

WEALTH REPLACEMENT TRUSTS

**Another Role for Life Insurance...
The Wealth Replacement Trust**

The Problem:

There can be significant tax advantages in giving appreciated assets to a charity. Examples include real estate and securities. If you were to sell an appreciated asset, the gain would be subject to capital gains tax. By donating the appreciated asset to a charity, however, you can receive an income tax deduction equal to the fair market value of the asset and pay no capital gains tax on the increased value.

For example, Donor A purchased \$25,000 of publicly-traded stock several years ago. That stock is now worth \$100,000. If she sells the stock, Donor A must pay capital gains tax on the \$75,000 gain. Alternatively, Donor A can donate the stock to a qualified charity and, in turn, receive a \$100,000 charitable income tax deduction. When the charity then sells the stock, no capital gains tax is due on the appreciation.

When a donor makes substantial gifts to charity, however, the donor's family is deprived of those assets that they might otherwise have received.

A Potential Life Insurance Solution:

In order to replace the value of the assets transferred to a charity, the donor establishes a second trust - an irrevocable life insurance trust - and the trustee acquires life insurance on the donor's life in an amount equal to the value of the charitable gift. Using the charitable deduction income tax savings and any annual cash flow from a charitable trust or charitable gift annuity, the donor makes gifts to the irrevocable life insurance trust that are then used to pay the life insurance policy premiums. At the donor's death, the life insurance proceeds generally pass to the donor's heirs free of income tax and estate tax, replacing the value of the assets that were given to the charity.

Please contact my office if you would like more information on wealth replacement trusts.

Brought to you by:



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About our firm:

M.W. Aragao is an independent firm that provides a comprehensive range of personalized investment management, wealth planning and taxation services. We are a registered investment adviser under the Investment Advisers Act of 1940. Our offices are located in Cumberland, RI. We have a nationally diversified clientele that includes individuals, families, corporations, trusts and estates.

QUOTES

from the Masters...

On Thinking Big

"If you want to have a WOW life, write yourself a WOW business plan."

-- Mark Victor Hansen

"Never measure the height of a mountain until you have reached the top. Then you will see how low it was."

-- Dag Hammarskjold

"Every great advance in science has issued from a new audacity of imagination."

-- John Dewey

On Perseverance/ Persistence

"Big shots are only little shots who keep shooting."

— Christopher Morley

"If what you are doing is worth doing, hang in there until it is done."

— Nido Qubein

"Winning is easy...all you have to do is outlast your opponent."

— Doug Firebaugh

MESSAGES

from the Masters...

LIVING AND OPERATING WITH INTEGRITY

by Paul J. Meyer

Integrity is where it all begins!

Integrity is real and concrete!

Integrity is measurable and includes traits like being honest, keeping your word, standing your ground for what is right, and maintaining your honor.

It is something you can't pretend to have.

Real integrity is treating others the way you want to be treated even when nobody is watching...the Golden Rule.

If your foundation is one of integrity, your choices and decisions will bear that out. On the other hand, if you lack integrity, that too will become evident.

Your upright actions will show in every instance that: "I do the right thing simply because it is the right thing to do."

In the book of Proverbs, it says: The integrity of the upright guides them. Also, A person of integrity works securely, but he who walks a crooked path will be found out.

Here are some benefits I have found from keeping integrity:

- Increased sales and profits
- Inspiration and motivation
- Unexpected favor
- Respect and appreciation
- A good name and reputation
- Peace and contentment

God's blessings in every part of my life

The purpose of this newsletter is to provide information of general interest to our clients, potential clients and other professionals. The information provided is general in nature and should not be considered complete information on any product or concept described.

For more complete information, please contact me (Office: (401) 475-7570).

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