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# Private Annuity

Prepared for: Sample

Prepared by: Brentmark

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# Private Annuity

Transfer Date:	11/2022
§7520 Rate:	4.80%
FMV of Property:	\$1,253,333
Client's Basis:	\$750,000
Payment Period:	Annual
Payment Growth:	4.00%
Payment Timing:	End
Years to Defer:	2
Annuitants:	2
Ages:	51, 56
Use Regulation 131901-05?	No
Annuity Payment Source:	Other Than Trust
Mortality Table:	2010CM

## Results

Annuity Factor:	25.1717
Payout Frequency Factor:	1.0000
Initial Annual Payout:	\$49,791.35
Joint Life Expectancy (Age 51 and 56):	36.1 Years
Expected Return Multiple:	74.9 Years
Reg. 1.72-5(a)(2) Life Exp. Adj. Factor:	-0.5
Adjusted Return Multiple:	74.4

## Initial Annuity Payment Breakdown

Tax-Free Portion:	\$10,080.65
Capital Gain Portion:	\$6,765.23
Ordinary Income Portion:	\$32,945.47

## Tax Breakdown of Payments to Seller



# Private Annuity

Year	Age(s)	Payment	Tax-Free	Capital Gain	Ordinary Income
3	53 and 58	\$49,791.35	\$10,080.65	\$6,765.23	\$32,945.47
4	54 and 59	\$51,783.00	\$10,483.88	\$7,035.84	\$34,263.28
5	55 and 60	\$53,854.32	\$10,903.24	\$7,317.27	\$35,633.81
6	56 and 61	\$56,008.49	\$11,339.37	\$7,609.96	\$37,059.16
7	57 and 62	\$58,248.83	\$11,792.94	\$7,914.36	\$38,541.53
8	58 and 63	\$60,578.78	\$12,264.66	\$8,230.93	\$40,083.19
9	59 and 64	\$63,001.93	\$12,755.25	\$8,560.17	\$41,686.51
10	60 and 65	\$65,522.01	\$13,265.46	\$8,902.58	\$43,353.97
11	61 and 66	\$68,142.89	\$13,796.08	\$9,258.68	\$45,088.13
12	62 and 67	\$70,868.61	\$14,347.92	\$9,629.03	\$46,891.66
13	63 and 68	\$73,703.35	\$14,921.84	\$10,014.19	\$48,767.32
14	64 and 69	\$76,651.48	\$15,518.71	\$10,414.76	\$50,718.01
15	65 and 70	\$79,717.54	\$16,139.46	\$10,831.35	\$52,746.73
16	66 and 71	\$82,906.24	\$16,785.04	\$11,264.60	\$54,856.60
17	67 and 72	\$86,222.49	\$17,456.44	\$11,715.18	\$57,050.87
18	68 and 73	\$89,671.39	\$18,154.70	\$12,183.79	\$59,332.90
19	69 and 74	\$93,258.25	\$18,880.89	\$12,671.14	\$61,706.22
20	70 and 75	\$96,988.58	\$19,636.13	\$13,177.99	\$64,174.46
21	71 and 76	\$100,868.12	\$20,421.58	\$13,705.11	\$66,741.43
22	72 and 77	\$104,902.84	\$21,238.44	\$14,253.31	\$69,411.09
23	73 and 78	\$109,098.95	\$22,087.98	\$14,823.44	\$72,187.53
24	74 and 79	\$113,462.91	\$22,971.50	\$15,416.38	\$75,075.03
25	75 and 80	\$118,001.43	\$23,890.36	\$16,033.04	\$78,078.03
26	76 and 81	\$122,721.49	\$24,845.97	\$16,674.36	\$81,201.16
27	77 and 82	\$127,630.35	\$25,839.81	\$17,341.33	\$84,449.21
28	78 and 83	\$132,735.56	\$26,873.40	\$18,034.98	\$87,827.18
29	79 and 84	\$138,044.98	\$27,948.34	\$18,756.38	\$91,340.26
30	80 and 85	\$143,566.78	\$29,066.27	\$19,506.64	\$94,993.87
31	81 and 86	\$149,309.45	\$30,228.92	\$20,286.91	\$98,793.62
32	82 and 87	\$155,281.83	\$31,438.08	\$21,098.39	\$102,745.36
33	83 and 88	\$161,493.10	\$32,695.60	\$21,942.33	\$106,855.17
34	84 and 89	\$167,952.82	\$34,003.42	\$22,820.02	\$111,129.38
35	85 and 90	\$174,670.93	\$35,363.56	\$23,732.82	\$115,574.55
36	86 and 91	\$181,657.77	\$36,778.10	\$24,682.13	\$120,197.54
37	87 and 92	\$188,924.08	\$38,249.22	\$25,669.42	\$125,005.44
38	88 and 93	\$196,481.04	\$7,536.79	\$5,058.96	\$183,885.29
39	89 and 94	\$204,340.28	0	0	\$204,340.28
40	90 and 95	\$212,513.89	0	0	\$212,513.89
41	91 and 96	\$221,014.45	0	0	\$221,014.45

# Private Annuity

Year	Age(s)	Payment	Tax-Free	Capital Gain	Ordinary Income
42	92 and 97	\$229,855.03	0	0	\$229,855.03
43	93 and 98	\$239,049.23	0	0	\$239,049.23
44	94 and 99	\$248,611.20	0	0	\$248,611.20
45	95 and 100	\$258,555.65	0	0	\$258,555.65
46	96 and 101	\$268,897.88	0	0	\$268,897.88
47	97 and 102	\$279,653.80	0	0	\$279,653.80
48	98 and 103	\$290,839.95	0	0	\$290,839.95
49	99 and 104	\$302,473.55	0	0	\$302,473.55
50	100 and 105	\$314,572.49	0	0	\$314,572.49
51	101 and 106	\$327,155.39	0	0	\$327,155.39
52	102 and 107	\$340,241.61	0	0	\$340,241.61
53	103 and 108	\$353,851.27	0	0	\$353,851.27
54	104 and 109	\$368,005.32	0	0	\$368,005.32
	Totals:	\$8,323,354.95	\$750,000.00	\$503,333.00	\$7,070,021.95

*This scenario is a hypothetical illustration based on the assumptions you entered via the inputs inside the program. It is to be used solely as a conceptual guide to understand and quantify your planning needs. It would be wise to consider this illustration together with all other information you deem necessary in making your investment decisions. This illustration is not a guarantee of the performance of any specific investment. Actual performance from your investments and assets may vary. This illustration is not legal or tax advice. You should consult with your attorney and accountant to review this information and determine its appropriateness for your particular situation. The provider of this illustration provides no guarantee and assumes no responsibility or liability for the accuracy of the information provided (including whether the interest rate you have selected is in fact "reasonable") or for your reliance based on this information.*

# Private Annuity

This calculation determines the annual payment for a "private annuity." It also calculates the tax-free portion of each payment, the portion that qualifies for capital gains treatment, and the portion reportable as ordinary income.

Under a private annuity, an agreement is signed. That document requires one party (the transferor-annuitant) to transfer ownership of property to another party (the transferee-buyer). In return, the transferee-buyer makes periodic (typically monthly, quarterly, semi-annual, or annual) payments to the transferor for a specified period (usually the lifetime of the transferor or the transferor and transferor's spouse).

The private annuity is a useful tool for an individual who wants to spread gain from a highly appreciated asset over his or her life expectancy.

The private annuity is also as a useful federal estate tax saving tool because, by design, payments end when the transferor dies and the entire value of the asset sold is immediately removed from the transferor's gross estate. In other words, there is no estate tax in the transferor's estate from the transferred property - because it belongs to the buyer from the moment the private annuity document is signed.

Another advantage is that the private annuity allows someone who owns non-income-producing property to make that property productive.

The ideal transferor/payor situation is one that meets the following criteria:

- The transferor is in a high estate tax bracket or has no marital deduction.
- The property is capable of producing at least some income and/or is appreciating rapidly.
- The payor is capable of - at least in part - paying the promised amounts.
- The parties trust each other (the private annuity must be unsecured).
- The transferor has other assets and sources of income.
- The transferor has less than a normal life expectancy. This makes the arrangement more of a "bargain" for the buyer