest and by subtracting (i) from (ii). In practice this value of the successive life interests, and the allocation of costs between LDB and DRB will need to be actuarially determined.