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M E M O R A N D U M

TO: Senior Partner
FROM: Kristian R. Pfeffer, Estate Planning Associate
RE: Ricardo Family Estate Plans
DATE: August 16, 2026

I. THE QUESTION THE PLAN MUST ANSWER

What does it take to keep three promises out of the same fifty six million dollars, one to a surviving spouse, one to two children of a first marriage, and one to a university? Ricky Ricardo is 50 and Lucy Ricardo is 70, married 12 years, holding \$55,986,000. Ricky's son Adam, 16, cannot lawfully take property outright; Ricky's daughter Eve, 21, is disabled, and one careless bequest would forfeit her Supplemental Security Income. Ricky wants Lucy provided for, then everything to his children, per stirpes; Lucy wants her train collection and her stock to reach Campbell University; both want Father O'Keefe, Ricky's brother, over everything, a wish Section XV honors in the trust protector's chair.

Ricky's gross estate is approximately \$25,670,000 and Lucy's approximately \$30,316,000, once Section VI moves half of Malibu onto Lucy's ledger. The 2026 basic exclusion is \$15,000,000 per person under section 2010, permanent under the One Big Beautiful Bill Act; the rate above it is a flat 40 percent.¹ With no plan, estate tax approaches \$10,400,000, due nine months after death under section 6075(a). The plan defers all tax at the first death under section 2056(a), freezes or removes appreciating assets in life, converts Lucy's philanthropy into deductions under sections 2055, 2522, and 664, and runs the income savings in parallel, from the

¹ I.R.C. sec. 2010(c), as amended by the One Big Beautiful Bill Act, Pub. L. No. 119-21 (2025); inflation adjustments, Rev. Proc. 2025-32; portability of the deceased spousal unused exclusion, I.R.C. sec. 2010(c)(4).

collectibles gain erased to the situs planning Kaestner leaves open; insurance, incapacity, guardianship, and funding hold Sections XI and XV. And the plan solves the two problems the Code does not care about: no surviving spouse can disinherit Ricky's children, and no dollar ever reaches Eve in a form that costs her SSI.

II. THE MASTER STRUCTURE: TWO REVOCABLE TRUSTS THAT SPLIT AT DEATH

The spine, recreated with credit from Professor Britton's diagram at Exhibit A: a revocable living trust for each spouse under Chapter 36C, pour over wills under N.C.G.S. 31-47 behind them. The wills carry executor nominations, the per stirpes definition, a tangible property memorandum, and Ricky's guardian nomination for Adam, Lucy first, Father O'Keefe alternate, because without it a clerk of court chooses who raises him. At death each trust divides by formula: a shelter trust captures the deceased spouse's \$15,000,000 and stays outside the survivor's estate forever, appreciation included, five and five right for the survivor, remainder to Adam and Eve on both sides; a marital trust takes the balance. Each shelter also gives the survivor a limited testamentary power of appointment among Ricky's descendants, exercisable until the survivor's last day, our seminar's Sunday dinner clause: the remainder stays flexible inside the bloodline, and the children keep a standing reason to stay close to the person who can still redraw their shares.

Portability under section 2010(c)(4) loses three ways: the ported amount freezes, remarriage can forfeit it, and the GST exemption does not port under section 2631; the formula wins, portability still elected on the first 706 as a backstop.

Both spouses reached for per stirpes, and it does not mean one thing: the strict English form divides into stocks at the children's generation, per capita gives equal shares to equal kin,

and North Carolina's intestacy statute runs a hybrid pooling the remoter generations.² The difference turns visible exactly when no family wants ambiguity, and it is a control decision in degrees of separation, the English form holding each share on the branch nearest Ricky while the modern spray reaches cousins he never met; the instruments define the older form expressly, Eve's stock always to her special needs trust.

Two lessons govern everything below: lifetime gifts freeze appreciation but consume exemption dollar for dollar under section 2001(b), and no funding formula is predictable, the farm may split 40 and 60 or as easily 2 and 98, so the plan must work at every split.

III. RICKY'S MARITAL TRUST IS A QTIP, AND ONLY A QTIP

Ricky's marital share must be a qualified terminable interest property trust, because the marital deduction ordinarily dies on a terminable interest and a life estate for Lucy with remainder to Ricky's children is the textbook case under section 2056(b)(1). Section 2056(b)(7) is the exception built for this family:³ all income to Lucy at least annually, no power in anyone to appoint away from Lucy, and the executor's election on the Form 706; deferred, not forgiven, the QTIP lands in Lucy's gross estate under section 2044 with a section 2207A recovery right. Lucy takes every dollar of income for life; Ricky names the remaindermen; Eve's share lands in her trust. A partial election tunes the share after death, and the reverse QTIP election under section 2652(a)(3) keeps Ricky the GST transferor so his full \$15,000,000 exemption allocates.⁴ The outright alternative is simpler, with a second step up, and control is exactly the problem: one new will could redirect the children's inheritance. In a blended family the QTIP is not a preference. It is the point.

² N.C. Gen. Stat. sec. 29-16(a) (2025) (root shares counted as “surviving children plus the number of deceased children who have left lineal descendants surviving the intestate,” each remoter generation then dividing “the property not taken under the preceding subdivision”).

³ I.R.C. sec. 2056(a), (b)(1), (b)(7); the election is made on the Form 706 under sec. 2056(b)(7)(B)(v).

⁴ I.R.C. secs. 2044, 2207A (later inclusion and recovery); reverse QTIP election, sec. 2652(a)(3); GST exemption, sec. 2631.

IV. LUCY'S MARITAL TRUST: THE GENERAL POWER TRUST BEATS THE ESTATE TRUST

Lucy's side is the opposite: no descendants, no remainder to protect, no need for the QTIP's rigidity. A general power of appointment trust under section 2056(b)(5) pays Ricky all income for life with a testamentary general power; an estate trust qualifies by a different route,⁵ the remainder payable to the survivor's estate, and may accumulate income, but it loses on mechanics: everything passes through Ricky's probate estate, undoing the revocables' probate avoidance, and accumulated income hits the 37 percent fiduciary bracket near \$16,000. The general power trust gives Ricky mandatory income, spendthrift protection, no election to remember, and a power broad enough to steer the remainder to Adam and Eve. Each marital trust matches the problem the marriage actually has.

V. THE RALEIGH HOME: SEVER THE ENTIRETY AND PAIR THE QPRTS

The Raleigh home: \$9,254,000 against \$2,100,000 paid in 2016, more than \$7,100,000 of appreciation in a decade, and that trajectory punishes waiting. Held as tenants by the entirety under N.C.G.S. 39-13.6, it cannot be given by one spouse alone,⁶ so the plan severs into halves and each spouse funds a qualified personal residence trust, where only the remainder, discounted at the section 7520 rate, is a taxable gift.

The terms come off the current mortality tables, the science that prices life insurance: a woman of 70 has about 16.8 more years, a man of 50 nearly 30, so Lucy's 13 year term ends at 83 and Ricky's 15 with decades to spare. The governing judgment is firm: never set a term at or beyond table expectancy, where survival decays toward a coin flip, speculating against arithmetic that has held since two Scottish clergymen priced the first widows' fund from Halley's table in the 1740s and missed a twenty year projection by one pound. Inside that rule each term

⁵ [I.R.C. sec. 2056\(b\)\(5\)](#); on estate trusts, Treas. Reg. sec. 20.2056(c)-2(b)(1); fiduciary income tax brackets, Rev. Proc. 2025-32.

⁶ [N.C. Gen. Stat. sec. 39-13.6](#) (2025).

is solved backwards from the savings, the longest term the table allows at a margin the family accepts: added years are priced in discount, years toward the table in odds. At the August 2026 rate of 5.2 percent, the gift on Ricky's 15 year half is approximately \$2,163,000 and on Lucy's 13 year half approximately \$2,394,000.⁷ Every dollar of appreciation after funding escapes both estates. Death mid term merely restores the status quo under section 2036(a); carryover basis trades a gains rate on part for 40 percent on all, a trade worth making. When the terms end the couple pays fair market rent, \$12,000 to \$15,000 a month,⁸ moving still more wealth free of gift tax; with Malibu split below, all four permitted QPRT slots are used.

VI. THE MALIBU HOME: COMMUNITY PROPERTY, TWO MORE QPRTS, AND A CALIFORNIA PROBLEM SOLVED

The Malibu house asks the question East Coast planners miss: whose property is it? The deed says Ricky; California answers differently. Bought in 2018 with marital funds in a community property state, it belongs half to each spouse regardless of title.⁹ Half its value, \$3,410,000, sits in each gross estate, neither spouse may give it away alone, and the \$82,000 of net income splits equally; the characterization is contestable, the best reason to document it now rather than litigate it in two probate courts. And community property carries the Code's most striking basis rule, 1014(b)(6): at the first death both halves take a fresh basis.

The plan treats Malibu like Raleigh: each spouse contributes a community half to a QPRT, Ricky's 15 years and Lucy's 13, each vessel separately labeled community property, funded from community sources only and never commingled, because commingling dilutes the character and the shield with it; gifts run roughly \$1,594,000 and \$1,764,000, each remainder in

⁷ [I.R.C. secs. 2702, 7520](#); Treas. Reg. sec. 25.2702-5; August 2026 sec. 7520 rate of 5.2 percent; life expectancies from Social Security Administration, [Actuarial Life Table](#) (2023 period table, as used in the 2026 Trustees Report); inclusion on death within the term, I.R.C. sec. 2036(a). The gifts price against half interests of \$4,627,000 each, before fractional interest discounts push the reported figures lower.

⁸ J. Tyler Britton, TRST 760 seminar lectures (Campbell University, summer 2026); the master structure at Exhibit A is recreated and adapted from Professor Britton's diagram, with credit.

⁹ [Cal. Fam. Code sec. 760](#); spousal basis rule, [I.R.C. sec. 1014\(b\)\(6\)](#); J. Tyler Britton, class two lecture, community property (Campbell University, summer 2026).

a continuing trust preserving the survivor's use for life, then per stirpes, Eve's share to her trust; the structure supplies the mutual consent community property demands and cancels the California ancillary probate. The honest cost: property given in life never collects the 1014(b)(6) double step up. At this appreciation the freeze still wins, a certain 40 percent against a gains rate the children may never pay, Proposition 19 the small toll on either road.

VII. THE FAMILY FARM: THE ASSET THAT RIDES THE FORMULA

The Farmville farm: 1,020 acres, \$7,870,000, inherited from Ricky's father Joe in 2014, basis stepped up to \$4,180,000 on Joe's 706. Ricky cash leases 980 acres at \$105 an acre, \$102,900 a year, with property tax near \$12,800 under present use value, N.C.G.S. 105-277.3.¹⁰ The farm never enters a QPRT, the regulations require a personal residence; it rides the revocable trust into the formula, which is why Ricky's marital share had to be a QTIP: wherever it lands, Lucy holds income for life and the land is locked for Adam and Eve.

Three reliefs are declined, and knowing why is the analysis. Section 2032A would cut up to \$1,460,000 but demands farm realty at 50 percent of the adjusted gross estate against Ricky's 27, and cash rent to an unrelated farmer is passive, not qualified use. Section 6166 fails on the same passivity.¹¹ And the conservation easement, section 170(h) with its \$500,000 exclusion under section 2031(c) and the farmland preservation fund's checkbook,¹² is declined on your own caution:¹³ perpetuity welds the land shut while Eve may one day need what stands behind it. What survives: qualifying heirs keep the present use enrollment, conversion triggers three years of rollback under N.C.G.S. 105-277.4. The farm stays whole, feeds Lucy for life, and cannot leave the bloodline.

¹⁰ [N.C. Gen. Stat. secs. 105-277.3](#), 105-277.4 (2025).

¹¹ [I.R.C. secs. 2032A](#), 6166, 303(b); the 2026 special use valuation ceiling is \$1,460,000, Rev. Proc. 2025-32.

¹² [I.R.C. secs. 170\(h\)](#), 2031(c); [N.C. Gen. Stat. sec. 106-744](#) (Agricultural Development and Farmland Preservation Trust Fund).

¹³ J. Tyler Britton, class one lecture, conservation easements (Campbell University, summer 2026).

VIII. CAMPBELL, INC. STOCK: TWO HALVES, TWO ROADS

100,000 shares of Campbell, Inc. worth \$11,230,000 against \$1,650,000 paid in 2015, jointly with no survivorship, in North Carolina a tenancy in common: two halves of \$5,615,000, basis \$825,000 apiece, each passing under its owner's plan, yielding about \$45,500 apiece on the \$0.91 dividend.

Ricky's half is a sizing problem the numbers decide. Ricardo Family, LLC holds the stock; Ricky keeps the voting sliver; discounted nonvoting units feed both freeze spouts: a zeroed out GRAT under *Walton v. Commissioner*, its annuity paid in kind and its remainder kept off skip persons under section 2642(f),¹⁴ and a seed gift plus installment sale to a deliberately grantor trust. Nonvoting units are worth less than the shares inside them, the discount the Service blessed for family transfers;¹⁵ at a conservative 25 percent appraisal assumption, Ricky's half moves at \$4,211,250, preserving **\$1,403,750** of exemption worth **\$561,500** at 40 percent. The grantor trust adds the second number: Ricky pays its income tax, each payment one more tax free gift, **\$1,749,305** saved on the seminar's fifteen year illustration.¹⁶ Complexity is never a client burden under a corporate trustee; it is the trustee's job description. The discipline keeps the numbers alive: vertical slices under section 2701, no restriction beyond state default law under section 2704(b), buy sell terms under section 2703, the course's 20 on 20 stack, a 36 percent combined discount, making 25 percent conservative,¹⁷ an annual appraisal, and the 2036(a) rule

¹⁴ *Walton v. Commissioner*, 115 T.C. 589 (2000); Treas. Reg. sec. 25.2702-3; allocation of GST exemption barred during the retained term, *I.R.C. sec. 2642(f)*.

¹⁵ Rev. Rul. 93-12, 1993-1 C.B. 202 (minority discounts allowed for transfers among family members notwithstanding family control in the aggregate). The 25 percent combined discount in the text is a planning illustration; the operative figure comes from a qualified appraisal.

¹⁶ Kristy Meares Sides, Estate, Gift and GST Planning Strategies, TRST 770 Advanced Wealth Transfer Seminar, week five deck (Campbell University, summer 2026), grantor trust powers, sale mechanics, and the fifteen year illustration.

¹⁷ *I.R.C. secs. 2701, 2703, 2704*; Treas. Reg. sec. 25.2703-1(b)(3); TRST 730 class five deck and TRST 720 class five deck (Campbell University, 2025 to 2026), including the sequential discount illustration.

against the company as a wallet,¹⁸ two commas against seven figures. Build the company, run both spouts, size the mix annually, leaving enough to feed the marital share.

Lucy's half belongs to Campbell University; the only question is the route. Lifetime gifts deduct at fair value but only against 30 percent of adjusted gross income under section 170(b)(1)(C), \$75,000 a year, which no carryover stretches to \$5,615,000. So: a bequest under section 2055, unlimited, or a lifetime contribution to the unitrust described next.¹⁹ Either way the shares arrive untaxed and unsold, and \$4,790,000 of gain disappears from the family's tax life.

IX. THE TRAIN COLLECTION: THE CHARITABLE ENGINE OF THE PLAN

The collection is the strangest asset on the sheet and the best opportunity: \$10,220,000 against a \$3,000,000 basis fixed on Donald's 706, zero income, concentrated, of no interest to Lucy. An outright sale pays 28 percent on \$7,220,000 of collectibles gain under section 1(h), north of \$2,000,000. Instead, a charitable remainder unitrust under section 664(d)(2):²⁰ the exempt trust sells, the full \$10,220,000 diversifies, and Lucy takes 5 percent for life, roughly \$511,000 in year one under the four tiers of section 664(b), remainder to Campbell University with a reserved right to redirect. At 70 the 10 percent remainder test passes with enormous room. The fine print stays honest: the deduction waits for the sale under section 170(a)(3) and unrelated use caps it at basis;²¹ modest, and beside the point: the engine is tax free diversification, a six figure income Lucy does not have today, and \$10,220,000 plus growth out of her estate. Her stock half may join if she prefers watching the gift work in her lifetime.

X. CASH, VEHICLES, AND PERSONAL EFFECTS: THE SMALL ASSETS DONE RIGHT

¹⁸ I.R.C. sec. 2036(a); see *Estate of Powell v. Commissioner*, 148 T.C. 392 (2017).

¹⁹ I.R.C. secs. 2055, 2522 (estate and gift charitable deductions); percentage limitations, sec. 170(b)(1)(C), (d).

²⁰ I.R.C. sec. 664(d)(2), (b).

²¹ I.R.C. secs. 170(a)(3), 170(e)(1)(B); collectibles rate, sec. 1(h).

Ricky's wish for his \$752,000 Bank of America account is that Lucy have it immediately, and immediacy is a probate word: the account becomes payable on death under N.C.G.S. 53C-6-26, outside probate the day the bank sees a death certificate, Ricky's children contingent per stirpes.²² Lucy's \$3,199,000 account mirrors the designation or is retitled into her revocable trust; the \$6,440,000 First Citizens account already passes by survivorship. Vehicles and the \$50,000 of personal effects pass under each will, then per stirpes; no trust is worth its drafting fee for a truck. The \$60,000 spousal and \$10,000 child allowances under N.C.G.S. 30-15 add immediate statutory cash.

XI. LUCY'S BUSINESS, RISK MANAGEMENT, AND THE OTHER AREAS OF NEED

Lucy earns \$250,000 self employed: Schedule C, self employment tax, no liability entity, no retirement plan anywhere. An income tax problem, not an income problem. The fix: a single member LLC electing S corporation status, a reasonable salary, distributions outside self employment tax, section 199A preserved, a solo 401(k) finally building a retirement asset.²³ The remaining needs track the age gap: a survivor cash flow plan, long term care as earmarked self funding, and disability's one honest line: no insurer writes it at 70; the unitrust's payout is the substitute. Risk management is the quietest need and the first a lawsuit exposes: both homeowners policies at full replacement cost against the 80 percent coinsurance rule, Malibu's wildfire exposure verified, the farm tenant's policy naming Ricky as additional insured, and a \$5,000,000 umbrella over it all. None of these are trust problems. All are client problems, and a plan that ignored them would be a tax memo, not an estate plan.

XII. EVE: ONE SPECIAL NEEDS TRUST FOR EVERY SHARE

Eve is 21, disabled, and on SSI, a means tested program with a \$2,000 resource limit; an outright inheritance of any size ends her benefits. The plan builds exactly one third party special

²² N.C. Gen. Stat. sec. 53C-6-26; spousal and child allowances, sec. 30-15, as amended by S.L. 2023-120.

²³ I.R.C. secs. 1401, 199A (deduction made permanent by Pub. L. No. 119-21).

needs trust; every share destined for Eve, from every vessel, pours into that single trust and nowhere else. Funded entirely with money that was never Eve's, it requires no Medicaid payback, unlike a first party trust under 42 U.S.C. 1396p(d)(4)(A), and whatever remains at her death passes to Adam or his line. The trustee's discretion is absolute, distributions supplementing but never supplanting government benefits, paying for what SSI never covers while leaving the check untouched. This is where a drafting shortcut does the most human damage, and the strongest argument for the corporate trustee and protector pairing of Section XV.²⁴

XIII. ADAM: NOTHING OUTRIGHT TO A MINOR

Adam is 16, and without planning his inheritances would detour through a guardianship ending abruptly at 18 with a check no teenager should cash; a custodianship only delays the cliff to 21. Adam's shares fund a discretionary trust, income and principal for health, education, maintenance, and support, principal staged through his late twenties and early thirties. Lifetime gifts of \$19,000 per donor under section 2503(b) flow through withdrawal powers rather than a section 2503(c) minority trust, which would force access at 21.²⁵ If the family ever weighs equal against equitable between these two very different children, that answer belongs to Ricky and Lucy, and the instruments can carry either choice.

XIV. LIQUIDITY: WHY THE ILIT IS NOT OPTIONAL

On today's values the projected tax at the second death still sits near \$4,000,000, Exhibit B, every path to it running through the farm, the houses, and a collection mid diversification; the farm reliefs failed in Section VII, and section 303 fails with the stock under 35 percent. Liquidity is manufactured: an irrevocable life insurance trust owns a survivorship policy on both lives, sized to the tax, from issue, so the proceeds stay out of both gross estates under section 2042 and the three year clawback of section 2035(a) never starts. Premiums ride annual exclusion gifts

²⁴ 42 U.S.C. sec. 1396p(d)(4)(A); SSI resource limit, 20 C.F.R. sec. 416.1205.

²⁵ I.R.C. sec. 2503(b), (c); N.C. Gen. Stat. ch. 33A (custodianships ending at age 21).

made present interests by lapsing withdrawal rights under *Crummey v. Commissioner*, 397 F.2d 82 (9th Cir. 1968); at the second death the trustee holds cash exactly when the 706 is due, lending or purchasing, empowered but never directed.²⁶ The same policy performs wealth replacement, restoring to Adam and Eve the value the charitable trust routes to Campbell University, so Lucy's generosity is never subtracted from her stepchildren.

XV. FIDUCIARIES, INCAPACITY, AND THE PAPERS THAT FINISH THE PLAN

Both spouses want Father O'Keefe as trustee and executor of everything, but seventeen instruments, including a special needs trust where one wrong distribution costs Eve her SSI, are not a burden to hand a beloved brother with no fiduciary staff. The answer gives him power without paperwork: trust protector, with the right to demand distributions for the children and to remove and replace the corporate trustee carrying the books, the elections, and the liability. The institution administers. The family commands. Decanting under Article 8B of Chapter 36C fixes what time breaks; North Carolina has no estate tax, and under *Kaestner* a resident beneficiary alone cannot support taxing an out of state trust.²⁷

The remaining documents are not clerical: durable and health care powers of attorney, a declaration of a desire for a natural death, HIPAA authorizations, and a letter of instruction carrying the account map and burial wishes, kept out of the wills to be read in time to matter. Every beneficiary designation is audited, because a stale designation overrides the most elegant trust ever drafted; the elective share of N.C.G.S. 30-3.1, roughly a third, needs no waiver because this plan gives far more. And a trust plan dies in the gap between signing and funding, so the engagement closes with a funding schedule: deeds recorded, every policy endorsed the same week because a retitled house with an unendorsed policy is uncovered, designations executed,

²⁶ [Crummey v. Commissioner](#), 397 F.2d 82 (9th Cir. 1968); [I.R.C. secs. 2035\(a\)](#), 2042; return and payment deadline, [sec. 6075\(a\)](#).

²⁷ [N.C. Gen. Stat. secs. 30-3.1](#), 90-321, chs. 32A art. 3, 32C, and 36C art. 8B; *North Carolina Department of Revenue v. Kimberley Rice Kaestner 1992 Family Trust*, [588 U.S. 262 \(2019\)](#).

the stock and collection assigned, a twelve month review, and each trust's books on Exhibit E's discipline.²⁸

XVI. THE THREE SAVINGS, MEMBER BY MEMBER, AND THE SCHEDULE OF DISTRIBUTIONS

The assignment names three techniques, applied here to all four members of the household; for Ricky and Lucy the estate column is the whole plan above. The gift column opens with the four questions the gift tax course drilled, a transfer of property, to another, with dominion and control fully surrendered, for less than full consideration,²⁹ and holds four tools: \$19,000 annual exclusions, section 2513 splitting, the section 2523 marital deduction, and unlimited section 2503(e) tuition and medical payments.³⁰ The income column: the S corporation and 199A, the unitrust's deferral, the basis elections above.

Adam's education is a sizing problem the caps solve: a full \$190,000 superfund strands everything but a \$35,000 Roth rollover if Adam picks a cheaper school,³¹ so the 529 funds expected cost plus exactly \$35,000, a \$155,000 target on a \$30,000 school, opened with Ricky's \$95,000 superfund; the 530A account takes its hard maximum, two years at \$5,000 before the door closes at 18; together the caps seed \$45,000 of retirement money, overflow riding uncapped 2503(e) payments and his trust. Three calibrations: section 529(c)(2)(A) completes the gift despite retained control, the Code's one exception to its own doctrine; the mortality clawback assigns the five year election to Ricky, never Lucy;³² and because section 2503(b) rounds down

²⁸ [N.C. Gen. Stat. ch. 37A](#) (principal and income); TRST 770 week three materials, Inventory and Accountings and the Uniform Principal and Income Act (Campbell University, summer 2026).

²⁹ [Treas. Reg. sec. 25.2511-2\(b\)](#) through (f) (completion, dominion and control, adverse interests); donative intent irrelevant, [Treas. Reg. sec. 25.2512-8](#); TRST 730 Gift and Fiduciary Income Taxation Seminar, class one and class two decks (Campbell University, spring 2026).

³⁰ [I.R.C. secs. 2503\(e\)](#), 2513, 2523.

³¹ [I.R.C. sec. 529\(c\)\(2\)\(B\)](#) (five year election); SECURE 2.0 Act of 2022, [Pub. L. No. 117-328](#), div. T, sec. 126 (rollovers to Roth IRAs, \$35,000 lifetime limit, fifteen year seasoning); [I.R.C. sec. 530A](#), added by Pub. L. No. 119-21 (2025) (\$5,000 annual limit, after tax, contributions ending in the year the beneficiary reaches 18); kiddie tax, [I.R.C. sec. 1\(g\)](#).

³² [I.R.C. sec. 529\(c\)\(2\)\(A\)](#) (completed present interest gift notwithstanding retained control); sec. 529(c)(4)(C) (gross estate inclusion of unexpired installments on the electing donor's death); rounding, sec. 2503(b)(2).

to the nearest \$1,000, Exhibit D projects the top up years. One caution in writing, the kiddie tax: distributions above roughly \$2,700 land at his parents' rates while Adam is a student under 24.

Eve's columns are the reason this plan exists. Nothing goes to Eve outright; annual exclusion gifts flow into an ABLE account under section 529A, onset age widened to 46 in 2026, its first \$100,000 invisible to SSI, paying her housing without reductions.³³ Her check is knowable to the dollar: the 2026 federal payment standard is \$994 a month, \$11,928 a year, no North Carolina supplement, and the one third reduction would cut it to \$662.67 unless her share of household costs rides the ABLE account and a written pro rata arrangement.³⁴ The trust elects qualified disability trust treatment. Beneath the tax columns, the benefits engineering: SSI preserved so Medicaid rides in automatically; onset before 22 evidence preserved for the disabled adult child conversion onto Ricky's record, a larger check with no asset test, Medicare two years behind, Medicaid protected through the transition; verification and payee paperwork current.³⁵

The schedule is the third savings: distributable net income measured annually, carried to the lowest brackets, tried up in the 65 day window, K-1s issued, Eve's brackets and Adam's threshold filled first,³⁶ recognition bunched into planned years with quiet years between. Above the calendar, the legislative horizon: the Act made the exclusion and 199A permanent, and permanent means until a different Congress, while the tips, overtime, and senior deductions expire after 2028, the SALT ceiling reverts in 2030, and child account seeding closes with 2028

³³ [I.R.C. sec. 529A](#); SECURE 2.0 Act sec. 124 (onset age raised to 46 for taxable years beginning after 2025); SSI treatment of ABLE accounts, [42 U.S.C. sec. 1382b\(a\)\(18\)](#).

³⁴ Social Security Administration, [2026 Cost of Living Adjustment Fact Sheet](#) (federal payment standard of \$994 for an eligible individual); the one third reduction, [20 C.F.R. sec. 416.1131](#).

³⁵ Childhood disability benefits, [42 U.S.C. sec. 402\(d\)](#) (disability beginning before age 22); continued Medicaid for such beneficiaries, [42 U.S.C. sec. 1383c\(c\)](#); benefit verification through the Social Security Administration.

³⁶ [I.R.C. secs. 651, 661, 662](#) (distribution deductions and inclusion); the 65 day election, [sec. 663\(b\)](#); qualified disability trust exemption, sec. 642(b)(2)(C); fiduciary brackets, Rev. Proc. 2025-32.

births.³⁷ The freezes run now, while \$15,000,000 is law and not a memory, every Exhibit D year re read against the sitting Congress. That is the advice this family is buying: the values ground down to a number, and the number held against the landscape that can move it.

XVII. THE FORKS: WHAT CHANGES IF THEIR VALUES CHANGE

Every recommendation rests on the stated assumptions of Section I; the honest close prices what happens if any of them changes. Planning at this scale is a permanent negotiation between the tax savings that safeguard what the family earned and the control and values that make the wealth mean something; clients do not know what they do not know until a number makes their values visible. Exhibit C prices every fork, savings in **green** and costs in **red**, and the presentation walks the same forks as live switches. None of them break the plan; the architecture holds under every one. The paper lays the breadcrumbs. The conversation follows them wherever the family's values lead.

XVIII. WHAT THE PLAN BUYS THE FAMILY

Seventeen instruments, fifteen of them trusts, stand behind these pages, each demanded by a wish, a statute, or a danger; Exhibit B carries the arithmetic, \$10,394,400 with no plan to under \$1,000,000 once the vessels mature.

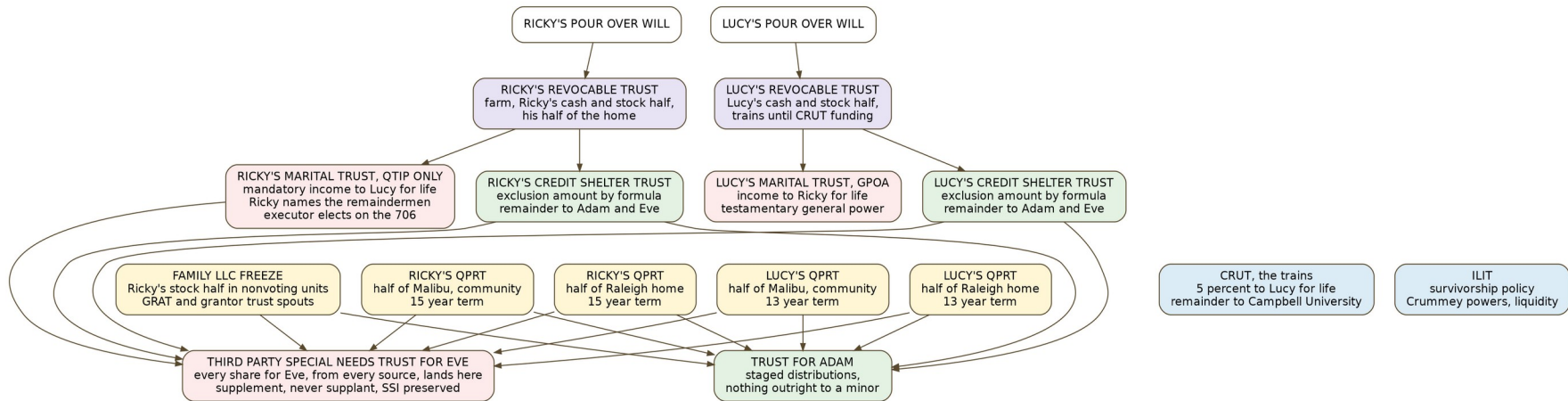
The measure of the plan is the day after each death: nothing is sold, no California court is petitioned, and the survivor's income never pauses. At the second death, a tax that once approached \$10,400,000 is a fraction of itself, and the check that pays it comes from an insurance trust, not a farm auction. Adam inherits when he is ready. Eve never loses a benefit, and Campbell University receives a gift measured in eight figures. Two people who found each other after the worst years of their lives will have kept every promise they made.

³⁷ One Big Beautiful Bill Act, [Pub. L. No. 119-21](#) (2025); provision expirations per the Act's own terms; see also the author's survey of the Act, Advanced Income Taxation Research Paper, TRST 633 (Campbell University, April 2026).

EXHIBIT A

The Ricardo Family Master Structure

THE RICARDO FAMILY MASTER STRUCTURE
Ricky, age 50, and Lucy, age 70, combined estate \$55,986,000



Master structure recreated and adapted, with credit and gratitude, from the diagram of Professor J. Tyler Britton, Britton, Butler and Witherspoon, PLLC

Recreated and adapted, with credit, from the master diagram of Professor J. Tyler Britton.

EXHIBIT B

Estimated Estate Tax Calculation, Today and With the Plan

SCENARIO ONE, IF IT ALL HAPPENED TODAY, NO PLAN	
Combined gross estates	\$55,986,000
Basic exclusion amounts, two spouses	(\$30,000,000)
Taxable base	\$25,986,000
Federal estate tax at 40 percent	\$10,394,400
SCENARIO TWO, CHARITABLE DISPOSITIONS IN PLACE	
Combined gross estates	\$55,986,000
Train collection to the charitable remainder trust	(\$10,220,000)
Her Campbell, Inc. half to the University	(\$5,615,000)
Basic exclusion amounts, two spouses	(\$30,000,000)
Taxable base	\$10,151,000
Federal estate tax at 40 percent	\$4,060,400
SCENARIO THREE, PLAN FULLY MATURED, VALUES HELD CONSTANT	
Base after charitable dispositions	\$40,151,000
Residence values removed by the four QPRTs	(\$16,074,000)
QPRT gifts restored as adjusted taxable gifts	\$7,914,835
Basic exclusion amounts, two spouses	(\$30,000,000)
Taxable base	\$1,991,835
Federal estate tax at 40 percent	\$796,734

Values held at August 2026 levels. Growth after funding, GRAT transfers, annual exclusion gifting, and insurance proceeds are all excluded from the computation, and every one of them pushes the final figure lower. The insurance trust of Section XIV is sized against Scenario Two as the conservative case. Scenario Three restores the QPRT remainders to the base as adjusted taxable gifts under section 2001(b), which is how the statute actually computes the tax.

EXHIBIT C

The Forks: What Each Change of Heart Saves or Costs

STATED ASSUMPTION	THE FORK AND ITS PRICE	THE JUDGMENT
The Raleigh house should be frozen by paired QPRTs	Skip the QPRTs and never pay rent: \$1,879,000 of discount surrendered today and growing; a step up worth at most \$1,703,000 once.	Freeze wins while the house keeps growing.
Malibu freezes as community halves	Keep it community to the second death: \$1,385,000 surrendered against full gain erasure worth about \$838,000 .	Closest call on the board; their values decide.
The trains become income and a legacy	Keep the collection in the family: \$4,088,000 of estate tax and the \$511,000 yearly income never starts.	Only Lucy can price her father's trains.
The farm stays unlocked for Eve	Eve's heart moves to the beach: easement plus preservation fund yield roughly \$1,144,000 of relief and the fund's check, at the price of land locked forever .	Values first; the fund waits if they change.
His stock freezes inside the family LLC	Give the children the stock today instead: \$5,615,000 of exemption spent at full value; the children hold it now .	The human answer is allowed, price tag showing.
Adam's education seeds his retirement	Size both caps instead of picking one: the 529 funds cost plus exactly \$35,000 for the Roth exit ; the 530A account takes its \$10,000 lifetime maximum from age 16 ; the overflow rides unlimited direct tuition ; stuffing \$190,000 in the 529 strands all but \$35,000 .	Arithmetic makes the choice: \$45,000 of retirement seed, no stranding.
The LLC feeds both freeze spouts	Skip the company to keep it simple: \$561,500 of discount capacity and \$1,749,305 of grantor tax gifting left on the table, for paperwork the corporate trustee would have carried anyway.	The numbers keep the LLC; administration is the trustee's job.
Philanthropy is a family value	Unwind the charitable plan: the family keeps \$15,835,000 of property while the bill rises \$6,334,000 and the legacy never exists.	The largest single value decision they own.

Green figures are dollars saved or retained; red figures are dollars of tax or exemption given up, all at August 2026 values. Each fork leaves the architecture standing; the client presentation walks the same forks as live switches.

EXHIBIT D

The Gifting and Recognition Calendar, 2026 to 2030

YEAR	EXCLUSION PER DONEE	THE MOVES
2026	\$19,000, actual	Ricky elects the five year 529 superfund, \$95,000; the 530A account opens with \$5,000; ABLE receives \$19,000; Crummey gifts sized to the ILIT premium; Lucy's exclusions ride alongside, untouched by his election.
2027	\$19,000, projected	Final 530A year before the door closes at 18, \$5,000; ABLE \$19,000; Crummey gifts; LLC nonvoting units begin moving at appraised values.
2028	\$19,000, projected	ABLE and Crummey continue; first planned recognition year for trust level sales, bunched, with the next year kept quiet.
2029	\$20,000, projected	Chained CPI crosses the rounding line; Ricky tops up the 529 election by the \$1,000 excess; all annual exclusion lanes step up to the new maximum.
2030	\$20,000, projected	The five year election closes; Ricky's exclusions for Adam reopen in full; second planned recognition year if the portfolio calls for one.

Projections assume roughly 2.5 percent chained CPI with the statutory round down to the nearest \$1,000 under section 2503(b)(2); each year's actual Revenue Procedure figure replaces the projection when published.

Recognition events, sales, conversions, and outsized distributions, are bunched into planned years chosen with each beneficiary, with quiet years between so brackets reset. Each year is re read against the legislative landscape before execution; scheduled sunsets or a new Congress move the recognition years before they move the family.

EXHIBIT E

Principal and Income: The Marital Trust's First Accounting Year, Illustrated

INCOME ACCOUNT	
Charges: farm cash rent, 980 acres at \$105	\$102,900
Charges: Campbell, Inc. dividends, 20,000 shares at \$0.91	\$18,200
Total income receipts	\$121,100
Discharges: farm property tax, present use value	(\$12,800)
Discharges: one half of trustee compensation	(\$20,000)
Net fiduciary accounting income, payable to Lucy at least annually	\$88,300
PRINCIPAL ACCOUNT	
Charges: opening corpus per the funding formula, farm and stock	\$9,870,000
Discharges: one half of trustee compensation	(\$20,000)
Closing principal, held for Adam and Eve	\$9,850,000

Illustration assumes the formula funds the marital trust with the farm and \$2,000,000 of Campbell, Inc. stock. Allocations follow Chapter 37A of the General Statutes: rent and dividends are income, ordinary property taxes charge against income, trustee compensation divides half to income and half to principal, and unrealized appreciation is not booked until realized. The line that matters is the boundary itself: everything above it belongs to Lucy for life, everything below it is held for Adam and Eve, and the trustee's books must never let the two blur. This is the working discipline of trust administration, and the schedule the corporate trustee maintains for every trust in the plan.

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Walton v. Commissioner, 115 T.C. 589 (2000). <https://www.leetcode.com/decision/2000704115aotc5891664>

LECTURES AND COURSE MATERIALS

TRST 730 Gift and Fiduciary Income Taxation Seminar, class decks one through five and the Gift Tax Transfer Analysis Flowchart. Campbell University, spring 2026.

TRST 720 Estate Taxation Seminar, class five deck, valuation and deductions. Campbell University, fall 2025.

Sides, Kristy Meares. Estate, Gift and GST Planning Strategies and Fiduciary Income Tax Planning Strategies, TRST 770 Advanced Wealth Transfer Seminar, week five decks. Campbell University, summer 2026.

Pfeffer, Kristian R. Advanced Income Taxation Research Paper on the One Big Beautiful Bill Act, TRST 633. Campbell University, April 2026.

Britton, J. Tyler. TRST 760 Advanced Estate Planning Seminar, lectures one through six and the Final Project memorandum. Campbell University, summer 2026. Master structure diagram recreated and adapted with credit at Exhibit A.