



**Some of the Best Synergistic Family Limited Partnership and Family
Limited Liability Company Estate Planning Ideas We See Out There
(That Also Have the Merit of Playing Havoc With Certain “Conventional Wisdom”)**

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The Primary Importance of Goals-Based Planning for the Successful Succession of the Family Wealth Irrespective of the Status of the Tax Law (Pages 1 – 3 of the Paper)

- The importance of first determining a client's goals that determine the estate plan's essential strategies.
- In assisting a client with achieving their goals the state of the tax law and how that affects the plan should not be the "tail that wags the dog."
- Whenever owners and tax advisors gather to formulate a plan, inevitably their conversations focus extensively on tax issues. Something about the topic of tax planning, the prevalence of tax advisory literature, tax advisors' professional degrees and titles, how the meetings originate, and the expectations of the gathered parties combine to dictate this focus.
- A danger in tax driven wealth preservation planning is its subtle power to enable money (and its conservation) to become the defining objective.
- Four personal rules for determining a client's goals and concerns with respect to the family's capital: (1) try to ask open ended questions that give the client the opportunity to articulate his or her goals and concerns; (2) listen; (3) listen, and (4) listen.

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Estate Plans Developed Around the Stewardship of the Family Wealth

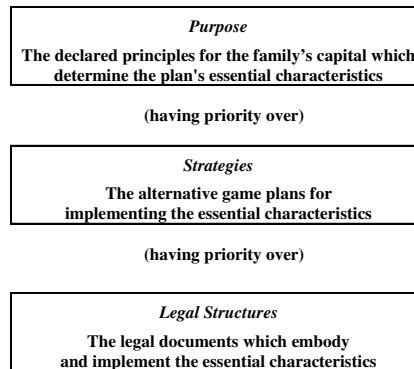
- It is enlightening to contrast conventional *tax driven wealth preservation plans* with plans which have been formulated for owners who were initially asked (perhaps through the vehicle of many open-ended questions): "What is the purpose (or stewardship mission) of your family wealth?" A family's wealth, or capital, is more than its financial capital. A family's social capital and stewardship capital are also very important and interact with the family's financial capital.
- At an introductory stage, a dialogue about purpose or stewardship mission questions might evolve like this:

Question 1:	Do you want to save taxes? Answer: Yes.
Question 2:	Do you want to protect your wealth? Answer: Yes.
Question 3:	Do you want to preserve the same level of consumption? Answer: Yes.
Question 4:	Do you want to empower your children (or favorite charitable causes)? Answer: Yes.
Question 5:	Do you want to give your children (or charitable entities you create) options? Answer: Yes.
Question 6:	Do you want to give your children (or charitable entities you create) incentives? Answer: Yes.
Question 7:	Do you want to maintain control of investment decisions with respect to your wealth? Answer: Yes.
Question 8:	Do you want to maintain your flexibility (control) to change your mind about how and whom should have future stewardship of your wealth? Answer: Yes.
Question 9:	Which of these is most important? Typical Answer: (pause) That is the first time we have been asked that question. We'll need to think about it.

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Organizational Pattern of a Purpose-Based Estate Plan

- A hierarchical organizational pattern for a purpose-based estate plan is:



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A Frequently Mentioned Goal (or Concern) With Respect to Current Gifting Opportunities: The Desire For Exit Strategies to Meet Unanticipated Consumption Needs and/or Changing Stewardship Goals (Pages 4 – 5 of the Paper)

- In 2012 clients have a surprisingly generous (and perhaps a temporary) window to engage in significant gift planning without paying any gift taxes. The estate tax exemption equivalent, the gift tax exemption equivalent and the generation-skipping tax exemption equivalent have been increased to \$5,120,000 for each taxpayer, or \$10,240,000 for a couple.
- A comparison of the 2012 tax law to the default rules of 2013:

Calendar Year	Estate Tax Exemption	GST Tax Exemption	Gift Tax Exemption	Top Estate, GST and Gift Tax Rates	Combined Gift Tax and GST Tax on a New \$4mm Gift to Grandchildren ¹
2012	\$5.12 million	\$5.12 million	\$5.12 million	35%	\$0
2013	\$1 million	\$1.4 million (estimated)	\$1 million	55% (60% for estates over \$10 million until benefit of lower tax brackets is recaptured)	\$5,269,000

¹ These calculations assume the taxpayer has available any exemption equivalent above \$1 million and the \$4 million transfer is taxed at the highest tax rate.

² Inflation Adjusted.

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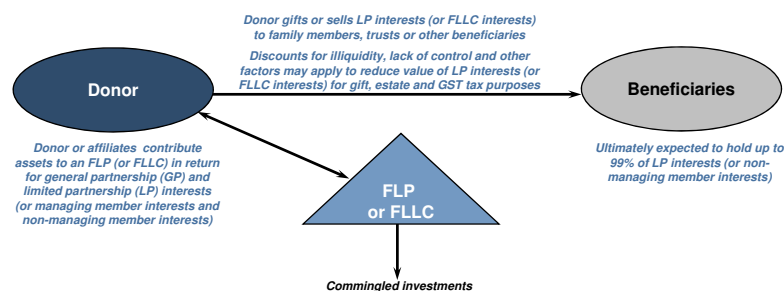
The Desire for Flexibility for Many Clients in Making Gifts in 2012

- For many clients, taking advantage of the above gift planning opportunity produces concerns about meeting future consumption needs and concerns about maintaining flexibility as to future stewardship goals.
- Given the calamity of economic events in 2000, 2001, 2008 and early 2009, many clients legitimately worry about their future consumption needs and how those needs may be affected by large gifts.
- Additionally, all patriarchs and matriarchs have seen family situations that could not be anticipated, which can lead to “donor’s remorse” about significant gifts:
 - What if a client changes his or her mind about the stewardship abilities of a child or grandchild?
 - For instance, what if a patriarch or matriarch currently feels that leaving a family member more than \$5,000,000 would kill that family member’s initiative? However, that patriarch or matriarch concedes that if that child develops leadership characteristics and financial stewardship in the future, the amount of wealth under the control of that child should increase.
- It is clear that taking advantage of existing exemption equivalents before 2013, and packing assets into a vehicle that will not be subject to future estate taxes or generation-skipping taxes, can be a very productive plan; not only for saving transfer taxes, but also for creditor protection purposes for the family.
- The question is what vehicles exist to transfer current wealth that will also provide the client with the flexibility to supplement the client’s consumption needs and/or to give the client flexibility to change the characteristics of his or her stewardship goals?
- Unless there is a satisfactory answer to those goals and concerns, many clients will not avail themselves of the current generous (and perhaps temporary) gift planning opportunities.

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The Control Advantages and Considerations For a Transferor Contributing Assets to a Family Limited Partnership (“FLP”) (or a Family Limited Liability Company (“FLLC”)) (Pages 6 – 18 of the Paper)

- A transferor could contribute the transferor’s assets to a limited partnership and transfer the limited partnership interests to a donee as illustrated below:



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