



WHAT ARE THE DISADVANTAGES TO USING A SCIN?

In addition to the disadvantages outlined under the traditional installment sale discussion, the SCIN has the following disadvantages:

Substantially greater seed funding.

If the principal premium approach is taken, the initial seed funding of the trust would accordingly increase, i.e., to maintain 10% of the principal obligation, at a minimum.

Risk of lengthy life.

If you outlive your life expectancy, the assets included in your estate will be substantially greater than had the property been sold in a traditional installment sale. Because of the risk premium, the SCIN payments will be significantly higher. A similar risk, although less substantial, exists with a private annuity.

Uncertainty of calculations.

The calculation of payments under a SCIN can be uncertain, including the determination of the risk premium and your life expectancy. By comparison, private annuity calculations are relatively straightforward.