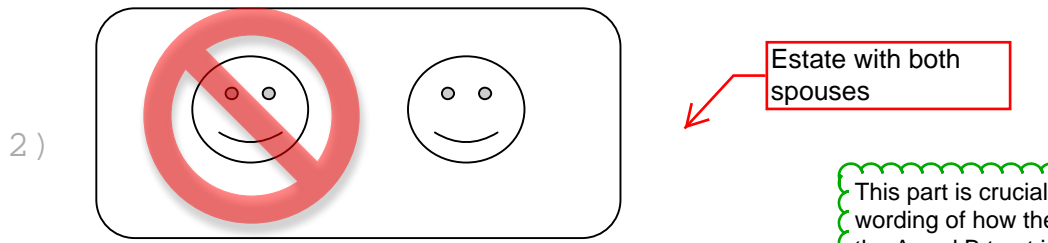
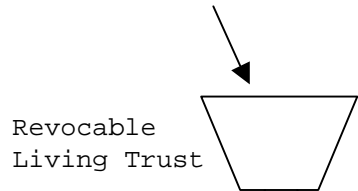


A Simple Illustration of how an A/B Trust may have been used in 2009. Lets assume the couple are in a community property state and limited to 50% funding on the split.

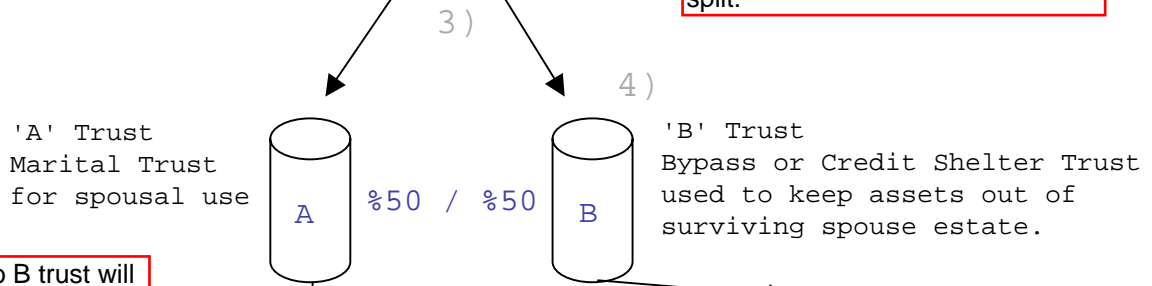
- 1) Gross Estate is worth \$5 million dollars when spouse 1 passes away.



This part is crucial, the wording of how the trust funds the A and B trust is crucial in 2010 with no estate tax. This is what we will analyze.



Upon death unfunded living trust splits into A trust and B trust. The trust instrument requires a 50/50 split.

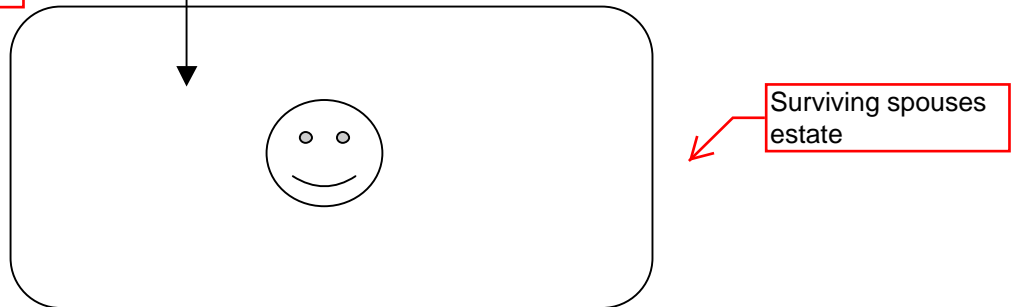


Assets not transferred to B trust will exist in surviving spouse estate. The unlimited marital deduction keeps the assets from being in the deceased spouse's estate.

5)

\$2.5 million to spouse estate

\$2.5 million to Bypass Trust included only in first spouse estate



Outcome

Deceased spouse gross estate = \$2.5 million which is under 2009 \$3.5 million exemption. No Estate Tax.

Only 2.5 million is left to spouse, instead of \$5 million. This may or may not be subject to estate tax based on future estate tax law.