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TOP NEWS STORIES

**PAM, SILVER
BRIDGE HOST
SAN FRANCISCO
BREAKFAST BRIEFING**

PAM takes its subscriber breakfast briefing series to the West Coast.



TURN TO P7



Q&A

Q&A with Doug Black, president of SpringReef Partners

TURN TO P8

ASK THE EXPERTS

José Dios, chief executive officer, looks at accessing the risk/return characteristics of hedge funds/ alternative investments in a liquid and transparent vehicle

TURN TO P8



Multi-family office profile:
**Market Street
Trust Company**

09

PAM explores how Market Street Trust Company has grown from a single-family office into a trustee for more than 300 trusts and an advisor to nine family foundations

SPONSORED FEATURE

**Leaving a
legacy**

Susan Winer of Strategic Philanthropy, outlines decisions to be undertaken on clients' behalf



SPONSORED FEATURE

**Charitable
giving tools**

To make the most of charitable giving, Fidelity Charitable talks to PAM about combining donor-advised funds and private foundations

Planning makes perfect

Michael Liebeskind and Eric Naison-Phillips, principals, Winged Keel Group, explore how to optimize Charitable Legacy Planning through the use of a Private Placement Variable Annuity Investment Account

Michael Liebeskind

co-founded Winged Keel Group in 1989. He has been a leader and key technical resource as the firm has developed its market presence and strengthened its internal infrastructure over the years. Eric Naison-Phillips joined in 2003 and became a principal in 2009. Since joining the firm, he has been involved in structuring, implementing, and servicing life insurance portfolios designed to meet the unique needs of ultra-affluent families.

DISCLOSURE

Private Placement Variable Annuity is an unregistered product and is not subject to the same regulatory requirements as registered variable annuity products. As such, Private Placement Variable Annuities can only be offered to accredited investors or qualified purchasers as described by the Securities Act of 1933.

Many ultra-affluent families earmark an element of their overall wealth for charitable legacy planning. For those families, a Private Placement Variable Annuity (PPVA) Investment Account can generate significant incremental value. The PPVA Investment Account defers investment gains from current period taxation, eliminates K-1 reporting, allows a family member to maintain full ownership and control of the assets throughout his/her lifetime, provides flexibility to adjust the beneficiary designation at any time, and substantially increases the ultimate value of the assets bequeathed to the charitable organization(s).

Traditional charitable legacy planning, through vehicles such as a private foundation, donor-advised fund, pooled-income fund, charitable lead trust, or charitable remainder trust require assets to be gifted irrevocably in exchange for a current period tax deduction. However, many individuals who may be inclined to make charitable legacy gifts at some point in the future are not prepared to give up ownership and control of more than a small portion of their overall wealth during their lifetime.

The PPVA Investment Account allows charitably inclined individuals to maintain full ownership and control of earmarked assets throughout his/her lifetime while deferring the investment gains on those assets from current period taxation. The owner of a

PPVA Investment Account may make deposits or withdrawals (for personal consumption or charitable gifting), adjust the asset allocation, and/or change the beneficiary designation at any time. The most attractive PPVA Investment Accounts have low annual administration fees, and offer an extensive selection of registered and non-registered investment funds.

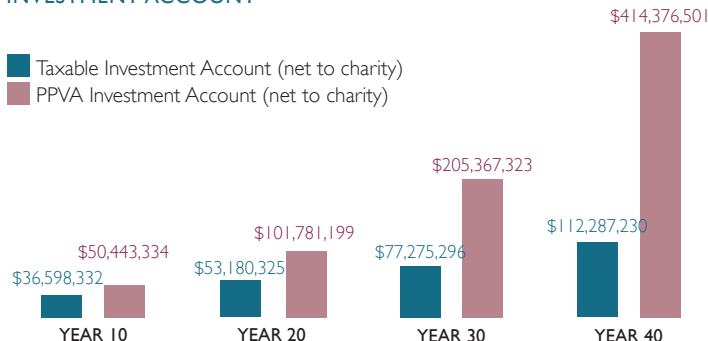
The PPVA Investment Account qualifies for deferral from current period taxation under IRC Section 72. Not surprisingly, PPVA Investment Accounts tend to be utilized for allocations to investments such as hedge funds that would otherwise be subject to a high level of current period taxation.

Assets can remain fully invested in a PPVA Investment Account until the owner's age 95 or 100. At that time, systematic distributions must be taken over a period no longer than the next 20-30 years. If distributions are taken prior to the owner being age 59 years and six months, the gain element on distributions would be subject to a 10% excise tax. Assets remaining within the PPVA Investment Account until the death of the owner can be bequeathed to a Private Foundation and/or favored charities, thereby permanently eliminating all taxes on the imbedded investment gains¹.

The graph below compares the difference between creating a charitable legacy through a Taxable Investment Account versus a PPVA Investment Account. Assuming a \$25m initial deposit, an 8% annual return net of investment management fees, and 25% of the investment gains in the Taxable Investment Account qualifying for long-term capital gains tax rates, the PPVA Investment Account is illustrated to deliver nearly twice as much value after 20 years, and more than three and half times as much value after 40 years. Simply by changing the location of the investment from a Taxable Investment Account to a PPVA Investment Account, the family can multiply their potential charitable legacy assets.

With tax rates scheduled to increase in 2013, ultra-affluent families and their professional advisors are increasingly mindful of the tax implications of various investment strategies. PPVA Investment Accounts represent a simple and effective opportunity for ultra-affluent families to substantially increase the value of assets earmarked for future charitable legacy gifts while allowing them to retain full ownership and control of those assets for as long as they choose. ■

COMPARISON OF NET CHARITABLE BEQUESTS ON \$25M INVESTMENTS HELD IN A TAXABLE INVESTMENT ACCOUNT VERSUS A PPVA INVESTMENT ACCOUNT



Tax rates assume no additional tax legislation is enacted. Ordinary income tax rate is assumed to be 40.70% in Year 1 and 48.70% thereafter. Capital gains tax rate is assumed to be 20.70% in Year 1 and 29.10% thereafter.

¹ In recent years, the IRS has issued private letter rulings that annuities donated to tax-exempt charities are includable in the gross estate, but create a corresponding charitable estate tax deduction under IRC 2055(a). For example, PLR 200052006 (January 2, 2001) held that a sister disclaiming access to the decedent's Charitable Remainder Trust received a charitable estate tax deduction under 2055(a).