Private Wealth Management

Some of the Best New Planning Desserts That Are Tax Diet Friendly

(Please note that there are no vanilla desserts discussed in this 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."
  - 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.
  - Tax planner's habitual patterns of engaging in planning conversations that evolve into tax reduction conversations have resulted in the evolution of a conventional style of planning that can be referred to as *tax driven wealth preservation planning*.
  - A danger in tax driven wealth preservation planning is its subtle power to enable money (and its conservation) to become the defining objective.
  - Through the years I have developed four personal rules for determining a client's goals and concerns with respect to the family's capital (as defined below): (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.

Estate Plans Developed Around the Stewardship Purpose of the Family Wealth

- It is enlightening to contrast conventional *tax driven wealth preservation plans with plans* which have been formulated for clients 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.

- Members of my tax planning fraternity routinely start with good questions. But we sometimes tend to stop asking them too quickly (often after question 3), and we seldom ask question 9.

Organization Pattern of a Purpose-Based Estate Plan

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

Purpose The declared principles for the family's capital which determine the plan's essential characteristics

(having priority over)

Strategies The alternative game plans for implementing the essential characteristics

(having priority over)

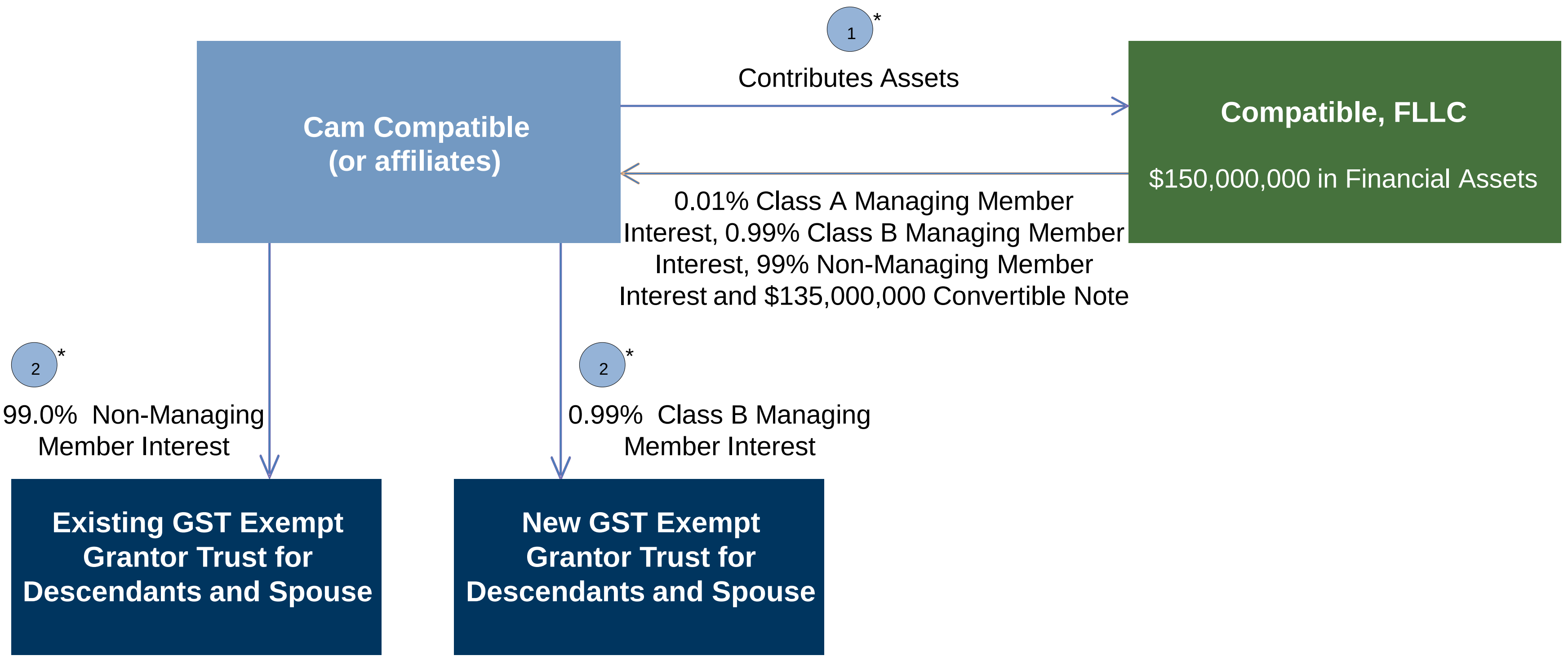
Legal Structures The legal documents which embody and implement the essential characteristics

The New Tax Environment for the Wealthy Client

- Under current transfer tax laws, almost all of the US population (estimates are over 99.93%) does not have to worry about strategies that reduce transfer taxes. Key changes that affect estate planning under the new tax act.
  - The estate, gift and generation-skipping tax exemption equivalent has been increased to $11.4 million for the calendar year 2019.
  - The increases in the exemption will be eliminated in 2026. But, if the increased exemption is used prior to 2026, there probably will not be a claw back of any of the increased exemption that is used.
  - Certain taxpayers have the net worth to take advantage of the increased exemption, but will only do so if they have the ability to indirectly access the cash flow from their net worth used to take advantage of the increased exemption.
  - The difference in the federal and state income tax rates of a complex trust located in a high tax state and a trust beneficiary who resides in a low tax state has increased and is very significant under the Act. For example, assume a trust is based in New York City and has taxable income of $300,000. Assume the beneficiary of that trust has a taxable income of $300,000 and resides in Austin, Texas. If the taxable income of the trust is instead all taxable to the beneficiary, the state and federal income tax savings will be $48,300.
- These changes make it much more imperative that estate planning techniques be developed that are consistent with the taxpayer’s stewardship goals and that allow the taxpayer to retain cash flow, are income tax sensitive and take advantage of basis enhancing opportunities.

Contribution of a Leveraged, Convertible LLC Interest to an Intentionally Defective Grantor Trust ("LAIDGT") (Pages 5-48 of the Paper)

- Consider the following example:



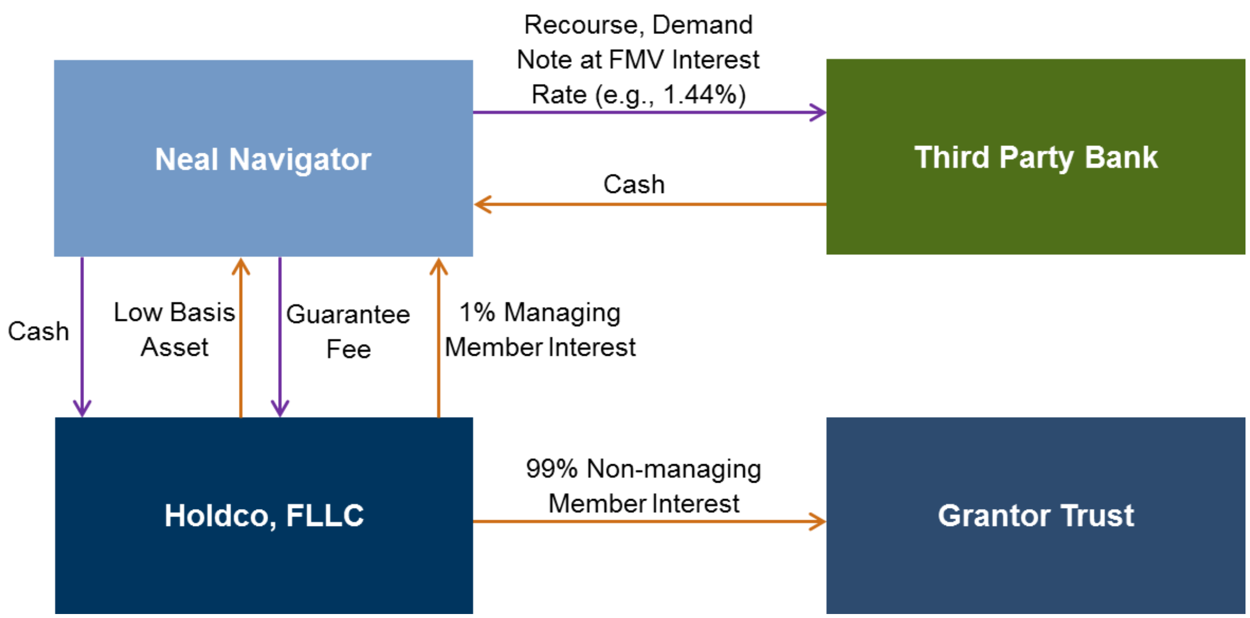
* These transactions need to be separate, distinct and independent.

Income Tax and Basis Enhancing Advantages of the LAIDGT Technique

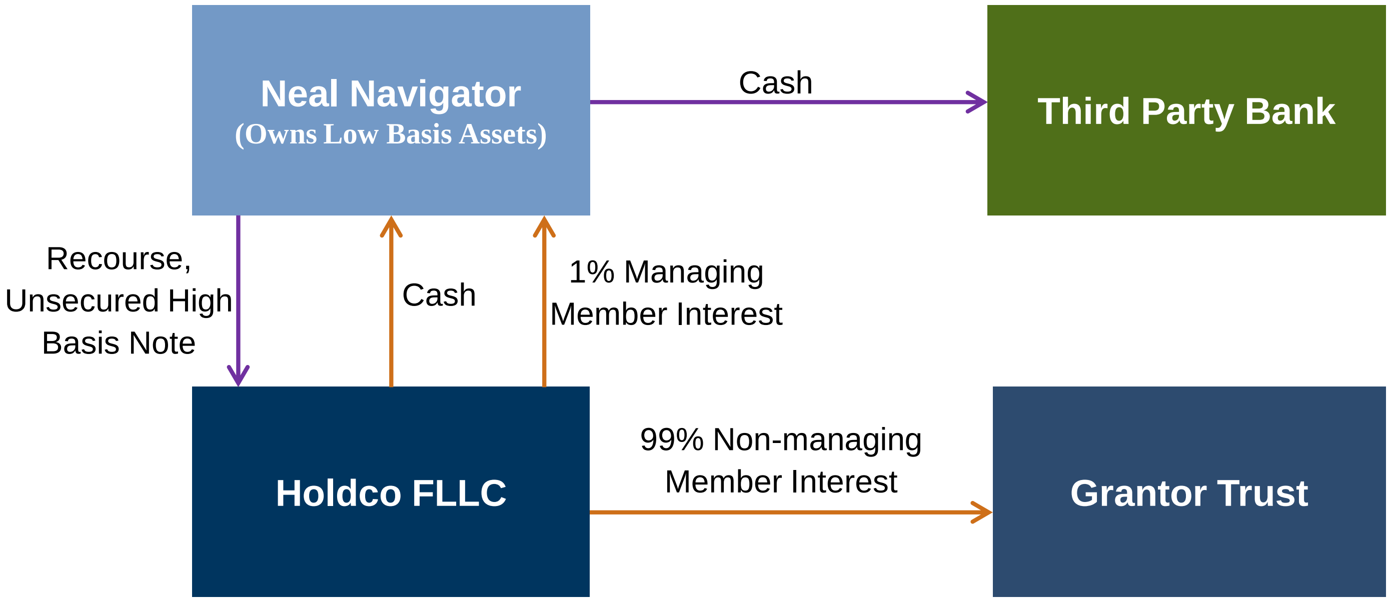
- There is greater authority that a sale to a single member FLLC in the LAIDGT technique will be treated as a nontaxable sale to a disregarded entity for income tax purposes than there is for a sale to an intentionally defective grantor trust or the "SIDGT" technique.
- This technique has all of the same income tax and basis enhancing advantages of the SIDGT technique.
- The advantage of locating income tax inefficient asset classes inside a disregarded entity for income taxes (e.g., intentionally defective grantor trust or a single member limited liability company) that is also not subject to estate taxes.
- The potential basis enhancing advantages of the donor swapping his high basis assets for the income tax disregarded entity's low basis assets.
  - The low basis assets, if retained by the grantor, will receive a basis step-up on the grantor's death.
  - If the low basis assets are sold by the grantor before his or her death the cost of the capital gains taxes will be borne by the grantor (just as they would have been if the assets had been sold by the grantor trust or a disregarded single member FLLC.)
  - The principal and interest of the donor's retained note may be paid with either cash or in kind. There will not be any income tax consequences with in kind payments, if the grantor trust or single member FLLC remains a disregarded entity.

Income Tax and Basis Enhancing Advantages of the LAIDGT Technique (Continued)

- The grantor may not have any high basis assets, or cash, to swap. If that is the case, consider a recourse third party loan of cash to the grantor from a third party lender. (While it may be tempting for the donor to simply purchase low basis assets from the disregarded entity, it is not clear what the disregarded entity's basis in the note is – the note's basis may be only equal to the basis of the purchased assets and capital gains consequences could accrue to the trust when the note is paid.) The grantor could then use that cash to swap for the low basis asset. The grantor trust may then be converted to a complex non-grantor trust. At a later time, in an independent transaction, the grantor could borrow the high basis cash from the trust with a long-term, recourse note that is unsecured and use that cash to pay the principal of the third party loan.
  - Consider Hypothetical Transaction #1 illustrated below:

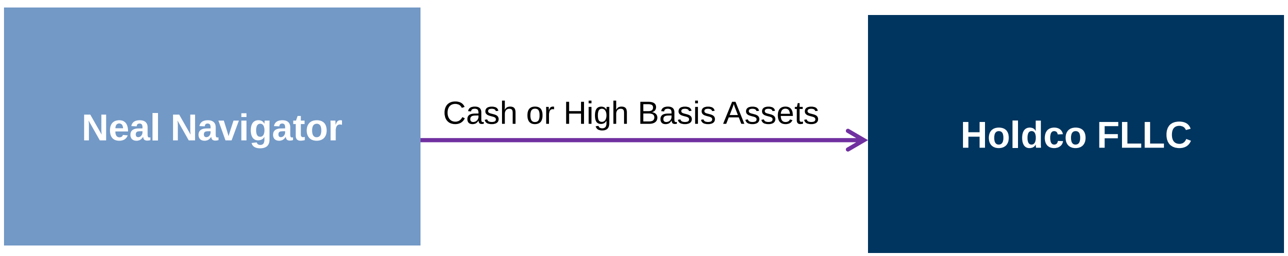


– Consider Hypothetical Transaction #2 illustrated below:



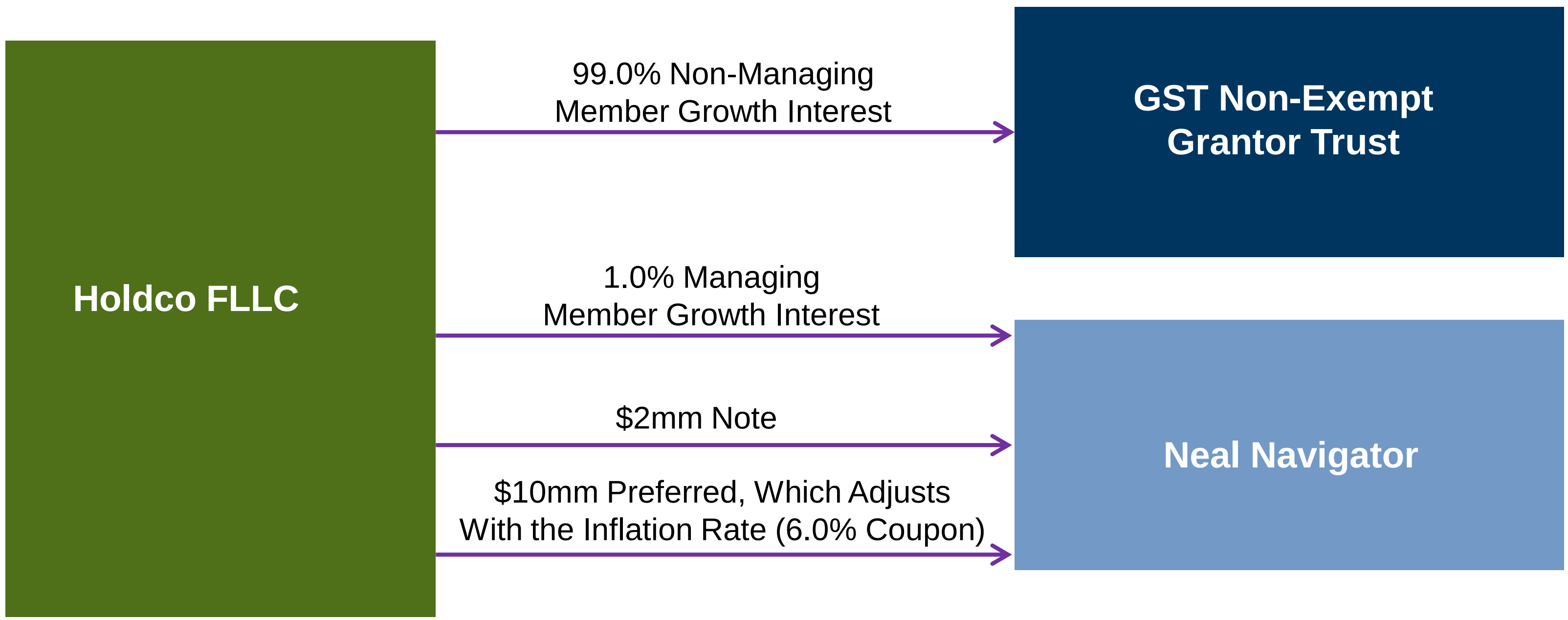
Income Tax and Basis Enhancing Advantages of the LAIDGT Technique (Continued)

- Upon the death of Neal Navigator, the estate satisfies the note to Holdco FLLC with the now high basis assets or cash (if the high basis assets are sold after the death of Neal Navigator).
  - Consider Hypothetical Transaction #3 illustrated below:



Income Tax and Basis Enhancing Advantages of the LAIDGT Technique (Continued)

- Another basis enhancing strategy opportunity with the LAGRAT technique is to convert part or all of the retained note at some point to a preferred member interest in the FLLC. In that manner an IRC Sec. 754 election could be made on the death of Neal Navigator and a partial basis step up of the assets of Holdco FLLC could be achieved.
- This example, after the conversion of $10,000,000 of the $12,000,000 note, is illustrated below:



Income Tax and Basis Enhancing Advantages of the LAIDGT Technique (Continued)

- Another basis enhancing strategy is to make the note that the taxpayer receives in the LAIDGT technique convertible into that amount of FLLC or limited partnership units that is equal, at the time of the conversion, to the then principal value of the note.
  - The conversion could happen anytime at the election of the holder of the note, or the payor of the note.
  - The note could also be designed with a mandatory conversion to equity equal to the principal value of the note at the death of the holder of the note.
  - An IRC Sec. 754 election could be made when the FLLC or limited partnership units are transferred or sold to pay for transfer taxes.
  - The act of conversion is not subject to income taxes. *See* Revenue Ruling 72-265
- The convertibility feature of the retained note helps support the value of the note being equal to the outstanding principal of the note.
- The convertibility feature of the retained note also gives the donor added flexibility to receive a greater return in the future.

Transfer Tax Advantages of the LAIDGT Technique

- This technique has all of the same transfer tax advantages of the sale to an intentionally defective grantor trust or "SIDGT" technique and certain additional transfer tax advantages.
  - Transfer tax advantage of transferring a non-managing interest.
  - The near term death of the grantor of a grantor trust on a single member FLLC generally does not affect the technique like the death of a grantor of a GRAT.
  - The appreciation of the assets of the trust above the interest of the note used in any sale to a grantor trust or a single member FLLC will not be taxable in the grantor/seller's estate.
  - Flexibility advantages of the LAIDGT.
    - Flexibility could be achieved by naming a spouse as a beneficiary of the grantor trust and giving a grantor's spouse a special power of appointment.
    - Flexibility could also be achieved by converting the note to a note with a different interest rate, a private annuity, purchasing assets owned by the trust and/or renouncing the powers that make the trust a grantor trust.
  - If under tax equitable principles, because of too much leverage, or some other cause, part of the donor retained debt is deemed to be a retained equity interest, it will be a retained equity in the FLLC, and not a retained interest in the existing GST exempt grantor trust.

Transfer Tax Advantages of the LAIDGT Technique (Continued)

– A donor, under the LAIDGT technique, may retain investment control of the family's assets and may also retain limited control of any distributions from the transferred entity interests to family members, if that limited control is compliant with IRC Sec. 2036(a)(2) and IRC Sec. 2038. The holding of *Powell v. Comm'r*, 148 TC 18 (2017) needs to be considered. That case held, if there is not a substantive nontax reason for the creation of the partnership, that a decedent's right to amend a limited liability agreement and/or terminate the agreement, with the consent of all other partners, was a retained interest within the meaning of IRC Sec. 2036(a)(2). It should be noted that many commentators have criticized that holding. The Supreme Court held in *Helvering v. Helmholz*, 295 U.S. 93 (1935), that a joint power to alter beneficial enjoyment, amend an agreement or terminate an agreement is not sufficient to produce inclusion in the gross estate if it merely reproduces rights already available under applicable state law. Therefore, the *Powell* holding that the partners collective right to terminate the partnership agreement by unanimous agreement resulted in estate taxation under IRC Secs. 2036 or 2038 may be in error because under state law partners always have that right. *See also Tully Estate v. Comm'r*, 528 F.2d 1401 (Ct. Cl. 1976).

– However, the cautious taxpayer could adopt one or more of the following safe harbor strategies from application of IRC Secs 2036(a)(2) and 2038 that the IRS, through its revenue ruling process, or Congress, through its legislative history, has provided:

- If a donor is a general partner of a partnership, or is a managing member of a FLLC, he or she may retain a distribution power if that distribution power is subject to a standard in the organizing documents that could be enforced by a court (*see* Revenue Ruling 73-143, 1973-1 C.B. 407); and/or

- There could be two different classes of managing member interests with the donor retaining a Class A managing member interest that has all management powers (including investment management powers) that are not delegated to the Class B managing member interest with the Class B managing member interest having distribution, amendment and liquidation powers. The Class B managing member interest could be contributed by the donor to a trust in which a family member (other than the donor) or family advisor is the trustee. The donor could have the right to remove and replace the trustee, as long as the replacement is not related or subordinate (*see* Revenue Ruling 95-98, 1995 C.B. 191); and/or

Transfer Tax Advantages of the LAIDGT Technique (Continued)

- The general partnership interest or managing member interest, that has the distribution power, the liquidation power and the amendment power, could be contributed by the donor to a corporation. The corporation's organizational documents should have normal fiduciary duties for management and the stockowners. Under those circumstances, the donor could own the voting stock and his transferees could own the nonvoting stock (see Revenue Ruling 81-15, 1981-1 C.B. 457); and/or

- The donor recapitalizes an entity in which the only retained interest of the donor in the entity is a voting preferred interest that entitles the donor to a majority vote. Strong Congressional legislative history in 1990, when it repealed IRC Sec. 2036(c), indicates that under those circumstances the donor should be able to give away, or sell, all other interests in the entity and IRC Secs. 2036(a)(1) or 2036(a)(2) should not apply.

– If a taxpayer sells all of her FLP or FLLC interests for full consideration during her lifetime, or gives away all of her FLP or FLLC interests at least three years before her death, IRC Sec. 2036 does not apply to bring the assets of the FLP or FLLC into her estate. Furthermore, the gift tax equivalent of IRC Sec. 2036 does not exist (i.e., there is no IRC Sec. 2536 under Chapter 12 of the Code).

– Numerous substantive non-transfer tax reasons exist for a taxpayer to create a FLP or FLLC. The courts have found that IRC Secs. 2036 or 2038 will not apply to a taxpayer who has substantive non-transfer tax reasons for the creation of a FLP or FLLC. Among the non-transfer tax reasons that a taxpayer may wish to create a FLP or FLLC include the following:

- By using the partnership vehicle, the pooling of partnership assets will lower operating costs, increase diversity, and may solve the accredited investor rule problem for investors with limited assets (including smaller trusts).

- The partnership vehicle simplifies annual giving for private equity investments.

- Partnership vehicle facilitates assets that are important to be kept in the family.

- Partnership vehicle provides some protection against a taxpayer's future unforeseeable creditors, which cannot be provided to that taxpayer under most states law by using trusts.

Transfer Tax Advantages of the LAIDGT Technique (Continued)

- The partnership vehicle provides greater protection of gifted assets against failed marriages.
- Unlike irrevocable, non amendable trust agreements, partnership agreements are comparatively flexible to meet unanticipated circumstances.
- Business judgment rule of partnership law offers greater flexibility in investment management than trust law.
- Partnership agreements could be drafted to mandate arbitration of family disputes and avoid court litigation, which is generally not possible under most state laws with respect to trusts.
- Partnership agreements could be drafted to mandate the “English” rule to disputes (loser pays) that are arbitrated; that is generally not possible under most state laws with respect to trusts.
- Partnership arrangements facilitate and institutionalize family communication and education on financial matters.
- Partnerships eliminate or lower out-of-state probate costs for real estate investments.
- The partnership vehicle indirectly facilitates those trust partners, in which the terms of the trust agreement provides only income may be paid to a current beneficiary, to be able to follow modern portfolio theory.
- A FLP or FLLC is advantageous to a “C” corporation because it has one level of income tax and is advantageous to an “S” corporation because it allows a greater variety of ownership structures.
- A partnership is advantageous to the corporate structure because in many jurisdictions there is no franchise tax or intangibles tax to pay with the use of partnerships.
- A partnership structure facilitates tax efficient asset diversification. When a FLP or FLLC structure becomes seven years old (or older) it provides an unique structure in which “mixing bowl” transactions could be utilized to diversify out of low basis single stock, or other low basis asset positions, in a manner which defers, or eliminates, capital gains taxes.

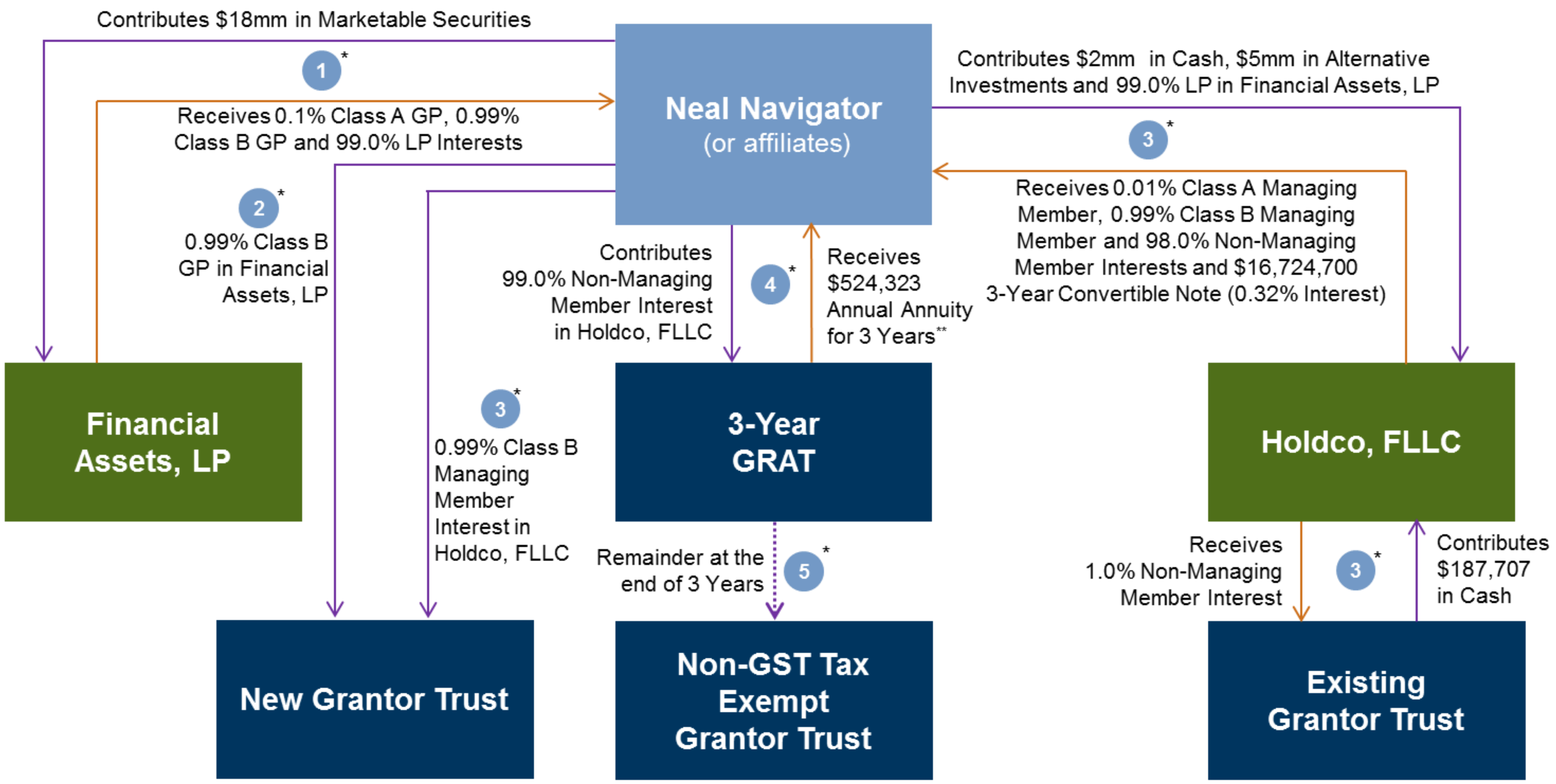
Transfer Tax Advantages of the LAIDGT Technique (Continued)

– Perhaps the best unexplored argument that IRC Sec. 2036 should not apply to any retained partnership interest is as follows: if both the estate tax power and the interest inclusion section (IRC Sec. 2033) and one or more of the estate tax power inclusion sections (IRC Secs. 2036, 2038 or 2042) apply to include in a decedent's estate an interest in a family partnership, the estate tax power and the interest inclusion section (i.e., IRC Sec. 2033) should apply to the exclusion to the estate tax power inclusion (i.e., IRC Secs. 2036, 2038 or 2042).

Considerations of the Technique That Exist for Both the SIDGT Technique and the LAIDGT Technique

- State income tax considerations.
- The IRS could be successful in the argument, that because of the step transaction doctrine, a valuation discount is not appropriate in valuing the transferred entity interest.
- If the assets decrease in value, the gift tax exemption equivalent may not be recoverable.
- The IRS may contest the valuation of any assets that are hard to value that are donated to a grantor trust or are sold to such a trust.
  - The problem and probable solution: defined allocation transfers.
  - A second probable solution: a defined dollar transfer.
  - A third probable solution: defined value allocation clauses involving both a defined dollar transfer by the donor and a parallel formula qualified disclaimer by the donee.

- Consider the following example:



*These transactions need to be separate, distinct and independent.

**The source of the annuity payment could be from a loan from a third party trust or a third party commercial lender.

Summary of the Key Advantages of a LAGRAT in Comparison to a Traditional GRAT

- Performs much better in bear, flat and bull markets.
- The "Atkinson" worry about paying a GRAT annuity with a hard-to-value asset may be eliminated.
- Has many of the same advantages that a sale to a grantor trust (SIDGT) has in comparison to a GRAT. For example, a retained note is much more flexible than a retained annuity.
- The LAGRAT technique avoids the necessity of continually creating GRATs using the so–called "cascading GRATs" technique.
- The LAGRAT technique locks in today's low interest rate.
- The LAGRAT technique has a lower "hurdle rate" than a GRAT.
- There may be an extra level of valuation discount in using the technique.
- Disregarded entity status can be turned "off" or "on again" by simply admitting or redeeming member interests that either turn single member FLLC status off or on.

Summary of the Key Advantages of a LAGRAT in Comparison to a Defined Value Allocation Sale to a Grantor Trust ("SIDGT")

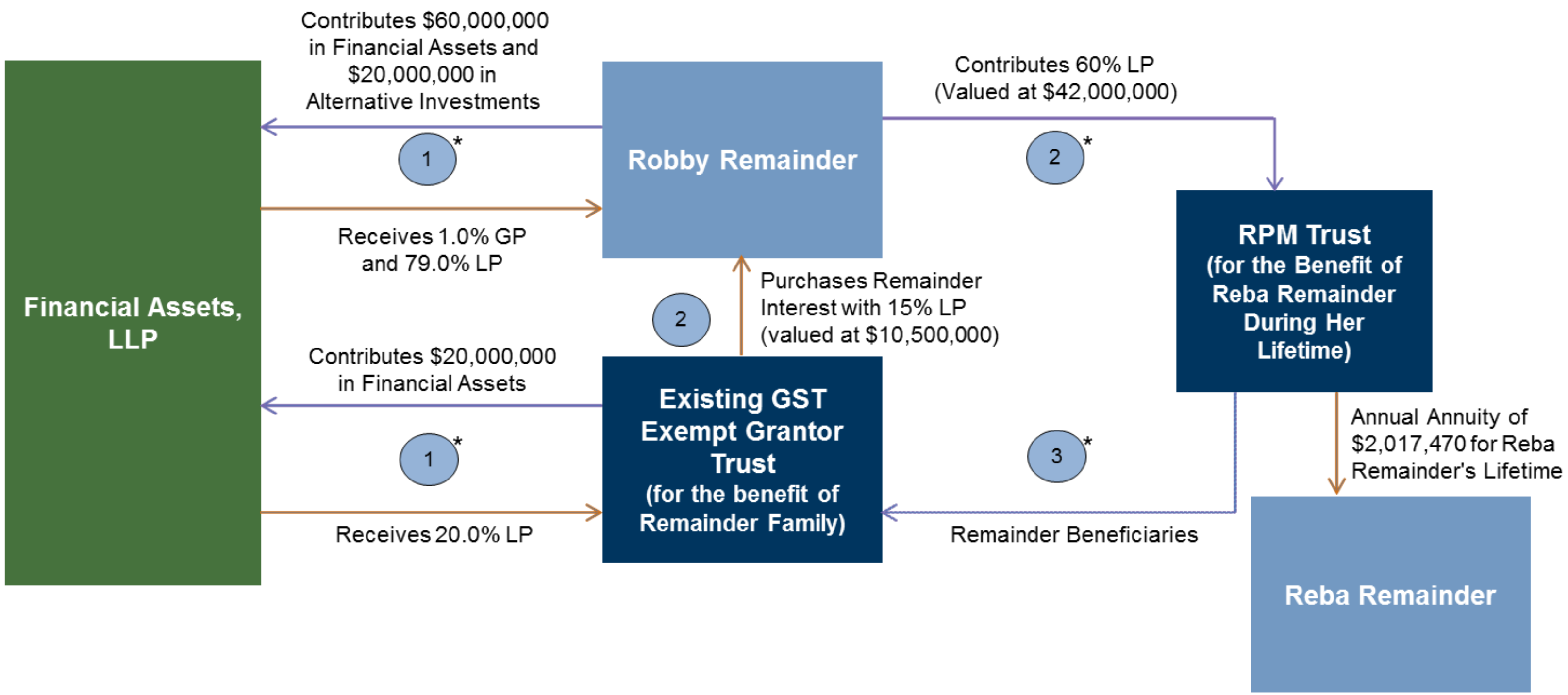
- Does not require a significant use of gift tax exemption, which may be wasted if markets deteriorate.
- In the future the IRS may be able to ignore defined value sales by changing its regulations.
- Better authority that sales to single member FLLC's should be ignored by the IRS for income tax purposes than sales to a grantor trust.
- smaller chance of an audit of a transfer to a GRAT than a sale (even a defined sale) to a grantor trust.
- Smaller chance that the retained note will be recharacterized as a deemed retained interest in the donee trust under equitable tax principles because of too much leverage. if the retained note is recharacterized as an equity interest it will be recharacterized as an equity interest in the FLLC and not a retained interest in the GRAT.
- Disregarded entity status can be turned "off" or "on again" by simply admitting or redeeming member interests that either turn single member FLLC status off or on.

Considerations of the LAGRAT Technique (Pages 63-67 of the Paper)

- If the grantor does not survive the term of the GRAT, part or all of the net value of the leveraged FLLC interests owned by the GRAT and the then value of the outstanding note receivable from the FLLC could be taxable in the grantor's estate.
- The LAGRAT is more complex to initially create than the traditional GRAT (but it is less complicated than using the alternative "freeze" technique of cascading GRATs that would be created each year).
- Care must be taken to make sure that there is not a violation of the Treasury regulation that prohibits "issuance of a note, or other debt instrument, option, or other similar financial arrangement, directly or indirectly, in satisfaction of the annuity amount." However, it is permissible for a grantor to loan money to enable a GRAT to make an investment, if the loan proceeds can be traced for that purpose. Since the GRAT is being created after the creation of the leveraged Holdco, it should be clear that the grantor's receipt of a note from Holdco is in exchange for a contribution of an asset to Holdco. It is also permissible for a third party trust or third party commercial lender to loan money to the GRAT in order for the GRAT to pay the annuity.
- Care must be taken to make sure that the IRS cannot successfully take the position that the creation of Holdco, FLLC should be ignored for gift tax purposes and that the retained notes are in reality retained trust interests in the GRAT that do no constitute a qualified annuity interest under IRC Sec. 2702.
- Care must be taken if the underlying asset that is sold or contributed to the single member FLLC is stock in a subchapter S corporation.

A Gift Tax Free Transfer to a Grantor Trust: The Remainder Purchase Marital Trust ("RPM Trust") Technique (Pages 68-75 of the Paper)

- The technique is illustrated below:



*These transactions need to be separate, distinct and independent.

A Gift Tax Free Transfer to a Grantor Trust: The Remainder Purchase Marital Trust Technique (Continued)

- The table below summarizes the benefit of the RPM Trust under the facts assumed in the illustration above:

	Remainder Beneficiaries		Consumption		IRS Income Tax		Tax Liability of Estate		
	Children	Children and Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Embedded Capital Gains Tax Liability	IRS Estate Tax (at 40.0%)	Total
25-Year Future Values									
No Further Planning	$141,782,289	$118,506,275	$42,697,205	$62,000,386	$63,050,023	$79,122,601	$2,335,519	$95,081,526	$604,575,824
	$260,288,564		$104,697,591		$142,172,625		$97,417,045		
Hypothetical Technique	$68,455,423	$254,697,332	$42,697,205	$62,000,386	$64,849,695	$79,122,601	$4,784,019	$27,969,163	$604,575,824
	$323,152,755		$104,697,591		$143,972,296		$32,753,182		
Present Values (discounted at 2.5%)									
No Further Planning	$76,476,032	$63,921,169	$23,030,471	$33,442,425	$34,008,589	$42,677,986	$1,259,757	$51,286,080	$326,102,510
	$140,397,202		$56,472,895		$76,686,576		$52,545,837		
Hypothetical Technique	$36,924,211	$137,381,344	$23,030,471	$33,442,425	$34,979,315	$42,677,986	$2,580,455	$15,086,303	$326,102,510
	$174,305,555		$56,472,895		$77,657,302		$17,666,758		

Advantages of the Technique

- Tax advantages of creating a grantor trust and transferring assets to the grantor trust with significant lifetime leverage, which could result in a significant amount being transferred to the remainder trust.
- The near term death of the grantor, or the grantor's spouse, generally does not affect the technique like the death of a grantor of a GRAT.
- The appreciation of the assets will be out of the grantor's estate and the spouse of the grantor's estate.
- The grantor and the grantor's spouse will have available for their consumption needs the consideration paid by the remainderman trust and the distributions paid pursuant to the beneficial provisions of the RPM trust (and perhaps the remainderman trust).
- There is more flexibility in the design of the structure in comparison to a GRAT because IRC Section 2702 does not apply to the technique and it is easier to do leveraged GST planning in comparison to a GRAT.
- The technique could also serve as a qualified personal residence trust (QPRT) substitute and could be a very good vehicle for planning for art, if the income/life estate part of the RPM trust is used. The table below summarizes the benefits of this technique under the following assumptions.
  - The donor owns $80,000,000 in financial assets, a $10,000,000 vacation home and $20,000,000 in artwork; and a GST trust owns $20,000,000 in financial assets.
  - The donor transfers $33,667,200 to a life estate/life income trust for the benefit of his 60 year old spouse with the remainder being the GST trust; and the GST trust pays the donor $20,000,000 in financial assets.
  - The IRC Section 7520 rate is 2.6%.
  - In a defined value sale, the donor sells to the RPM trust $56,000,000 in financial assets, his $10,000,000 vacation home and his $20,000,000 in artwork, in exchange for an $86,000,000 nine year note, payable by the RPM trust, that pays an AFR midterm rate of 2.08%.
  - The donor and the donor's spouse die in 25 years.

Advantages of the Technique (Continued)

	Artlover Beneficiaries		Consumption		IRS Income Tax		Tax Liability of Estate		
	Children	Children & Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Embedded Capital Gains Tax Liability	IRS Estate Tax (at 40.0%)	Total
25-Year Future Values									
No Further Planning	$239,463,053	$127,666,275	$64,628,987	$84,587,881	$51,988,337	$62,417,802	$2,335,519	$168,175,369	$801,263,221
	$367,129,328		$149,216,868		$114,406,138		$170,510,888		
Hypothetical Technique	$81,697,285	$387,802,991	$64,628,987	$84,587,881	$53,390,206	$62,417,802	$5,606,547	$61,131,523	$801,263,221
	$469,500,276		$149,216,868		$115,808,007		$66,738,070		
Present Values (discounted at 2.5%)									
No Further Planning	$129,164,118	$68,861,987	$34,860,267	$45,625,907	$28,042,020	$33,667,575	$1,259,757	$90,712,211	$432,193,841
	$198,026,105		$80,486,174		$61,709,594		$91,971,968		
Hypothetical Technique	$44,066,747	$209,177,284	$34,860,267	$45,625,907	$28,798,175	$33,667,575	$3,024,119	$32,973,768	$432,193,841
	$253,244,031		$80,486,174		$62,465,749		$35,997,887		

Considerations of the Technique

- It requires a spouse beneficiary.
- The RPM trust cannot have a divorce clause, but it could be an advantageous technique to use in pre-divorce planning.
- It is crucial that the remainderman trust pay full consideration.
- The step transaction doctrine could apply.
- The need for “substance” with respect to the purchase by the remainderman trust.
- It is crucial that the remainder and term interests in the RPM trust be transferred simultaneously.
- The interest on the note received by the selling spouse will be taxable income to that selling spouse and there will be a corresponding deduction to the spouse who created the grantor trust.
- The RPM transaction will only be a profitable transaction to the remainderman trust if the assets subject to the remainder purchase grow faster than what the consideration utilized by the remainderman trust would have otherwise increased.

- Everyday perhaps thousands of inter vivos or testamentary trusts are created for a settlor's descendant or spouse, in which either the trustee of the trust, or the settlor is the deemed income tax owner. This talk suggests that, in many cases, this is not the most advantageous income tax owner. The most advantageous deemed income tax owner for many inter vivos or testamentary trusts should be the beneficiary of the trust. If the beneficiary of the trust is the deemed income tax owner of the trust, significant creditor protection, income tax and transfer tax advantages could accrue.

- This talk will explore the advantages and considerations of IRC Section 678 trusts in which a beneficiary is a deemed income tax owner because of (i) operation of IRC Section 678(a)(1) (a so called "BDOT"); (ii) operation of IRC 678(a)(2) (a so called "BDIT"); or (iii) operation of IRC 1361(d) (a so called "QSST").

The Use of a Leveraged Limited Liability Company ("LLLC") in Conjunction with a Beneficiary Deemed Owned Trust ("BDOT") (Pages 76-97 of the Paper)

- The technique of a transferor selling assets for a note to a limited liability company that is owned by a third party created trust that is a BDOT in which the selling transferor, as the beneficiary of the BDOT, has the power to withdraw in any calendar year of the trust, all of the net taxable income of the trust earned by all portions of the trust assets, and that withdrawal power can be satisfied out of the entire accounting income and/or corpus and/or proceeds of the corpus of the trust (sometimes referred to in this talk as the "income withdrawal right beneficiary").

A Third Party Could Create an Inter Vivos or Testamentary Estate Tax Protected Trust, of Any Value, in Which the Beneficiary is the Deemed Income Tax Owner

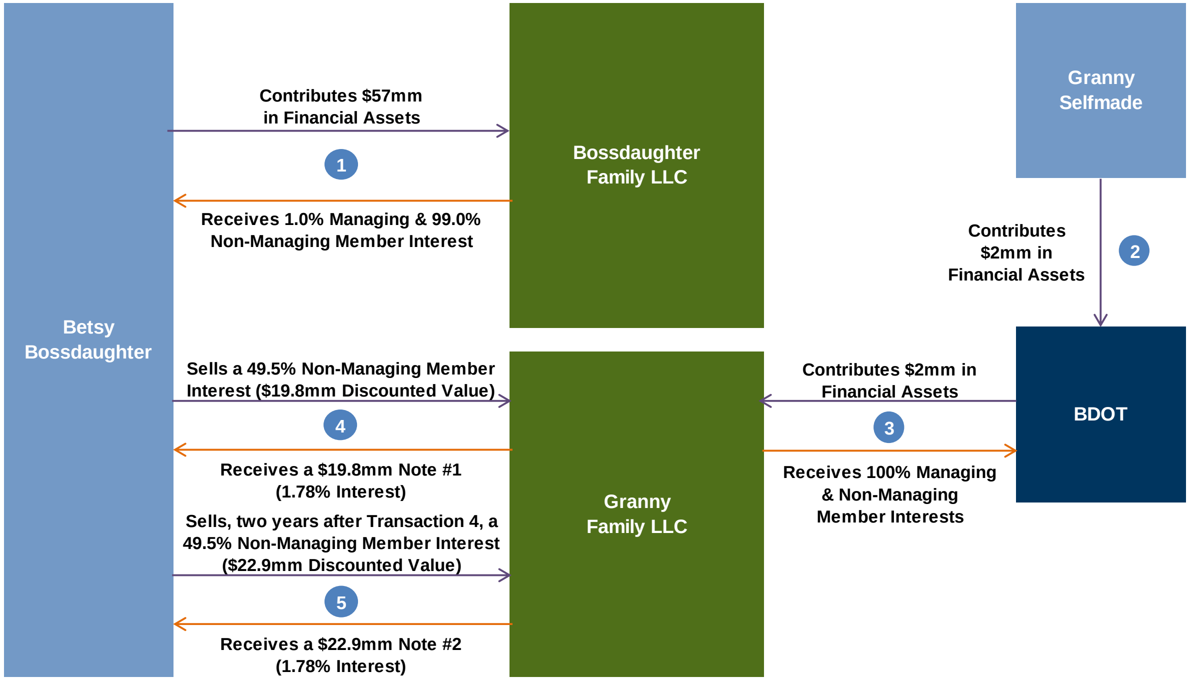
- Under IRC Section 678(a)(1), if a beneficiary of a third party created trust has the unilateral power to "vest income" of a trust then the trust is disregarded for income tax purposes and the net taxable income of the trust is taxable to the beneficiary.
- In order to vest income of the trust, the beneficiary of the trust should have the unilateral power to withdraw all of the net taxable income of the trust to himself, with all of the assets of the trust being available to satisfy that withdrawal power, including the trust's accounting income, the trust's corpus and the trust's proceeds from sales of the trust corpus.
- IRC Section 678(a)(1) provides as follows:

  (a) **GENERAL RULE** A person other than the grantor shall be treated as the owner of any portion of a trust with respect to which:

  (1) such person has a power exercisable solely by himself <u>to vest</u> the corpus or <u>the income therefrom</u> in himself. . . (Emphasis added)

- The reference to "income" in IRC Section 678(a)(1) is taxable income and not accounting income.
- If a beneficiary of a BDOT has the right to withdraw net taxable income, the beneficiary has the right to withdraw not only dividends and interest, but income normally allocated to principal such as capital gains income.

The BDOT Technique is Illustrated Below



- Under the above assumptions, the BDOT will have paid all of its note receivables in 27 years. At that point, the undiscounted value of the BDOT assets will be worth $126,613,473.
- After the notes are totally paid, going forward, Betsy could use her withdrawal power over the BDOT to satisfy her consumption and tax payment needs.
- The assets of the BDOT, if the trust document is properly drafted and the trust is properly administered, will not be subject to Betsy’s estate tax.

The BDOT Technique (Continued)

- Furthermore, Betsy may use her transfer tax exemptions to engage in additional estate planning. *See* the Table below for a summary of those calculations based on the assumptions in the paper assuming Betsy dies in 30 years.

	Bossdaughter Beneficiaries		Consumption		IRS Income Tax		Tax Liability of Estate		
	Children	Children & Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Embedded Capital Gains Tax	IRS Estate Tax (@ 40%)	Total
30-Year Future Values									
No Further Planning	$84,778,260	$34,657,505	$43,902,703	$60,266,542	$26,310,348	$32,272,303	$159,477	$56,518,840	$338,865,979
	$119,435,766		$104,169,246		$58,582,651		$56,678,317		
Hypothetical Technique - BDOT	$0	$172,950,276	$43,902,703	$60,266,542	$27,346,891	$32,272,303	$2,127,264	$0	$338,865,979
	$172,950,276		$104,169,246		$59,619,194		$2,127,264		
Present Values (discounted at 2.5%)									
No Further Planning	$40,417,415	$16,522,712	$20,930,293	$28,731,633	$12,543,266	$15,385,584	$76,029	$26,944,944	$161,551,877
	$56,940,128		$49,661,926		$27,928,850		$27,020,973		
Hypothetical Technique - BDOT	$0	$82,452,779	$20,930,293	$28,731,633	$13,037,430	$15,385,584	$1,014,157	$0	$161,551,877
	$82,452,779		$49,661,926		$28,423,015		$1,014,157		

Income Tax Advantages of the BDOT Technique

- The technique has all of the income tax advantages of the sale to an intentionally defective grantor trust (or "SIDGT") technique or the contribution of an interest in a leveraged limited liability company to an intentionally defective grantor trust (or "LAIDGT") technique.

- **§ 1.671-3 Attribution or inclusion of income, deductions, and credits against tax.**

  (a) When a grantor or <u>another person is treated under subpart E (section 671 and following) as the owner of any portion of a trust</u>, there are included in computing his tax liability those items of income, deduction, and credit against tax attributable to or included in that portion. (Emphasis added.)

- Rev. Rul. 85-13 is an IRS analysis of a grantor deemed owner trust and whether activities and transactions by a grantor are disregarded. What if the IRS argued that it is not bound by Rev. Rul. 85-13 with respect to a sale by the Income Withdrawal Right Beneficiary of some of his assets to a BDOT and it will follow the analysis in *Rothstein*?

- If the taxpayer is worried about that potential IRS argument, the taxpayer should consider selling to a single member LLC that is created by a BDOT in which the taxpayer is considered the deemed income tax owner.

- The regulations make clear that not only that the income, deductions and credits of the single member LLC are treated as if the income tax owner of the LLC owns the assets of the LLC, but in addition all activities and transactions that the LLC has with the LLC owner are treated for income tax purposes as if those transactions were transactions a sole proprietor would have himself. In particular, Treas. Reg. § 301.7701-2 provides:

  Its ***<u>activities</u>*** are treated in the same manner a sole proprietorship . . . of the owner. (Emphasis added.)

Income Tax Advantages of the BDOT Technique (Continued)

- Certain conclusions with respect to the beneficiary sales to a BDOT:
  - Case law, regulatory and revenue ruling authorities provide that if a taxpayer sells an asset, and if that taxpayer is deemed to be the income tax owner of that asset both before and after the sale, that sale is disregarded for income tax purposes.
  - Since IRC Section 671, Treas. Reg. §§ 1.671-2 and 1.671-3 apply to an IRC Section 678(a)(1) trust, the Income Withdrawal Right Beneficiary of the IRC Section 678(a)(1) trust should be treated the same as a grantor of a grantor trust. There does not appear to be any income tax differences between a corpus withdrawal beneficiary and an Income Withdrawal Right Beneficiary of the IRC Section 678(a)(1) trust.
  - There is no specific regulatory authority under either IRC Section 671, Treas. Reg. §§ 1.671-2 or 1.671-3 that activities and transactions that either a grantor of a grantor trust has with that grantor trust, or an Income Withdrawal Right Beneficiary has with an IRC Section 678(a)(1) trust, are to be disregarded for income tax purposes. There is case law authority that those activities should not be disregarded. *See Rothstein v. United States*, 735 F.2d 704 (2nd Cir 1984).
  - There is authority under Rev. Rul. 85-13, 1985-1 CB 184 that activities and transactions that a grantor has with a grantor trust are disregarded, because the taxpayer owns the asset before and after the transaction. The analysis inherent in that revenue ruling should indicate that activities and transactions that an Income Withdrawal Right Beneficiary has with an IRC Section 678(a)(1) trust should also be disregarded.
  - There is specific regulatory authority that activities and transactions that a deemed income tax owner of a single member LLC has with that LLC are disregarded for income tax purposes. That regulatory authority is broader than the regulatory authority that exists for activities and transactions a grantor has with a grantor trust. That regulatory authority is also broader than the regulatory authority that exists for activities and transactions an Income Withdrawal Right Beneficiary has with an IRC Section 678(a)(1) trust.
- Failing to take the withdrawing income is not relevant to the IRC Section 678 analysis.
- The BDOT can be designed to be very flexible for any calendar year by giving an independent trustee, or a protector, the power to change the withdrawal power for a future year or years.

Income Tax Advantages of the BDOT Technique (Continued)

- The BDOT has many income tax advantages that a complex trust does not have:
  - The taxable income is taxed at the beneficiary's marginal federal income tax rate, which is frequently lower than the trust's marginal federal income tax rate.
  - The taxable income is taxed at the beneficiary's marginal state income tax rate, which is frequently lower than the trust's marginal state income tax rate.
  - The beneficiary may move to a state with low or no state income taxes and the concerns with a high income tax state's "resident trust" requirement would be eliminated.
  - The beneficiary of a BDOT can take an IRC Section 179 expense deduction while a complex trust's ability to take that deduction is limited.
  - Depending upon the BDOT beneficiary's tax bracket, and/or how active the beneficiary is in a closely held business, the 3.8% net investment income tax will not apply while under the same circumstances it may apply to a complex trust.
  - The BDOT can be a shareholder of a S corporation without some of the considerations of an ESBT or QSST.
  - Capital losses can be passed through to the beneficiary of the BDOT.
  - Assets that have a capital loss could be distributed in kind.
  - The capital gains benefit of a residence that is inherent under IRC Section 121 will be available to sales of residences owned by a BDOT.
  - There are increased opportunities for charitable planning because the inherent limitations under IRC Section 642(c) will be eliminated.
  - A BDOT should avoid overlapping state fiduciary income taxation.

Transfer Tax Advantages of the BDOT Technique

- The beneficiary has the opportunity by her actions to increase the value of the BDOT and, thus, the amount that is not subject to estate taxes.
- To the extent the beneficiary of a BDOT does not withdraw net taxable income of the BDOT up to the lapse protection (the so-called “5 and 5” protection of IRC Section 2514(e)(2) and IRC Section 2041(b)(2)), that amount remains in the trust in a manner that will not be subject to gift taxes and estate taxes.
- Because the beneficiary is the deemed income tax owner of the BDOT, there is flexibility to allow the beneficiary to sell life insurance policies to the BDOT.
- A sale by an income right withdrawal beneficiary to a BDOT has all of the transfer tax advantages of a SIDGT or a LAIDGT.
- The BDOT technique has a greater safety valve than the SIDGT or a LAIDGT for protecting the seller, since the seller both has withdrawal rights in and is a beneficiary of the BDOT.

Considerations For All BDOT Techniques

- In order to receive the lapse of power transfer tax protection of IRC Sections 2041(b)(2) and 2514(e)(2), it is important that the withdrawal power applies against all of the income earned by all of the BDOT trust assets and can be satisfied from the trust's accounting income, sale proceeds of the corpus of the BDOT trust, and corpus of the BDOT trust.

- **The beneficiary of a BDOT who does not wish to be out of pocket gift taxes or income taxes on a net basis, may wish to notify the trustee of the BDOT, in any calendar year, that he or she desires to withdraw in satisfaction of the beneficiary's withdrawal right that amount of accounting income, proceeds of corpus sales and/or corpus that is the greater of (i) that amount of net taxable income that the beneficiary has previously notified the trustee that he or she wishes to withdraw; (ii) that amount of net taxable income that is equal to the income taxes owed by the beneficiary of the BDOT; or (iii) that amount of net taxable income that exceed 5% of the value of the corpus of the trust.**

- If creditors can reach part of the withdrawable, but untaken, BDOT funds under the appropriate state law or because the sale described above was for inadequate consideration, those circumstances may lead to significant transfer tax consequences.

- **Of course, independent of creditor rights considerations, a sale for inadequate consideration by the withdrawing beneficiary will include the full value of the BDOT at the withdrawing beneficiary's death minus the original value of the note receivable because of the withdrawing beneficiary's retained income rights. *See* IRC Sections 2031(a)(1) and 2043. In order to avoid the consequences of a sale for inadequate consideration, strong consideration should be given to the BDOT beneficiary using a defined value allocation assignment or a defined dollar transfer when he makes the sale.**

Considerations For All BDOT Techniques (Continued)

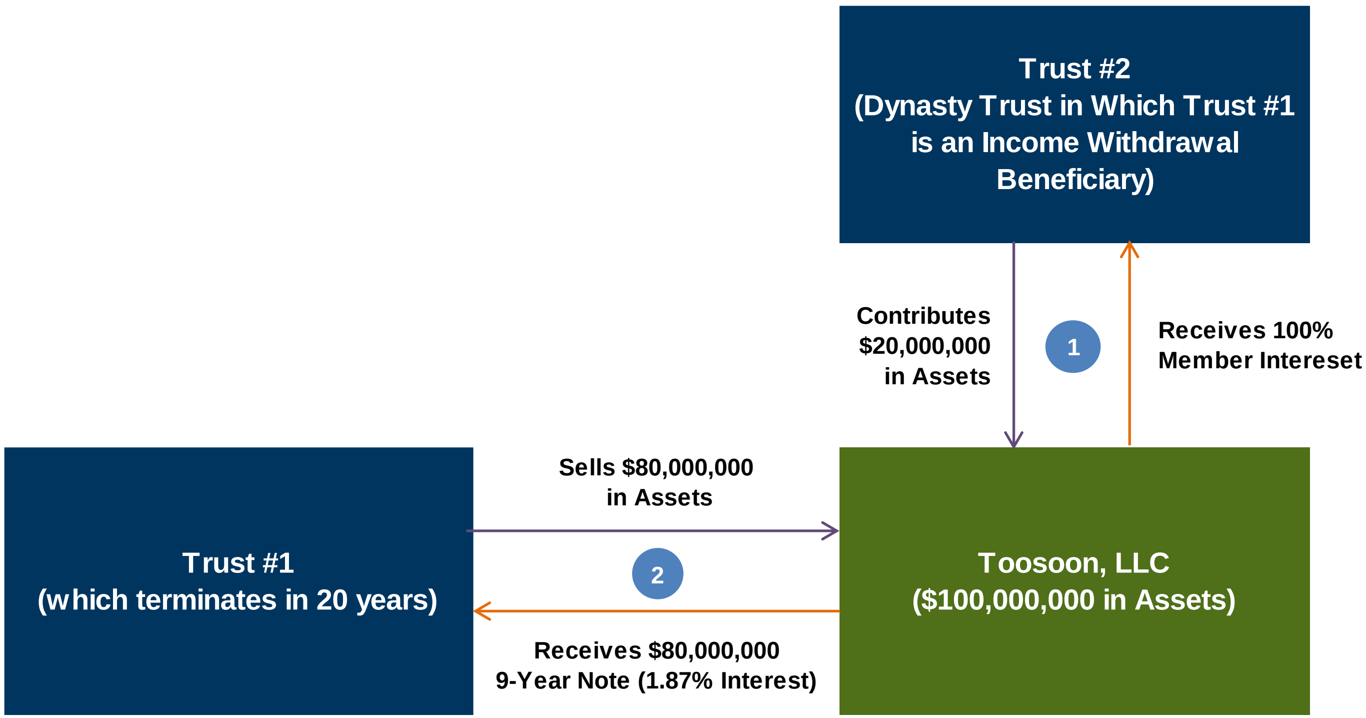
- It may be important to have an independent trustee or protector of the BDOT whose only power is to remove the withdrawal beneficiary’s power to withdraw net taxable income for a future year or years.

The BDOT Technique Can Be Used to Transfer Assets From a Trust That is a Non-Grantor Trust to a Newly Created Trust

- Can a trust be a deemed owner of another trust under IRC Section 678 under the treasury regulations? Yes.
  - Treas. Reg. § 1.671-2(a)(6), Example 8 confirms that a trust can be a beneficiary of an IRC Section 678(a)(1) trust.
  - PLR 201633021 (8/12/2016) also held that a trust can be a beneficiary of an IRC Section 678(a)1 trust if its only withdrawal power is the power to withdraw taxable income.

The BDOT Technique Can Be Used to Transfer Assets From a Trust That is a Non-Grantor Trust to a Newly Created Trust (Continued)

- Consider the following example:

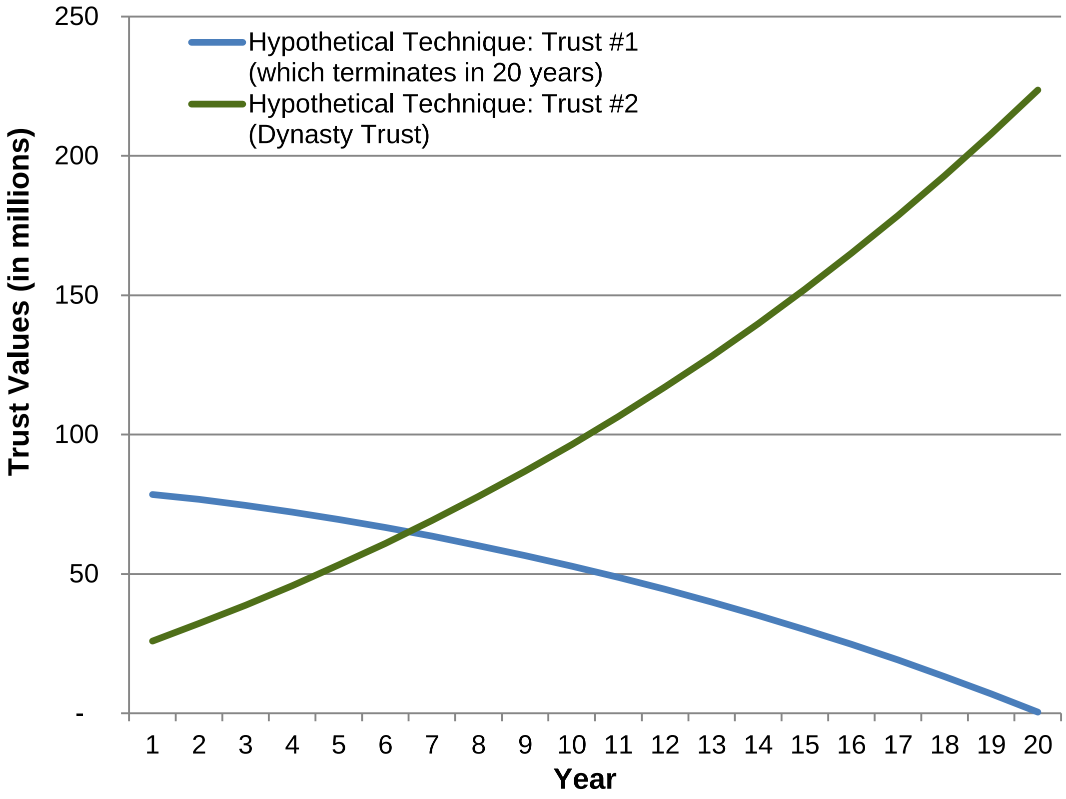


Advantages of the Technique

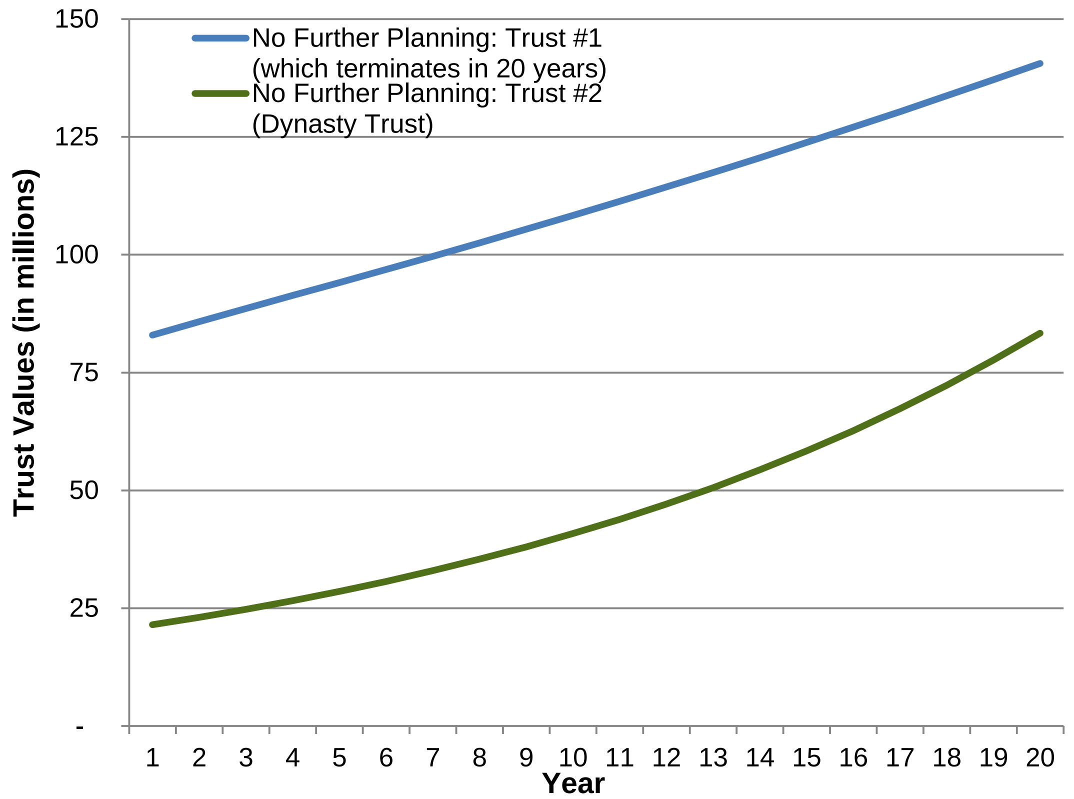
- Wealth will be indirectly transferred from Trust 1 to Trust 2 because Trust 1 is paying all of the income taxes generated by the trust assets by both Trust 1 and Trust 2 and because the earnings and growth of the combined trusts is projected to be much higher than the projected 1.87% interest carry.

	Trust #1 Beneficiaries	Trust #2 Beneficiaries
20-Year Future Values		
No Further Planning	$140,597,305	$83,390,317
Hypothetical Technique Using BDOT and Sale from One Trust to Another Trust	$334,556	$223,653,066
Present Values (discounted at 2.5%)		
No Further Planning	$85,802,450	$50,890,687
Hypothetical Technique Using BDOT and Sale from One Trust to Another Trust	$204,170	$136,488,967

Advantages of the Technique (Continued)



Advantages of the Technique (Continued)



Advantages of the Technique (Continued)

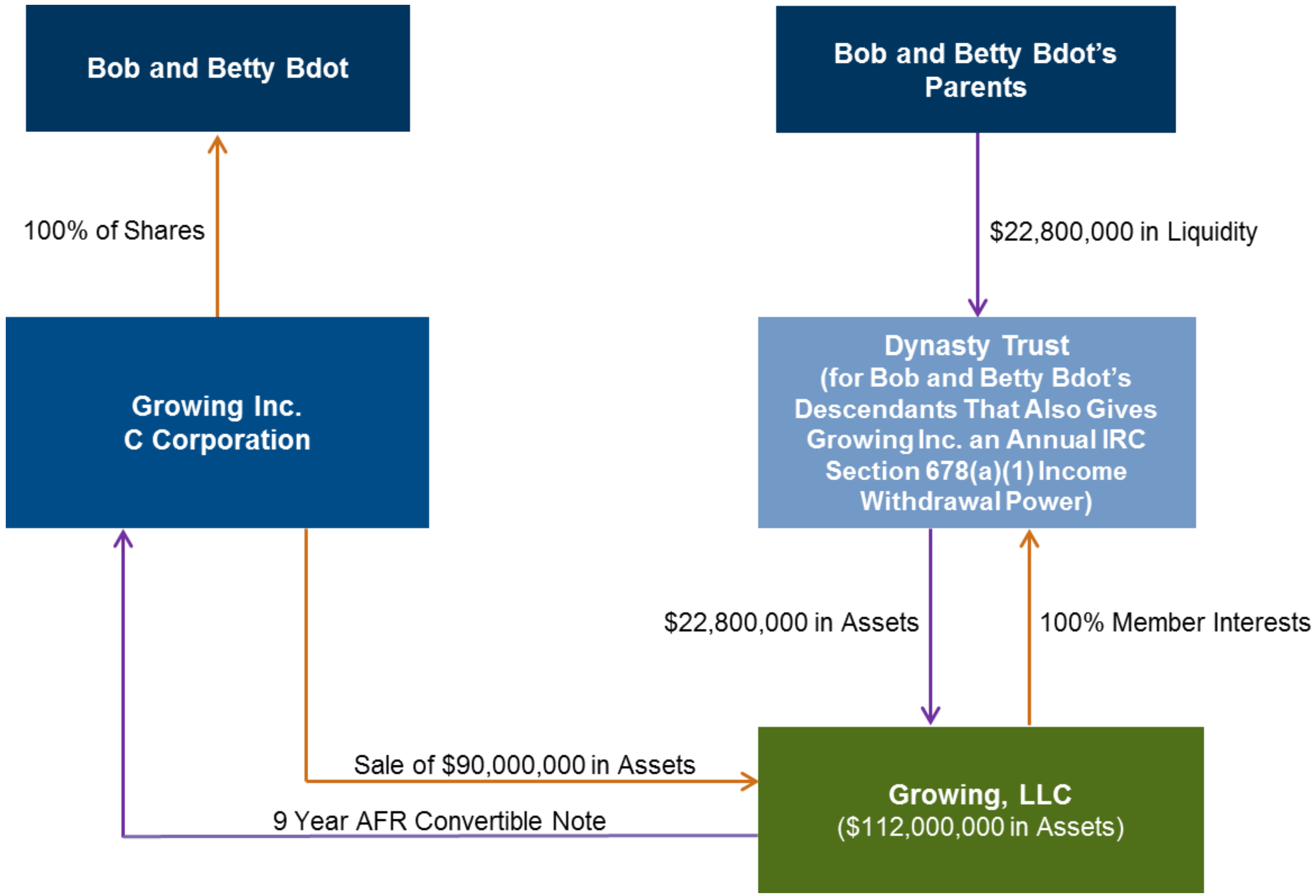
- The BDOT combined with a sale from one trust to another may be superior to the technique of decanting from one trust to another trust. In some states the option of a successful decanting of a particular trust may not exist.
- This may be a very useful technique for transferring GRAT remainder non-GST trust assets to a dynasty trust.

Considerations of the Technique

- The technique has the considerations of using the BDOT technique.
- The technique could be disadvantageous to the beneficiaries of the withdrawing power selling trust unless they are also beneficiaries and/or the objects of their bounty are beneficiaries of the trust.

A BDOT Could Be Used as an Exit Strategy From a Closely Held C Corporation

- Consider the following illustration:



A BDOT Could Be Used as an Exit Strategy From a Closely Held C Corporation (Continued)

- Key assumptions of the above illustration:
  - The note payable to Growing Inc.'s grantor trust could be convertible to that amount of member interests of Growing, LLC that are equal to the then outstanding principal of the note at the election of the holder of the note.
  - It is assumed that the interest rate during the life of the loan, and any refinancing of the loan, will be 2.38%.
  - It is assumed the LLC assets will annually grow at 10% a year with 4 ½% of that return being taxed at ordinary rates for the next 30 years.
  - It is assumed that the note will annually be serviced in a manner that allows Growing Inc. to pay its corporate income taxes.
  - It is assumed that the annual lapsing withdrawal right of Growing Inc. will never exceed 5% of the net value of the BDOT. If there is ever a sale of the assets of Growing, LLC, Growing Inc. will have a significant withdrawal right, assuming the independent trustee has not, by the time of the sale, eliminated the withdrawal right for that sale year. If the withdrawal right has not been eliminated by the independent trustee's actions, Growing Inc. could withdraw the proceeds of the realization of the capital and other taxable income above 5% of the net value of the BDOT. After paying 21% corporate taxes on that income, the net amount could perhaps be loaned by Growing Inc. to Growing, LLC.

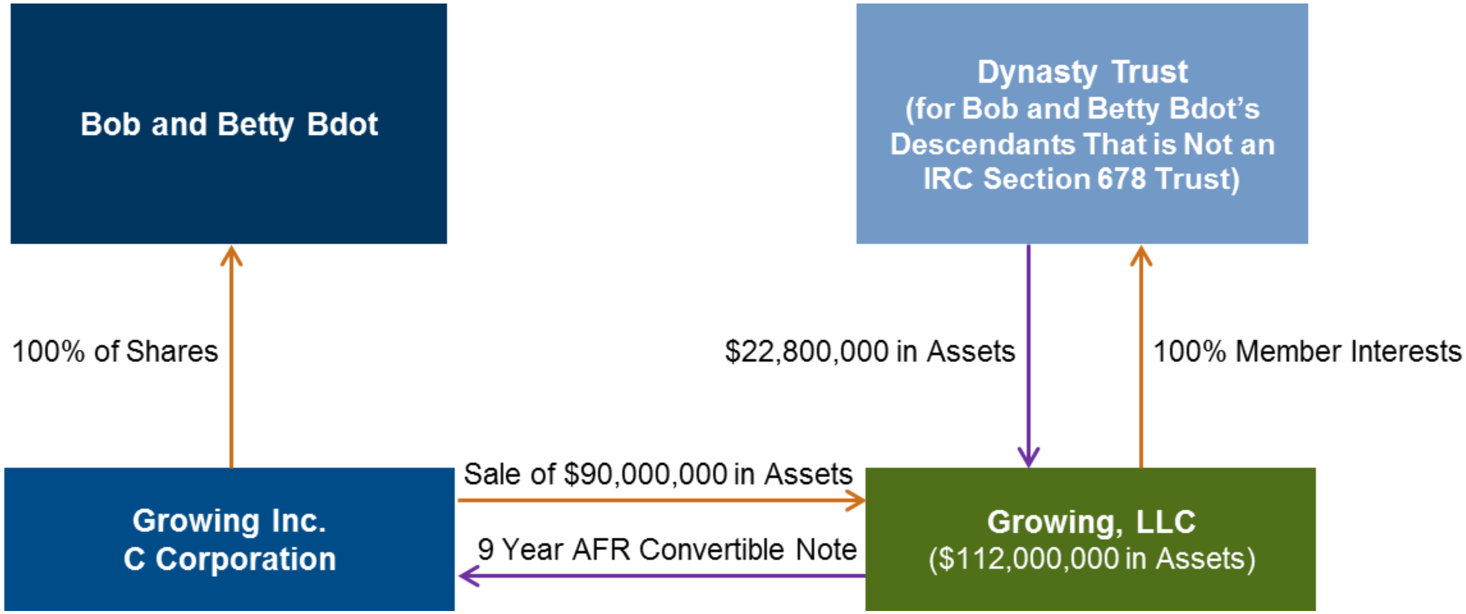
- Results under the key assumptions of the above illustration:
  - Under Treas. Reg. § 25.2511-1(h)(1), Bob and Betty would be deemed donors for transfer tax purposes to the BDOT if Growing Inc. does not withdraw any taxable income in any taxable year that exceeds 5% of the net value of the BDOT.
  - See the table below (Scenario A). In 30 years, Growing Inc. C Corporation will have very few assets in comparison to Growing, LLC.

	Bob & Betty Bdot's		Consumption		IRS Income Tax		Income Tax Liability of Estate			
	Children (1)	Children and Grandchildren (2)	Direct Cost (3)	Investment Opportunity Cost (4)	Direct Cost (5)	Investment Opportunity Cost (6)	Embedded Corporate Tax (7)	IRS Estate Tax (at 40%) (8)	Cost Benefit of Technique (9)	Total (10)
30-Year Future Values										
No Further Planning, Except Gift to GST	$852,488,158	$165,875,648	$43,902,703	$87,042,815	$150,922,210	$294,358,049	$131,157,229	$251,663,715	$0	$1,977,410,527
	$1,018,363,806		$130,945,518		$445,280,259		$382,820,944			
Hypothetical Technique - Scenario A*	$22,282,902	$1,524,453,937	$43,902,703	$87,042,815	$163,218,176	$325,384,223	$0	$14,855,268	($203,729,498)	$1,977,410,527
	$1,546,736,839		$130,945,518		$488,602,399		$14,855,268			
Hypothetical Technique - Scenario B**	$125,646,428	$1,044,047,423	$43,902,703	$87,042,815	$251,783,492	$560,671,528	$0	$68,045,635	($203,729,498)	$1,977,410,527
	$1,169,693,851		$130,945,518		$812,455,021		$68,045,635			
Present Values (Discounted at 2.5%)										
No Further Planning, Except Gift to GST	$406,417,493	$79,080,002	$20,930,293	$41,497,025	$71,951,060	$140,333,047	$62,528,250	$119,978,835	$0	$942,716,004
	$485,497,495		$62,427,318		$212,284,106		$182,507,085			
Hypothetical Technique - Scenario A*	$10,623,211	$726,772,263	$20,930,293	$41,497,025	$77,813,072	$155,124,548	$0	$7,082,140	($97,126,548)	$942,716,004
	$737,395,474		$62,427,318		$232,937,620		$7,082,140			
Hypothetical Technique - Scenario B**	$59,901,016	$497,741,972	$20,930,293	$41,497,025	$120,035,938	$267,296,050	$0	$32,440,259	($97,126,548)	$942,716,004
	$557,642,987		$62,427,318		$387,331,988		$32,440,259			

*Growing Inc. enters into a non-taxable sale of its assets to Growing, LLC which is owned by a dynasty trust.
**Growing Inc. enters into a taxable sale of its assets to Growing, LLC which is owned by a dynasty trust.

Considerations of the Technique

- There is no direct authority that the technique works.
- If the technique does work, it may only be attractive in certain intra-family transfer situations.
- IRC Sections 269 And 482 would not appear to apply. However, the IRS, under equitable tax principles, may be able to re-characterize the transaction as a taxable sale to the LLC and that the C corporation is not the income tax owner of the LLC. However, in general, the courts are reluctant to allow the IRS to use Equitable Tax Doctrines to override the benefits the Internal Revenue Code clearly intends. In other words, the IRS may be able to re-characterize the transaction as follows:

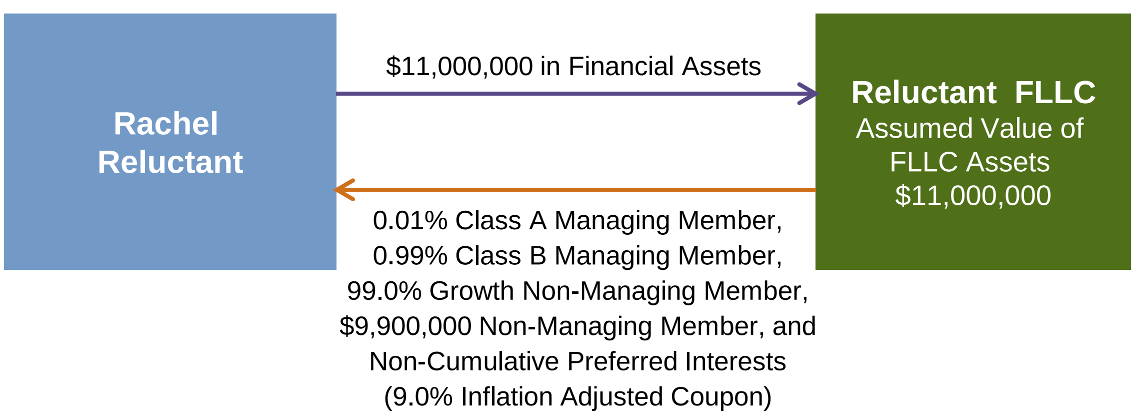


Considerations of the Technique (Continued)

- However, even if the IRS is able to re-characterize the transaction, above table (Scenario B) notes that the results are better than no further planning.
- If no further planning occurs except for a gift to the GST trust, see the results in the above table.

Preferred Partnership Freeze That is IRC Sec. 2701 Non-Compliant to Solve the Problems Associated With a Disappearing Exemption and a Client Who Needs Cash Flow Using the Intentionally Defective Preferred Interest Partnership or "IDPIP" Technique (Pages 97-106 of the Paper)

- What is the IDPIP technique?
  - A taxpayer, because of the increased gift tax exemption, may be concerned that he or she cannot use the increased exemption because of the need to access the cash flow from the assets that could be given away.
  - However, if the increased gift tax exemption is not used that taxpayer may be concerned that the increased gift tax exemption may be eliminated in 2026, or earlier, depending upon future elections.
  - A taxpayer, with that profile could retain a preferred interest in a FLP or a FLLC, which uses his new exemption, even though the preferred is retained, and still achieve substantial estate tax savings because the preferred is subject to estate taxes as if it is worth zero for estate tax purposes.
  - Consider the following example:



FLP Partner	Ownership %
Rachel Reluctant (or affiliates)	0.01% Class A Managing Member, 0.99% Class B Managing Member, 99.0% Growth Non-Managing Member $9,900,000 Non-Managing Member, and Non-Cumulative Preferred Interests (9% Inflation Adjusted Coupon)

Advantages of the IDPIP Technique (Pages 101-105 of the Paper)

- In the above example, the beginning non-cumulative preferred interest coupon of $891,000 (9% times $9,900,000) is designed to grow with inflation. There is flexibility because the preferred is non-cumulative. There is flexibility because the preferred is non-cumulative.
- The preferred is also designed to give Rachel the right to put the preferred to the partnership at any time and receive the par value of the preferred from the partnership.
- If there is not enough net cash flow in the FLLC in any one year to pay all of the preferred coupon, the coupon will only be paid to the extent the net cash flow exists. If Rachel does not withdraw all that she could under her noncumulative preferred coupon rights there is case law that it will not be considered a gift.
- If Rachel is in a position to control the investments of the FLLC that investment power alone should not constitute a legal right as described in IRC Secs. 2036 or 2038.
- At a later time, in an independent and distinct transaction, Rachel could give 99% “growth” non-managing interests in the FLLC to a generation-skipping exempt grantor trust for the benefit of her family.
- The Class A managing member interests would control all entity managing member decisions, including investment management decisions, that are not delegated to the Class B managing member interest.
- The Class B managing member interests would control all distribution, amendment and liquidation decisions.
- Due to considerations with respect to retaining entity distribution, amendment and liquidation powers, Rachel could retain the 0.01% Class A managing member interest and transfer the 0.99% Class B managing member interest to a trust in which a trusted family friend or advisor is the trustee. Rachel could retain the right to replace that trustee, as long as the replacement is not related or subservient.

Advantages of the IDPIP Technique (Continued)

- See the illustration below:

Rachel Reluctant

Gift of Growth Member Interests (Assumed Discounted Value of $770,000) →

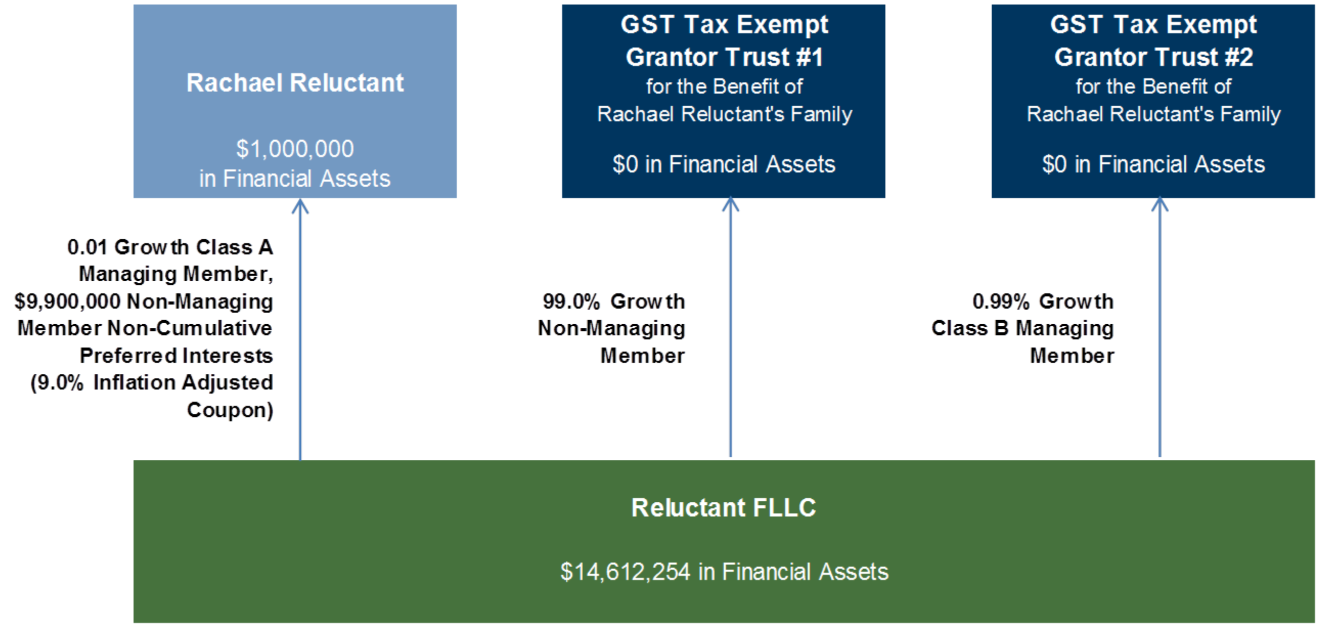
GST Exempt Grantor Trusts #1 and #2 for the Benefit of Rachel Reluctant's Family

FLP Partner	Ownership %
Rachel Reluctant (or affiliates)	0.01% Class A Managing Member, $9,900,000 Non-Managing Member, and Non-Cumulative Preferred Interests (9% Inflation Adjusted Coupon)
GST Exempt Grantor Trust #1	99.0% Growth Non-Managing Member
GST Exempt Grantor Trust #2	0.99% Class B Managing Member Interest

- If the preferred interest is non-cumulative, and does not have any fixed liquidation rights, it will be worth "0" for gift tax purposes under the subtraction method because of the operation of the valuation rules under IRC Sec. 2701.
- However, those rules, for gift tax purposes, do not affect the minority and marketability discounts associated with gifts of junior ("growth") interests.
- Also, the valuation rules under IRC Sec. 2701, do not apply in determining the amount of any generation skipping gift.

Advantages of the IDPIP Technique (Continued)

- <u>The $9,900,000 “extra gift” caused by the gift tax valuation rules will be mitigated by subtracting the amount of that $9,900,000 “extra gift” in calculating the estate taxes at Rachel’s death</u>. *See* IRC Treas. Reg. § 25.2701-5(a)(3).
- The further good news is that mitigation does not affect the calculation of the value of the preferred interest for estate tax purposes, which can lead to basis step up advantages, if an IRC Sec. 754 election is made by the partnership.
- In 15 years, at the time of Rachel’s death, under the above assumptions, Rachel’s balance sheet and the family FLLC balance sheet will be as follows:



Advantages of the IDPIP Technique (Continued)

- Despite the fact that Rachel has available the cash flow from almost all of her assets, and those assets have a value more than double the available transfer tax exemption in 2025, the technique is very effective in minimizing estate and gift taxes.
- There will be no estate tax, there will be no gift tax, and there will be a step up in basis on around $11,000,000 of the assets, if an IRC Sec. 754 election is made by the FLLC on her death. The same step-up in basis would probably not be available with a note sale to a grantor trust. *See* the table below:

	Total to All Descendants		Consumption		Income Tax			
	Reluctant Children	Reluctant Children and Grandchildren	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Estate Taxes (@ 40%)	Total
15-Year Future Values								
No Further Planning: Bequeaths Estate to Family (assumes $7.9mm estate tax exemption available at death)	$4,894,296	$7,900,000	$6,455,494	$4,030,373	$4,050,605	$2,514,747	$3,262,864	$33,108,378
	$12,794,296							
Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $9.9mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $12.20mm estate tax exemption equivalent available at death which includes an additional $9.9mm mitigation of preferred)	$8,746,123	$6,866,132	$6,455,494	$4,030,373	$4,495,510	$2,514,747	$0	$33,108,378
	$15,612,254							
Present Value (discounted at 3%)								
No Further Planning: Bequeaths Estate to Family (assumes $7.9mm estate tax exemption available at death)	$3,141,462	$5,070,709	$4,143,536	$2,586,943	$2,599,929	$1,614,120	$2,094,308	$21,251,008
	$8,212,172							
Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $9.9mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $12.20mm estate tax exemption equivalent available at death which includes an additional $9.9mm mitigation of preferred)	$5,613,803	$4,407,109	$4,143,536	$2,586,943	$2,885,497	$1,614,120	$0	$21,251,008
	$10,020,912							

Advantages of the IDPIP Technique (Continued)

- Tax advantages similar to creating a LAIDGT and tax advantages similar to a sale to a LAIDGT.
- The near term death of the grantor of a grantor trust generally does not affect the technique like the death of a grantor of a GRAT.
- The appreciation of the assets of the trust, above the preferred coupon that is paid, will not be taxable in the grantor's estate.
- IRC Sec. 2036 advantage.
  - The purpose of having preferred and common interests is to divide the economic return of the FLP or FLLC between the owners of the interests in a different way than would result without the two interests. This is a substantive investment reason for the creation of the FLP or FLLC. As such, it should constitute a significant nontax purpose, one that is inherent in the preferred/common structure.
  - The enactment of IRC Sec. 2036(c) (in 1988) and its subsequent repeal (in 1990) demonstrates that going forward Congress intended to address the preferred/common structure solely by means of the gift tax rules of Chapter 14 (IRC Sec. 2701) and *not* by including the transferred common interest in the transferor's gross estate under IRC Sec. 2036. The legislative history of the repeal of IRC Sec. 2036(c) unmistakably manifests this Congressional intent.
- Flexibility advantages.
  - Since the preferred coupon is noncumulative, this technique has the advantage of flexibility. If in a particular tax year the enterprise investments do not produce enough cash flow to pay the preferred coupon, the taxpayer's estate does not grow because of the cumulative feature.

Advantages of the IDPIP Technique (Continued)

- Basis advantages.
  - The taxpayer’s estate will get a step up in basis for the fair market value of the preferred, which can be transported to the assets of the FLLC or FLP under IRC Sec. 754.
- The capital gains consequences that may exist for existing note receivables and/or payables with the sale to a grantor trust technique does not exist at death with this technique.
- The technique could work in much larger situations through the use of convertible debt. For example, the creator of an IDPIP could create a leveraged single member LLC with $100,000,000 in assets. The leverage could be a $90,000,000 convertible note. *See* the discussion of the LAIDGT technique. The equity in the LLC could be funded with $10,000,000 in exchange for a $9,000,000 defective preferred member interest and a $1,000,000 “growth” interest. The client could transfer the growth interest to a grantor trust and keep the $90,000,000 in convertible debt and the $9,000,000 defective preferred member interest.

Considerations of the IDPIP Technique (Pages 105-106 of the Paper)

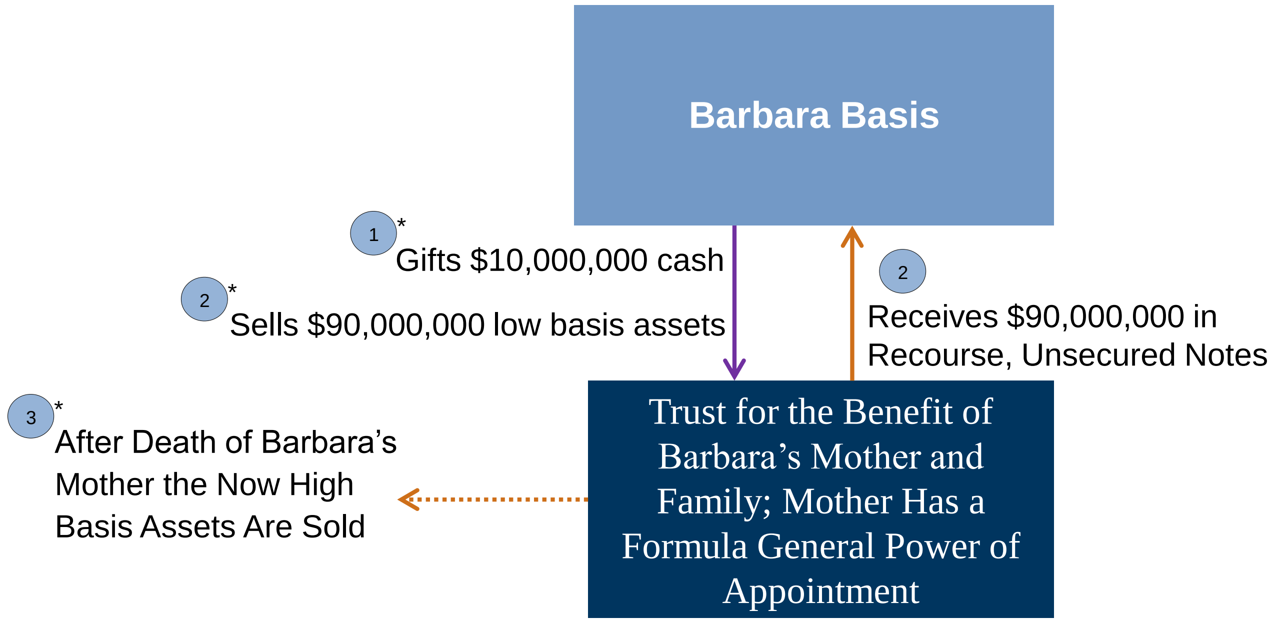
- There needs to be enough substantive equity in the growth interest in the entity.
- The IRS could be successful in applying the step transaction doctrine to the technique to eliminate the inherent valuation discounts.
- If the assets of the entity decrease in value, the gift tax exemption equivalent may not be recoverable.
- The IRS may contest the valuation of the growth interests that are donated to the grantor trust.

Gifting and Selling Low Basis Assets to a Grantor Trust Where an Older Generation is a Beneficiary and is Subject to an Older Generation's General Power of Appointment and Estate Taxes (the Upstream Intentionally Defective Grantor Trust or "UPIDGT") (Pages 106–111 of the Paper)

- A taxpayer could gift cash and then later sell, pursuant to a defined value assignment, some of his low basis assets (for adequate and full consideration) to a grantor trust in independent transactions.
- The beneficiaries of the trust could be the taxpayer's descendants and an older generation beneficiary, such as a parent.
- The older generation beneficiary could be given a formula general power of appointment that will be structured to include those trust assets in his or her estate, to the extent that inclusion does not cause the older generation beneficiary to incur estate taxes.
- If the grantor first gifts high basis cash to the trust, and then sells low basis assets for full consideration, IRC Sec. 1014(e) should not apply to that gift of cash because it is not a low basis asset, nor to the sale because it is for full consideration.
- The sale of the low basis assets should be pursuant to a defined value allocation assignment.
- The sale of low basis assets could be for a recourse, unsecured note in which both the trustee and the older generation beneficiary are personally liable.
- If the older generation beneficiary's estate is small, that general power of appointment may not result in any estate taxes being assessed against the beneficiary's estate.

The UPIDGT Technique

- Consider the following example:



* These transactions need to be separate, distinct and independent.

Income Tax and Basis Enhancing Advantages of the UPIDGT Technique
(Page 107 of the Paper)

- This technique has the same advantages as a LAIDGT.
- The assets of the trust will receive a step-up in basis on the older generation beneficiary's death equal to the fair market value of the assets.
  - The non-depreciable trust assets could be sold after the older generation beneficiary's death and reinvested without capital gains tax consequences.

Transfer Tax Advantages of the UPIDGT Technique (Pages 107-108 of the Paper)

- The assets of the trust may be generation-skipping tax protected.
- The older generation beneficiary may not have to pay estate taxes because of her general power of appointment, if her then available unified credit exceeds the net value of the trust.
- Also consider the income and transfer tax advantages that could accrue if the older generation exercises her testamentary general power of appointment in favor of a BDOT in which the younger generation creator of the UPIDGT is the initial beneficiary.
  - That exercise of the general power of appointment must be independent and there must not be any prior understanding that the older generation would so exercise that power.
  - A BDOT could become, under those circumstances, an ideal trust for the younger generation (Barbara) to sell her individual assets to the BDOT, or the younger generation could use the LAIDGT technique with that BDOT.

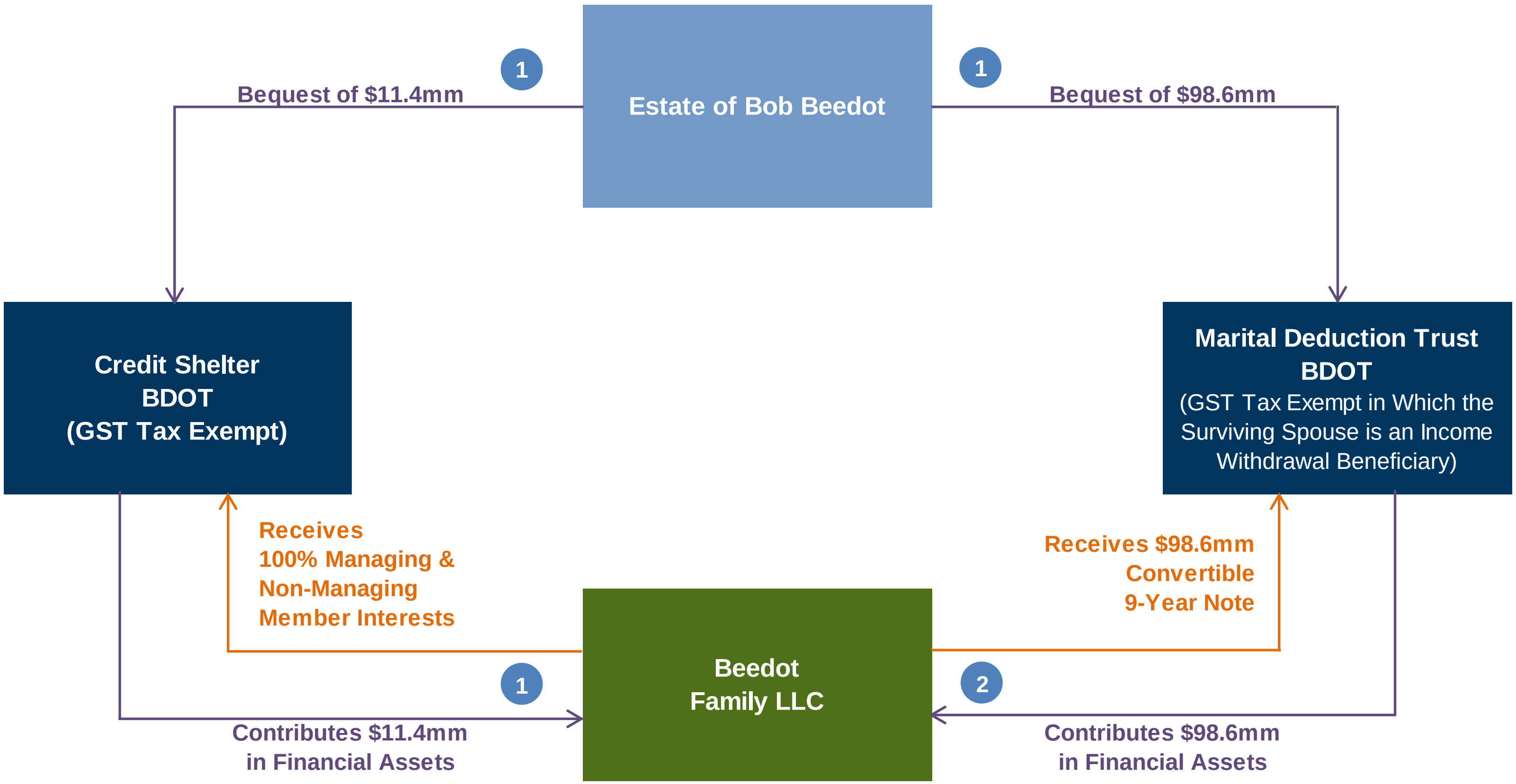
Considerations of the UPIDGT Technique (Pages 108-111 of the Paper)

- The grantor of the trust will still have a low basis in his or her note upon the death of the older generation beneficiary.
  - However, after the older generation beneficiary's death the note may be satisfied, without tax consequences, with the now higher basis assets owned by the trust.
- The older generation beneficiary could exercise his or her general power of appointment in an unanticipated way.
  - That possibility could perhaps be mitigated by requiring that an independent, non-adverse trustee approve any exercise of a general power of appointment before it is effective.
  - Many of the same considerations for the use of a grantor trust and a sale to a grantor trust would also be present for this technique.
- The effect of IRC Sec. 1014(e) must be considered, if cash is not given and low basis assets are used to capitalize the trust.

Considerations of the UPIDGT Technique (Continued)

- Is grantor trust status lost for the original grantor when the older generation beneficiary dies and the trust assets are included in the beneficiary's estate?
  - Treas. Reg. §1.671-2(e)(6) contains an example that would seem to indicate that the grantor trust status would not change.
  - It should be noted that this consideration should not exist, if the older generation beneficiary exercises her general power of appointment in favor of a BDOT in which the younger generation UPIDGT creator is the initial BDOT beneficiary, because the BDOT will be a grantor trust to that younger generation creator.
- IRC Sec. 1014(b)(9) needs to be considered for property that has depreciated.

- The structure, after completion, is illustrated below:



Income Tax and Basis Enhancing Advantages of the Technique (Pages 112-113 of the Paper)

- There is a step-up in basis of the deceased spouse's assets at his death.
- There is an opportunity through using borrowing strategies from third party lenders for the surviving spouse to increase the basis of the family's assets during her lifetime.
- All of the income tax and basis enhancing advantages of creating a sale to an intentionally defective grantor trust are present with this technique.
- The technique could also be used with a QTIP sale of discounted assets to an LLC owned by a credit shelter trust, if a defined value assignment is used.
- The technique could also be used with a QTIP defined value sale of assets to a grantor trust that the surviving spouse creates.
- The technique could also be used with a QTIP defined value sale to a credit shelter trust that provides the QTIP is the withdrawal income beneficiary of the credit shelter trust.

Transfer Tax Advantages of the Technique (Pages 113-114 of the Paper)

- Significantly more assets may be passed to the next generation by using this technique than using the exemption to fund a credit shelter trust that is taxed as a complex trust and a QTIP marital deduction trust that is taxed as a simple trust. Consider the calculations below in the previous Bob Beedot example, if his surviving spouse lives for 10 years after Bob Beedot's death.

<table>
<tr><th rowspan="2"></th><th colspan="2">Beneficiaries</th><th colspan="2">Consumption</th><th colspan="2">IRS Income Tax</th><th colspan="2">Tax Liability of Estate</th><th rowspan="2">Total</th></tr>
<tr><th>Beedot Children</th><th>Beedot Children & Grandchildren</th><th>Direct Cost</th><th>Investment Opportunity Cost</th><th>Direct Cost</th><th>Investment Opportunity Cost</th><th>Embedded Capital Gains Tax</th><th>IRS Estate Tax (@ 40%)</th></tr>
<tr><td colspan="10">10-Year Future Values</td></tr>
<tr><td rowspan="2">Traditional Credit Shelter Planning: first to die spouse creates a credit shelter trust with his unified credit and balance of estate goes to a QTIP marital deduction trust</td><td>$86,316,764</td><td>$33,626,679</td><td>$11,203,382</td><td>$4,344,673</td><td>$22,869,455</td><td>$8,306,361</td><td>$401,492</td><td>$57,544,509</td><td rowspan="2">$224,613,316</td></tr>
<tr><td colspan="2">$119,943,444</td><td colspan="2">$15,548,055</td><td colspan="2">$31,175,816</td><td colspan="2">$57,946,001</td></tr>
<tr><td rowspan="2">Hypothetical Technique: first to die spouse creates a credit shelter trust, that is a BDOT, and a marital deduction trust, that is also a BDOT; the credit shelter trust creates an LLC; the marital deduction trust sells assets to the LLC</td><td>$39,502,690</td><td>$107,033,451</td><td>$11,203,382</td><td>$4,344,673</td><td>$24,254,461</td><td>$8,306,361</td><td>$3,633,172</td><td>$26,335,126</td><td rowspan="2">$224,613,316</td></tr>
<tr><td colspan="2">$146,536,141</td><td colspan="2">$15,548,055</td><td colspan="2">$32,560,822</td><td colspan="2">$29,968,298</td></tr>
</table>

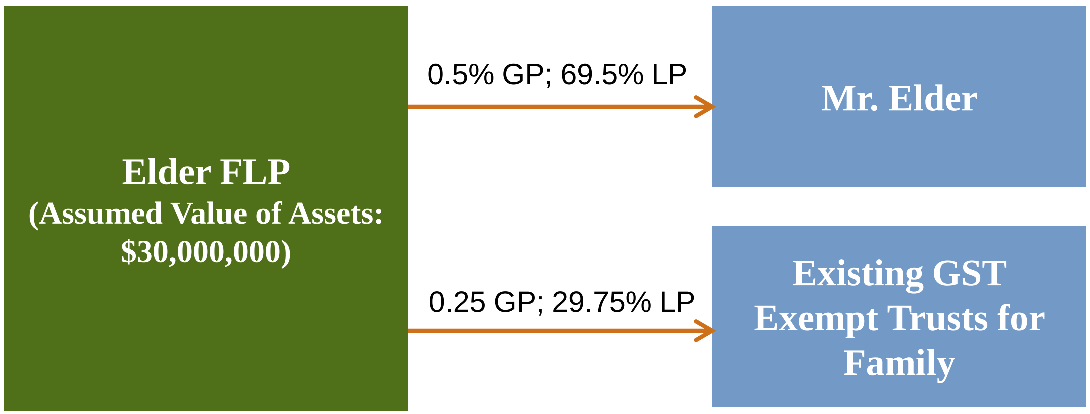
- The surviving spouse's rights with respect to assets owned by the QTIP marital trust and the credit shelter trust, and cash flows produced by those assets, are substantial.

Considerations of the Technique (Page 114 of the Paper)

- This technique has the same considerations as the creation of a BDOT and sale to a LLC owned by a BDOT.
- Like all leverage techniques, if the underlying assets stay flat or decline there is not any advantage to the technique and to the extent a gift tax exemption is used, the technique operates at a disadvantage.
- Alternatively, it may be more advantageous for the QTIP that is a BDOT to sell its assets to a grantor trust created by the surviving spouse, or to make the QTIP trust the income withdrawing beneficiary of the credit shelter trust.
- The Treasury Regulations provide that a QTIP marital deduction trust must also give the surviving spouse the right to withdraw all the trust's accounting income for life in addition to giving the surviving spouse the right to withdraw the net taxable income for life.

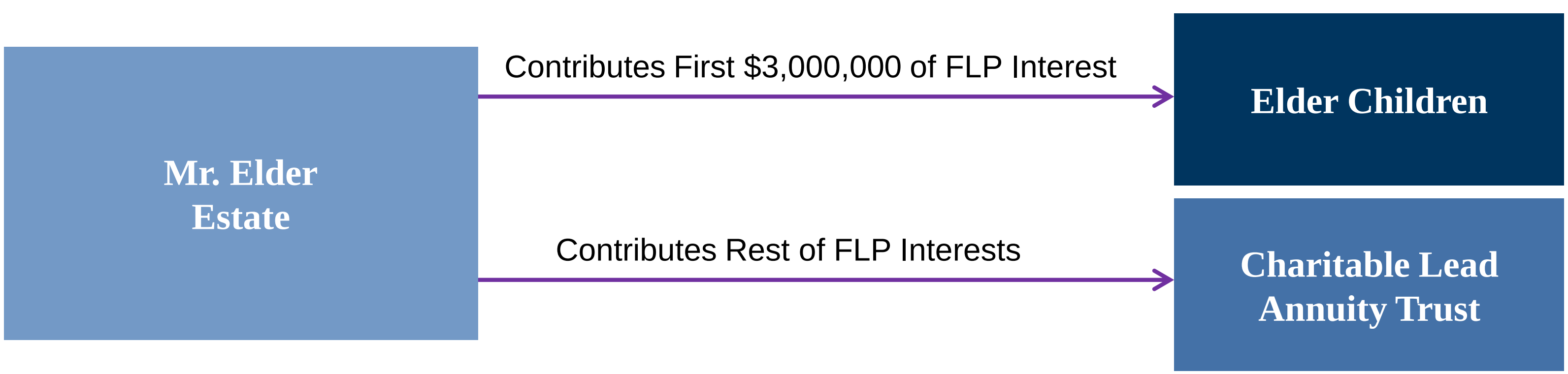
Post Mortem Technique: Use of a Leveraged Buy-Out of a Testamentary Charitable Lead Annuity Trust ("CLAT") (Pages 114-121 of the Paper)

- Consider the following example:
  - During Ed's lifetime he creates a FLP with his family:



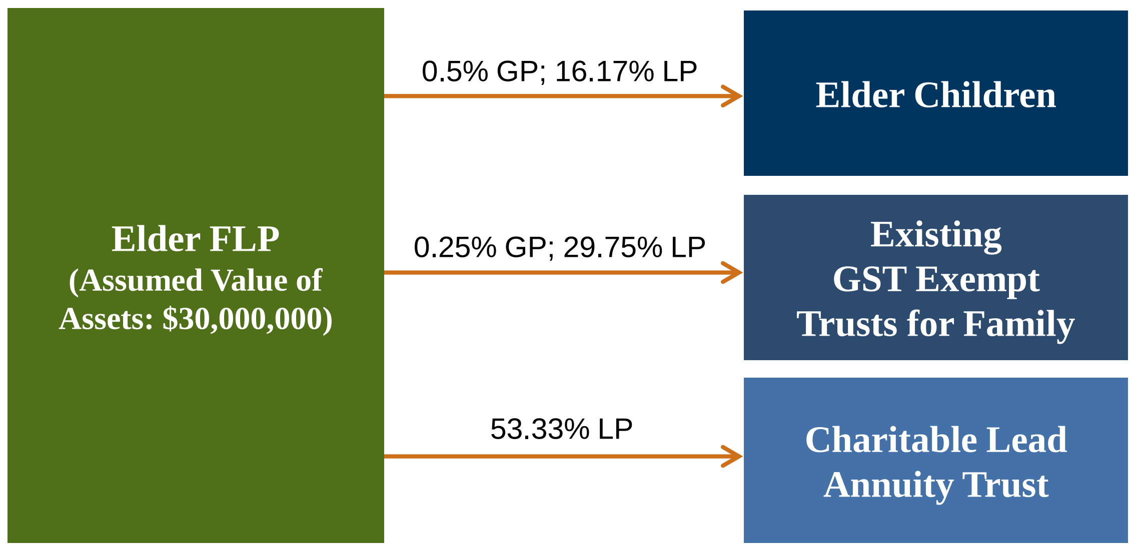
Elder, LP Partner	Ownership (%)
Mr. Elder	0.5% GP; 69.5% LP
Existing GST Exempt Trusts for Family	0.25% GP; 29.75% LP

  - After Ed's death his will conveys his FLP interests as follows:



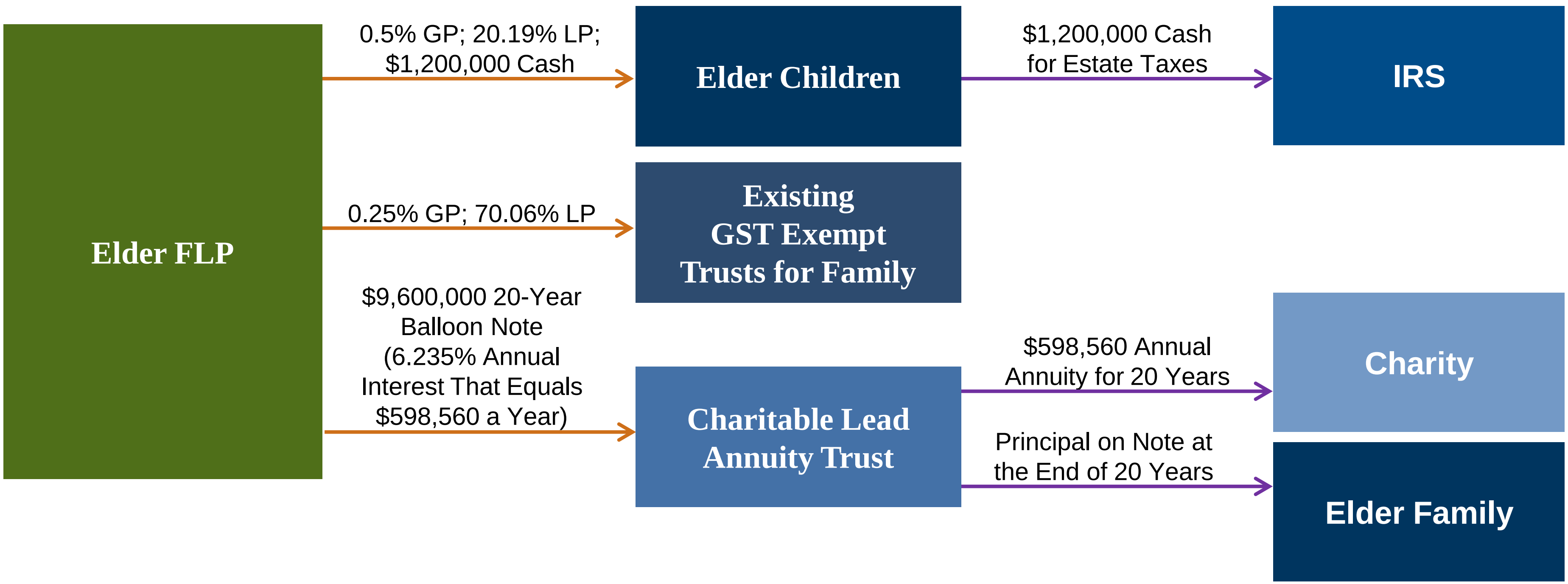
Use of a Leveraged Buy-Out of a Testamentary CLAT (Continued)

– The percentage ownership of Elder FLP before any redemption pursuant to a probate court hearing is as follows:



Use of a Leveraged Buy-Out of a Testamentary CLAT (Continued)

– After a probate hearing the children’s interest is partially redeemed and the CLAT’s interest is totally redeemed as follows:



Advantages of the Technique (Pages 117-120 of the Paper)

- There is a partial step-up in basis in the decedent's partnership interest that is bequeathed to a zeroed-out CLAT.
- There will be income tax deductions for the interest paid to the CLAT, assuming the investment income of the partnership is greater than the interest expense.
- No estate taxes have to be paid with a gift to a properly structured and implemented zeroed-out CLAT.
- If the decedent bequeaths a dollar gift to his family and the rest of his estate to a zeroed-out CLAT, his will acts like a defined value allocation clause.
- Significant improvement in the after tax net worth for both the family of the decedent and the decedent's favorite charitable causes will accrue because of this technique.
- The family does not have to wait 20 years to access the investments, if the investments are successful.

Advantages of the Technique (Continued)

Summary of Results For $30 Million of Assets Growing at 3% Per Year (Pre Tax) –
No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year
Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Charitable Gift No Discount Allowed	$18,333,733	$15,073,672	$0	$5,253,849	$7,522,083	$8,000,000	$54,183,337
No Further Planning - No Charitable Gift Discount Allowed	$23,059,178	$15,073,672	$0	$5,956,415	$5,294,072	$4,800,000	$54,183,337
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$16,818,670	$17,096,849	$16,083,531	$1,747,005	$1,237,281	$1,200,000	$54,183,337
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$22,778,999	$14,337,710	$4,355,956	$4,501,200	$4,209,472	$4,000,000	$54,183,337

Advantages of the Technique (Continued)

Summary of Results For $30 Million of Assets Growing at 7.50% Per Year (Pre Tax) – No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Charitable Gift No Discount Allowed	$33,734,275	$27,222,640	$0	$19,049,212	$39,429,406	$8,000,000	$127,435,533
No Further Planning - No Charitable Gift Discount Allowed	$42,018,677	$27,222,640	$0	$21,535,391	$31,858,825	$4,800,000	$127,435,533
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$26,774,735	$40,677,004	$25,920,450	$16,803,779	$16,059,565	$1,200,000	$127,435,533
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$41,011,327	$27,292,259	$7,020,122	$20,117,950	$27,993,875	$4,000,000	$127,435,533

Advantages of the Technique (Continued)

Summary of Results For $30 Million of Assets Growing at 10% Per Year (Pre Tax) –
No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year
Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

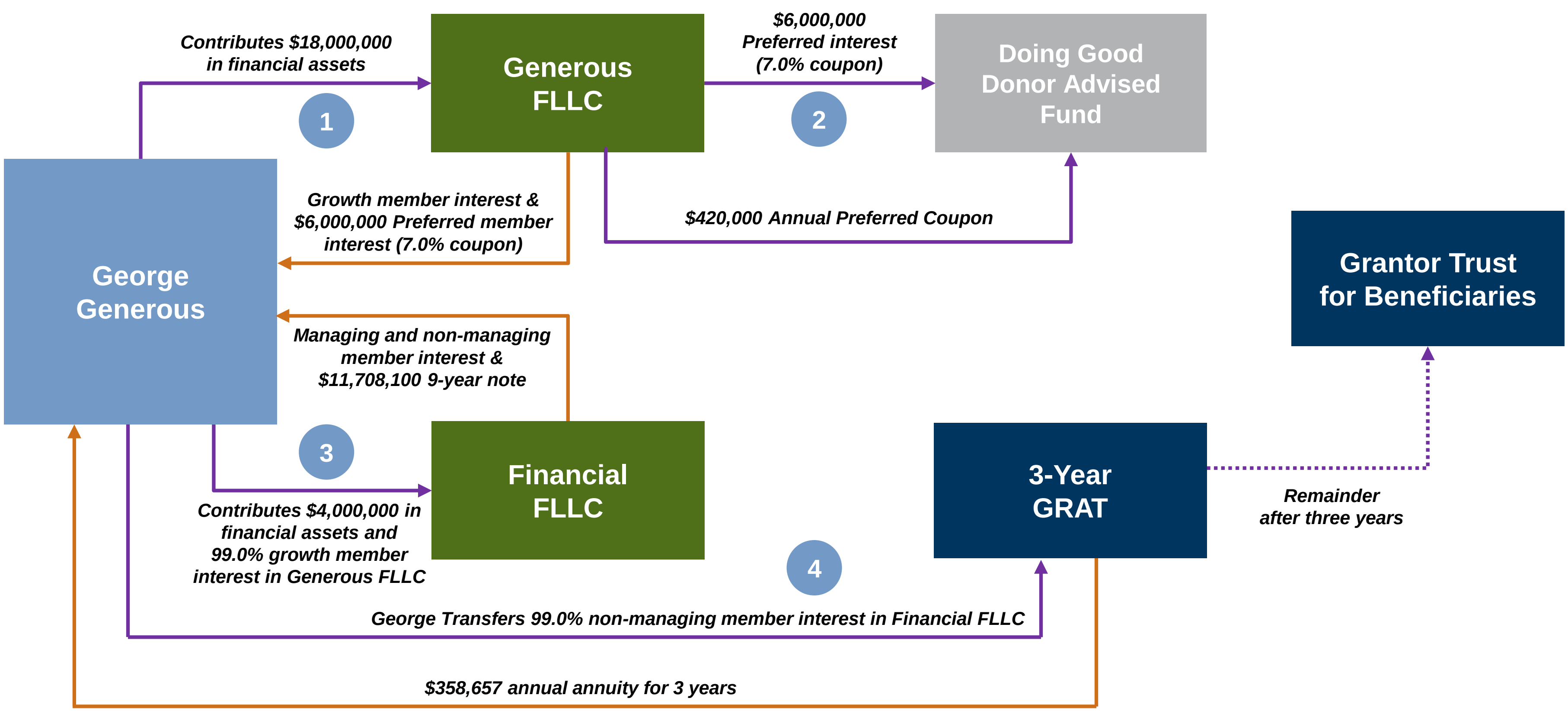
Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Charitable Gift No Discount Allowed	$49,533,164	$39,520,097	$0	$29,956,665	$74,815,071	$8,000,000	$201,824,998
No Further Planning - No Charitable Gift Discount Allowed	$61,335,976	$39,520,097	$0	$33,800,051	$62,368,873	$4,800,000	$201,824,998
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$36,556,659	$63,844,719	$34,282,524	$29,612,351	$36,328,746	$1,200,000	$201,824,998
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$59,592,669	$40,494,791	$9,284,850	$32,455,697	$55,996,990	$4,000,000	$201,824,998

Considerations of the Technique (Page 121 of the Paper)

- Need to get probate court approval.
- Leverage could work against the family unless a carefully constructed partnership sinking fund is utilized to pay future interest payments.

Creating a FLP or FLLC With Preferred and Growth Interests, Transferring the Preferred Interest to a Public Charity, and Transforming the Growth Interests to a LAGRAT (Pages 126-135 of the Paper)

- Consider the following example:



Income Tax Advantages of the Technique (Pages 127-131 of the Paper)

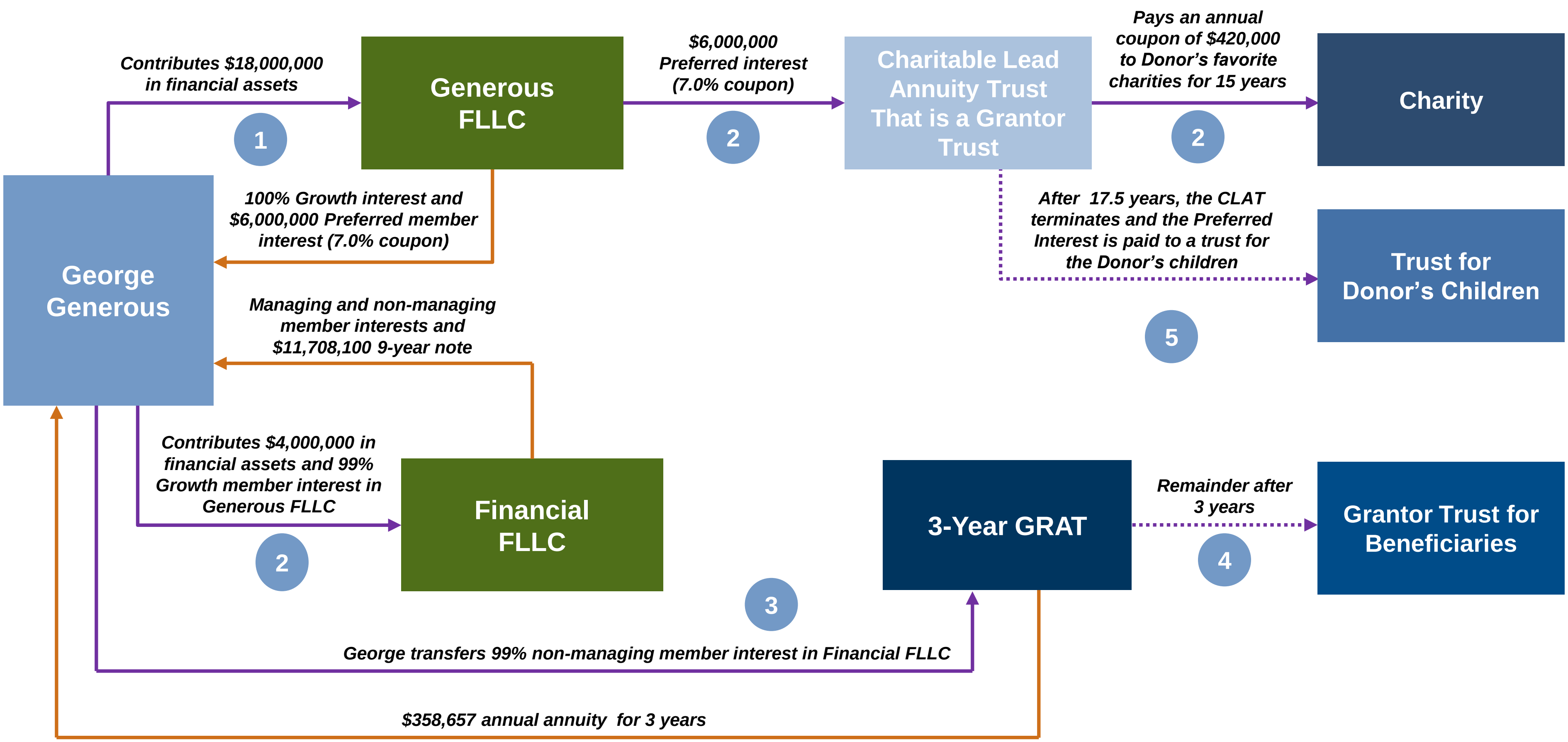
- The donor may receive an income tax deduction for the discounted present value of the charity's right to receive the par value of the preferred on termination of the FLLC, even though that might occur after the donor's death.
- The donor should receive an income tax charitable deduction, in the year of the gift, for the discounted present value of the 7% coupon that is to be paid to charity.
- In addition to receiving an upfront charitable income deduction for the present value of the annual coupon of the preferred that is paid to the charity, the donor also receives an indirect second annual deduction with respect to the future preferred coupon payments against his income and health care taxes because of the partnership tax accounting rules.
- The donor will also avoid the built-in capital gains tax on the sale of any low basis asset that is contributed for the preferred interest.
- Assuming a low basis asset will be sold, the "out of pocket" cost of a gift of a preferred interest to a public charity, or donor advised fund, is minimal because of the above tax advantages.
- Income tax valuation advantage: IRS concedes preferred partnership interests should have a high coupon.
- IRC Sec. 2036 avoidance advantage, if George gives or sells the growth interests to his family.

Considerations of the Technique (Pages 131-135 of the Paper)

- Despite state property law, the IRS may take the position that the gift of the preferred interest of an FLLC should be considered a non-deductible partial gift of the underlying assets of the FLLC.
- If the gift of the preferred interest is to a donor advised fund (instead of some other public charity) care should be taken to make sure there is not a tax on excess business holdings under IRC Sec. 4943.
- The taxpayer must comply with certain reporting requirements in order to receive a deduction for the fair market value of the donated preferred interest.
- If there is unrelated business taxable income associated with assets owned by the FLLC, some public charities will not accept the gift of the preferred interest in the FLLC.

The Use of a High-Yield Preferred Partnership or Membership Interest With a CLAT (Pages 135-140 of the Paper)

- Consider the following example:



Income Tax Advantages of the Technique (Page 137 of the Paper)

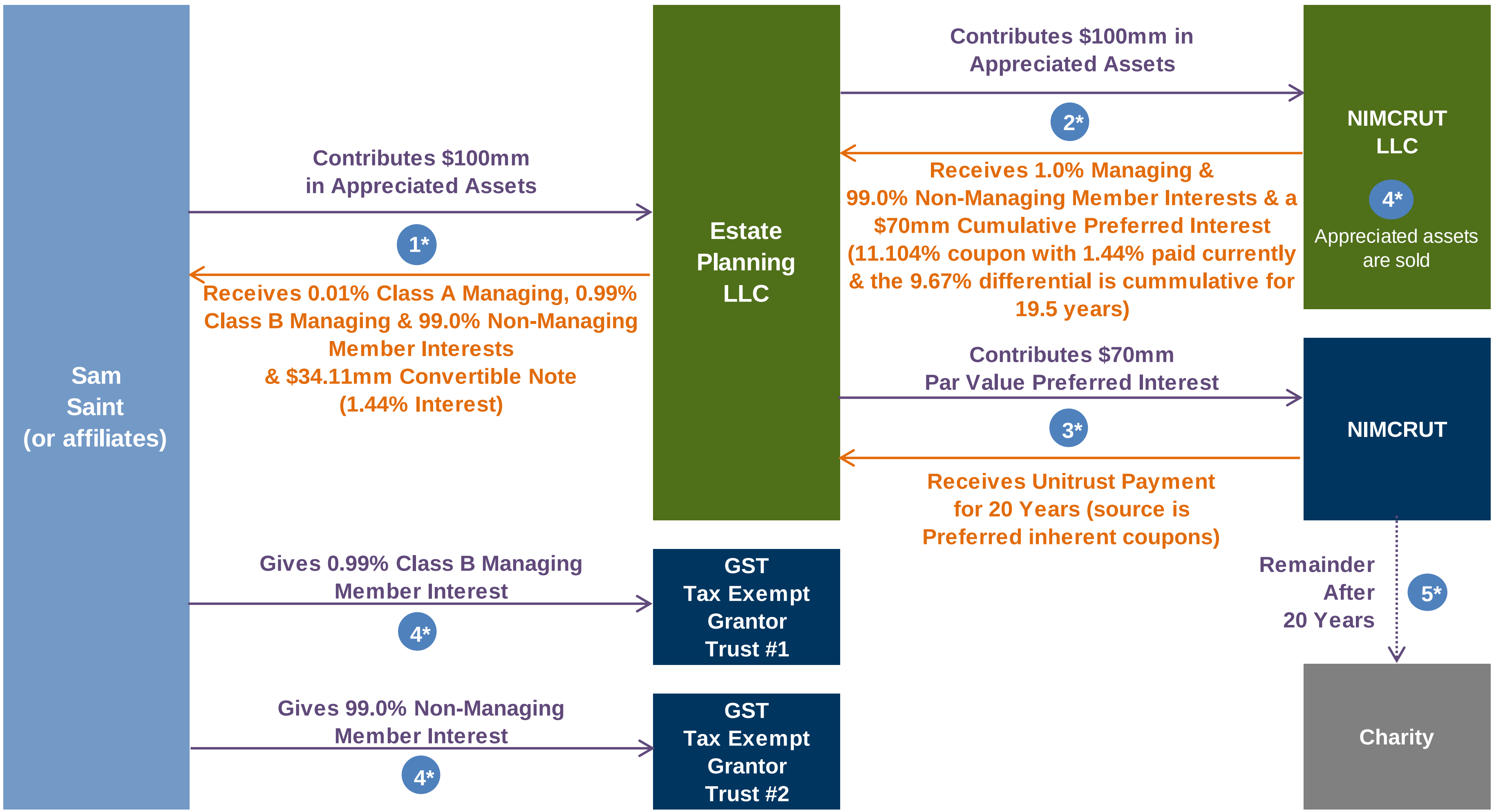
- The donor will not pay income taxes or healthcare taxes on income that is allocated to the CLAT, if the CLAT is a conventional CLAT and is not a grantor trust.
- The donor will receive an upfront deduction against income taxes for the actuarial value of the annuity interest paid to charity if the CLAT is a grantor trust.

Considerations of the Technique (Pages 137-140 of the Paper)

- The partial interest rule should not apply for gift tax purposes or income tax purposes (if a grantor CLAT is used), but the IRS may make the argument.
- Care should be taken to make sure that there is not a tax on excess business holdings under IRC Sec. 4943.
- If the CLAT is a grantor trust the grantor will pay the income taxes on the earnings of the CLAT.

Using the Technique of Contributing a Preferred Interest in a Family Limited Partnership to a NIMCRUT in Combination With the LAIDGT Technique
(Pages 140-156 of the Paper)

- Consider the following example:



*Transactions need to be separate, distinct and independent.

Advantages of the Technique (Page 144-151 of the Paper)

- In the example above , seventy percent of the gain, if LLC sells the securities, should be allocated to the NIMCRUT.
- The future taxable income of the LLC should be allocated to the Preferred Unitholders to the extent of the preferred return.
- Sam will only have to pay federal income tax resulting from items of income and gains allocated to the NIMCRUT only upon receipt of distributions from the NIMCRUT, which only occur when the NIMCRUT recognizes trust accounting income.
- The income tax deduction of $7,000,000 that Sam receives for the remainder value of the NIMCRUT can be used to offset the gain recognized by the residual units.
- Assuming the sale proceeds in the NIMCRUT partnership earn 7.5% a year for 20 years with 2% being taxed as tax free income and 5.5% being taxed as capital gains (with a 30% turnover) the technique produces powerful income tax and estate tax savings over a 20-year period in comparison to no further planning and a similar estate plan with no charitable gift.

Advantages of the Technique (Continued)

	Charity (1)	Saint Family (2)	Consumption: Direct Cost (3)	Consumption: Opportunity Cost (4)	Lifetime IRS Income Taxes: Direct Cost (5)	Lifetime IRS Income Taxes: Opportunity Cost (6)	Tax Liability of Estate: Embedded Capital Gains Tax Liability(1) (7)	Tax Liability of Estate: Estate Taxes (@ 40%) (8)	Total (9)
20-Year Future Values									
No Further Planning	$0	$213,531,608	$63,861,644	$66,600,089	$65,937,250	$108,772,669	$0	$118,474,405	$637,177,665
Hypothetical Technique #1(2)	$0	$301,956,854	$63,861,644	$66,600,089	$69,462,172	$108,772,669	$8,223,995	$18,300,241	$637,177,665
Hypothetical Technique #2(3)	$70,000,000	$310,919,013	$63,861,644	$66,600,089	$72,638,284	$34,867,342	$2,818,388	$15,472,904	$637,177,665
Present Values (Discounted at 2.5%)									
No Further Planning	$0	$130,312,136	$38,972,906	$40,644,099	$40,239,588	$66,380,799	$0	$72,301,487	$388,851,014
Hypothetical Technique #1(2)	$0	$184,275,494	$38,972,906	$40,644,099	$42,390,745	$66,380,799	$5,018,865	$11,168,106	$388,851,014
Hypothetical Technique #2(3)	$42,718,966	$189,744,839	$38,972,906	$40,644,099	$44,329,034	$21,278,526	$1,719,981	$9,442,664	$388,851,014

(1) Embedded capital gains tax liability of assets that pass to the family that are not subject to estate taxes. This capital gains tax is only paid when those assets are sold.
(2) Hypothetical Technique #1 - Leveraged Assets Gifted to GST Tax Exempt Grantor Trusts without Using a NIMCRUT Partnership
(3) Hypothetical Technique #2 - Leveraged Assets Gifted to GST Tax Exempt Grantor Trusts in Combination With Using a NIMCRUT Partnership

Assumptions:	
Total estimated rate of return over the next 20 years	7.50%
Rate of Return Taxed at Ordinary Rates	0.00%
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	5.50%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	23.80%
Ordinary Income and Health Care Tax Rate	43.40%
Annual Consumption from these Sources	$2,500,000

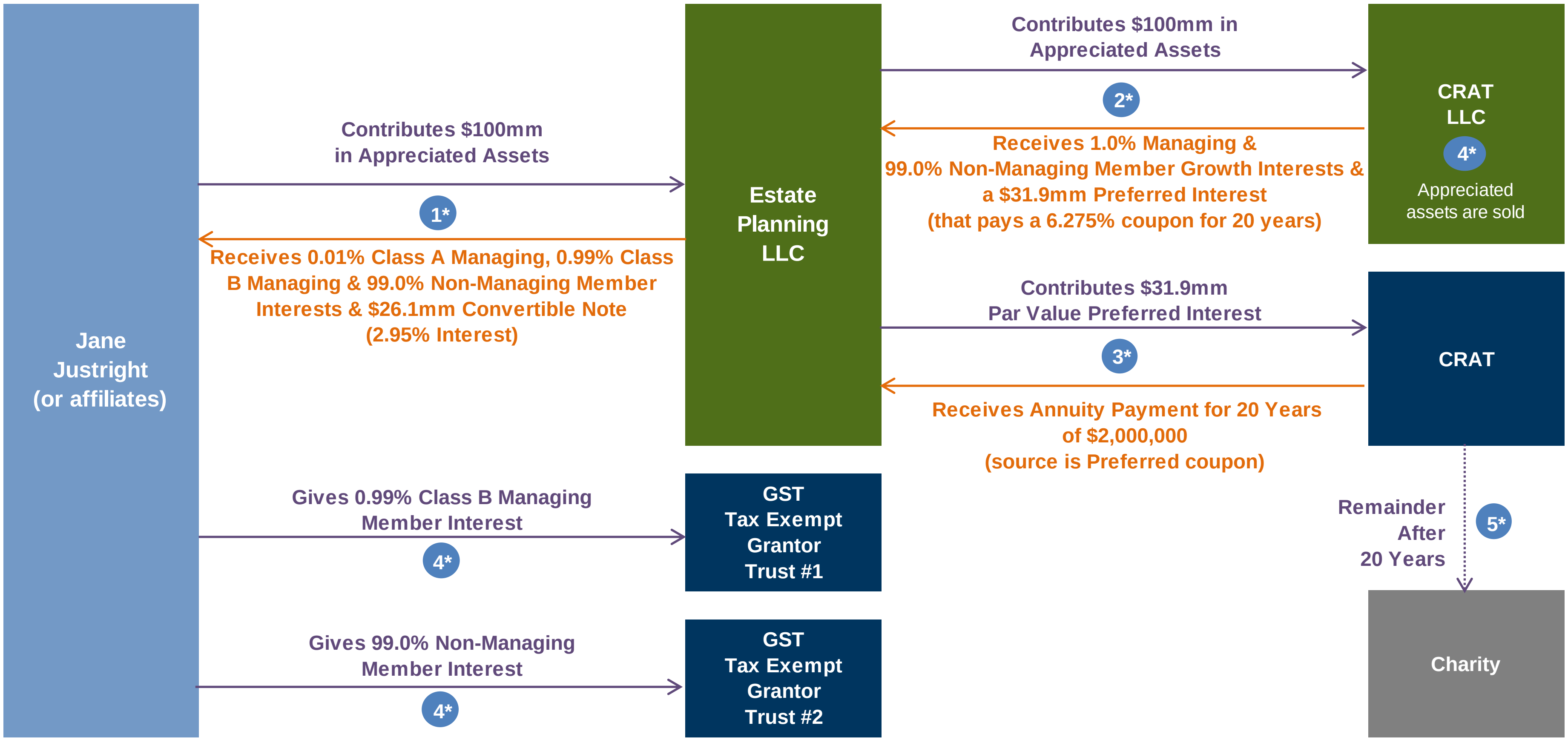
Assumptions (continued):		
NIMCRUT Partnership - Growth Interest Valuation Discount	40.0%	
Estate Planning Partnership - Valuation Discount	30.0%	
NIMCRUT Partnership-Preferred Interest	$70,000,000	
NIMCRUT Partnership-Total Preferred Coupon/Currently Paying %	11.104%	1.44%
IRS 7520 Rate	6.275%	
IRS Applicable Federal Rate (long-term)	0.000%	
CRUT Payout	0.000%	
Charitable Deduction	$7,001,400	
Tax Savings from Charitable Deduction ($7,001,400 @ 20.0%)	$1,400,280	

Considerations of the Technique (Pages 152-156 of the Paper)

- Will the deferral of the receipt of trust accounting income distributable to the NIMCRUT's non-charitable beneficiary cause the NIMCRUT to fail to function exclusively as a charitable remainder trust?
- Will the use of the LLC to defer the receipt of trust accounting income distributable to Sam be deemed an act of self-dealing under IRC Sec. 4941 and the regulations thereunder?
- This technique is not appropriate for investments that would be unrelated business taxable income investments.

Using the Technique of Contributing a Preferred Interest in a Family Limited Partnership to a CRAT in Combination With the LAIDGT Technique (Pages 157-160 of the Paper)

- Consider the following example:



*Transactions need to be separate, distinct and independent.

Advantages of the Technique (Page 159-160 of the Paper)

- There will be no immediate capital gains taxes on that proportionate part of the partnership that is owned by the CRAT when the Growing, Inc. stock is sold.
- Since the preferred coupon is being paid currently, it will probably have a lower rate of return than the deferred preferred coupon used in the preferred interest with a NIMCRUT .
- A donor’s fear of a charitable windfall for the charity with the use of the CRAT technique is at least partially addressed by the use of preferred partnership interest.
- This technique also provides current cash flow to those client’s and/or families who need the current cash flow.
- The income tax deduction of the remainder value of the CRAT can be used to offset the gain recognized by the non preferred owners.
- The synergies of this technique can produce powerful income tax benefits and estate planning benefits as the table below illustrates:

Advantages of the Technique (Continued)

	Charity (1)	Justright Family (2)	Consumption: Direct Cost (3)	Consumption: Opportunity Cost (4)	Lifetime IRS Income Taxes: Direct Cost (5)	Lifetime IRS Income Taxes: Opportunity Cost (6)	Tax Liability of the Estate: Embedded Capital Gains Tax Liability[1] (7)	Tax Liability of the Estate: Estate Taxes (@ 40%) (8)	Total (9)
20-Year Future Values									
No Further Planning	$0	$213,531,608	$63,861,644	$66,600,089	$65,937,250	$108,772,669	$0	$118,474,405	$637,177,665
Hypothetical Technique #1[2]	$0	$302,196,270	$63,861,644	$66,600,089	$69,548,356	$108,772,669	$8,425,071	$17,773,567	$637,177,665
Hypothetical Technique #2[3]	$31,872,510	$317,986,205	$63,861,644	$66,600,089	$64,411,446	$86,727,806	$5,717,966	$0	$637,177,665
Present Values (Discounted at 2.5%)									
No Further Planning	$0	$130,312,136	$38,972,906	$40,644,099	$40,239,588	$66,380,799	$0	$72,301,487	$388,851,014
Hypothetical Technique #1[2]	$0	$184,421,602	$38,972,906	$40,644,099	$42,443,341	$66,380,799	$5,141,576	$10,846,691	$388,851,014
Hypothetical Technique #2[3]	$19,450,867	$194,057,741	$38,972,906	$40,644,099	$39,308,434	$52,927,460	$3,489,508	$0	$388,851,014

(1) Embedded capital gains tax liability of assets that pass to the family that are not subject to estate taxes. This capital gains tax is only paid when those assets are sold.
(2) Hypothetical Technique #1 - Leveraged Assets Gifted to GST Tax Exempt Grantor Trusts without Using a CRAT Partnership
(3) Hypothetical Technique #2 - Leveraged Assets Gifted to GST Tax Exempt Grantor Trusts by Using a CRAT Partnership

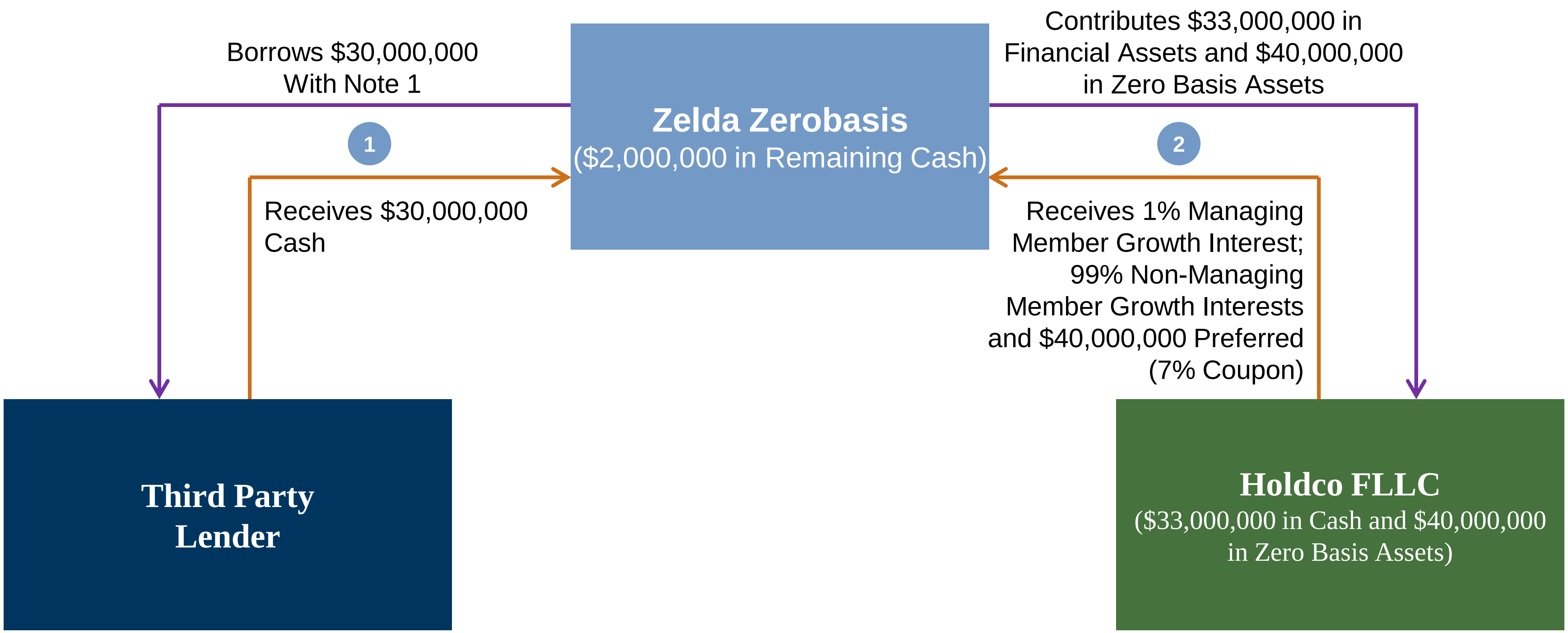
Assumptions:	
Total Estimated Rate of Return Over the Next 20 Years	7.50%
Rate of Return Taxed at Ordinary Rates	0.00%
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	5.50%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	23.80%
Ordinary Income and Health Care Tax Rate	43.40%
Annual Consumption from these Sources	$2,500,000

Assumptions (continued):	
CRAT Partnership - Growth Interest Valuation Discount	40.00%
Estate Planning Partnership - Valuation Discount	30.00%
CRAT Partnership - Preferred Interest	$31,872,510
CRAT Partnership - Preferred Coupon	6.28%
IRS 7520 Rate	3.40%
IRS Applicable Federal Rate (long-term)	2.95%
CRUT Payout	6.28%
Charitable Deduction	$3,292,343
Tax Savings from Charitable Deduction ($3,292,343 @ 20.0%)	$658,469

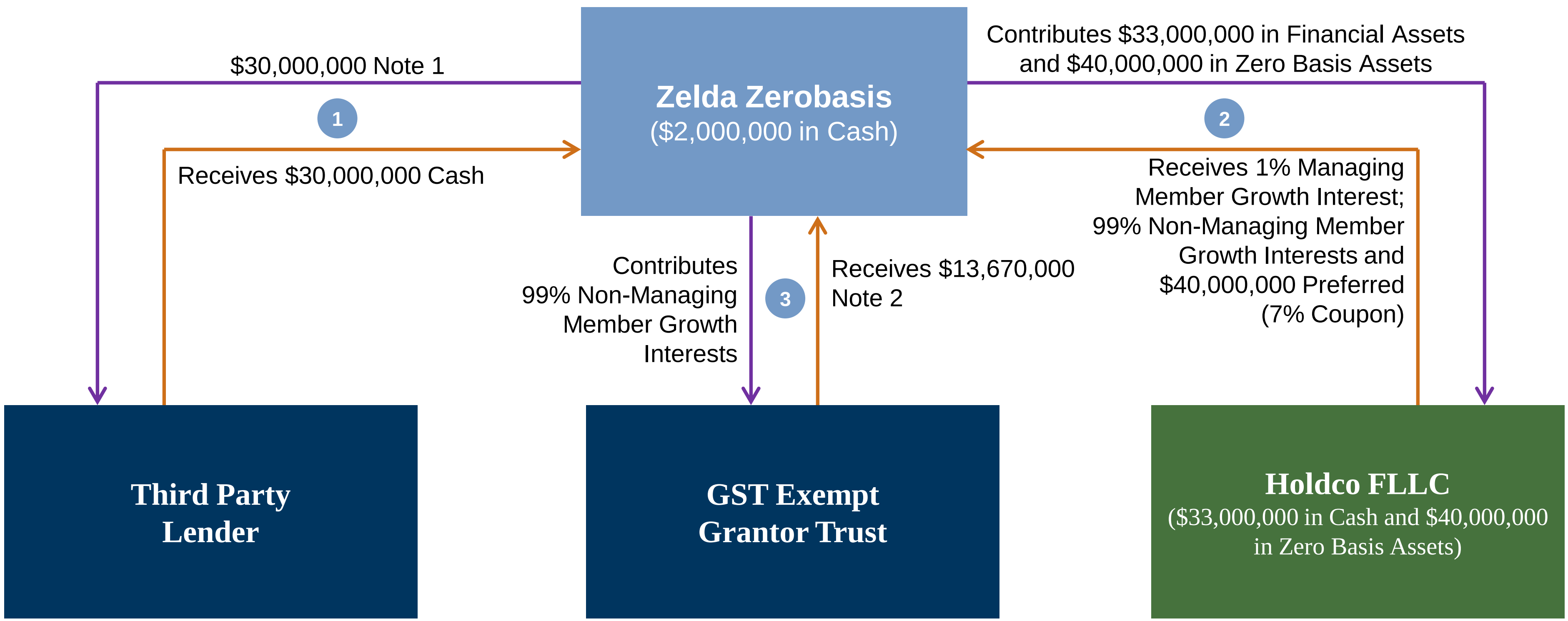
Considerations of the Technique (Page 160 of the Paper)

- This technique does not defer the taxation of cash flow, if the client does not need that cash flow. Stated differently, this technique has the potential of distributing more cash flow than a client needs and, thus, accelerates tax consequences unnecessarily.
- This technique is not appropriate for that part of a client's portfolio, which the client wishes to put into ordinary income investments (because of the disadvantages inherent in the tiered income rules) or in unrelated business income investments.

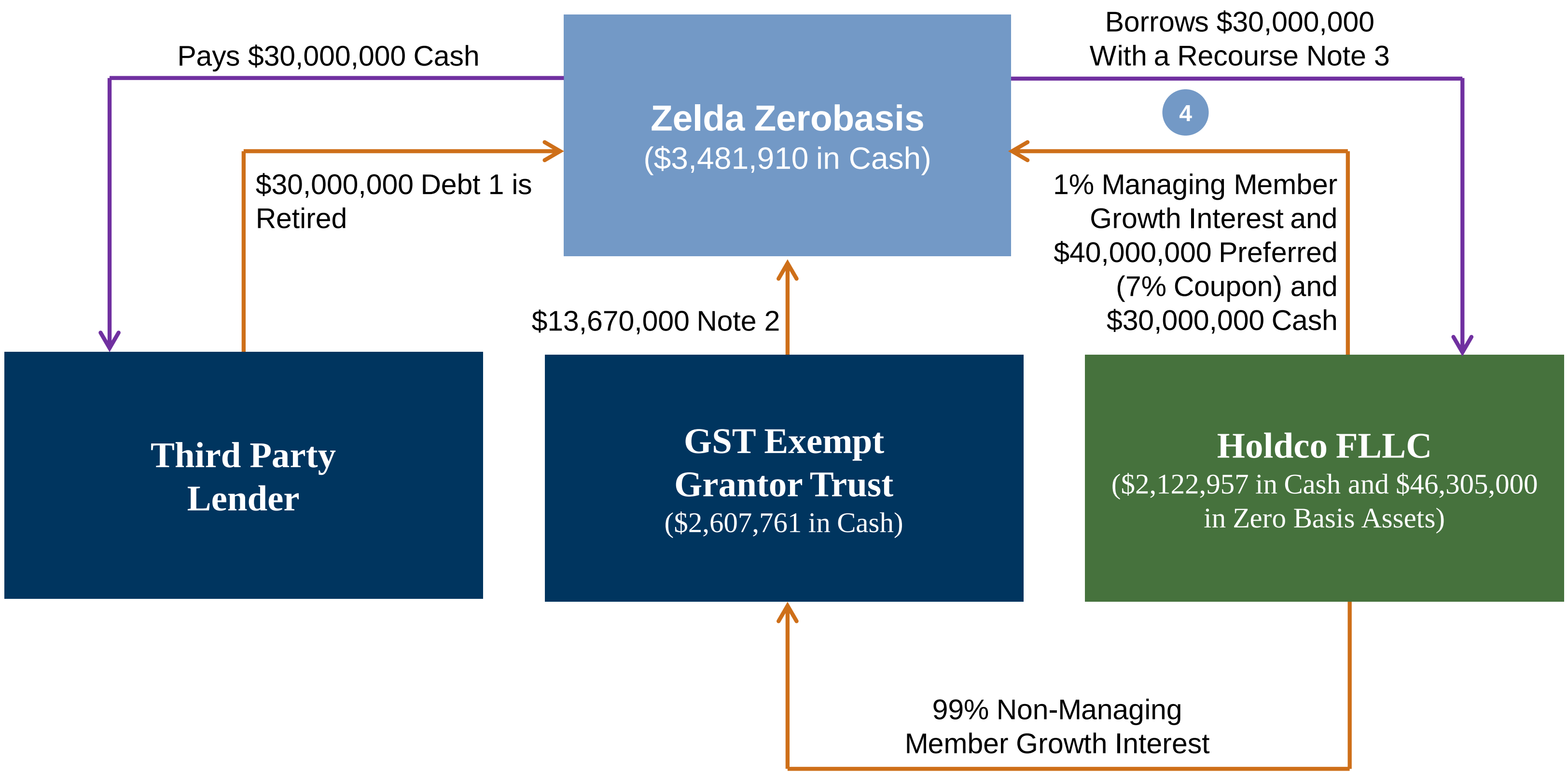
- Consider the following four illustrations:



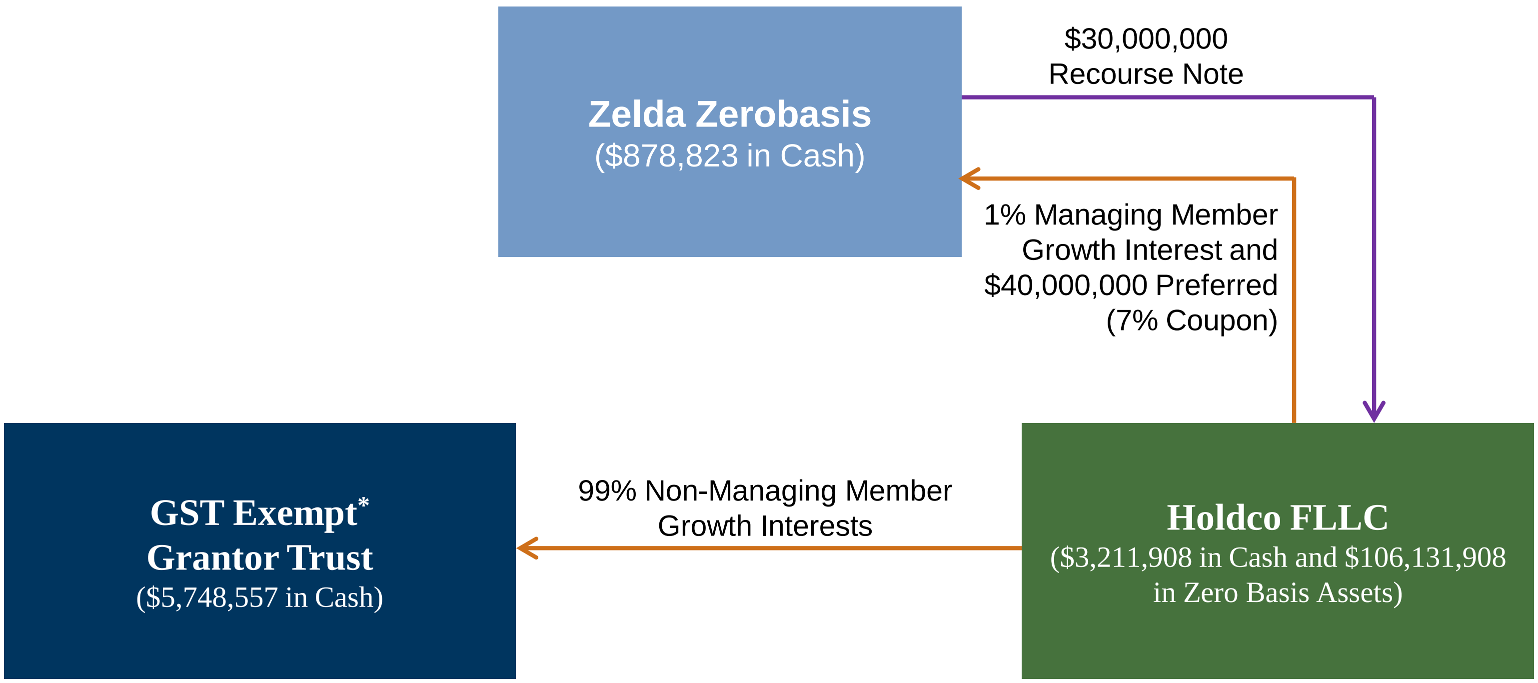
The Use of a Retained Preferred Partnership Interest in a FLLC and Third Party Leverage to Generate Both Effective Estate Planning and Basis Planning (Continued)



The Use of a Retained Preferred Partnership Interest in a FLLC and Third Party Leverage to Generate Both Effective Estate Planning and Basis Planning (Continued)



The Use of a Retained Preferred Partnership Interest in a FLLC and Third Party Leverage to Generate Both Effective Estate Planning and Basis Planning (Continued)



*Grantor Trust status removed in year 18.

Advantages of the Technique (Page 164-165 of the Paper)

- This technique has the same advantage of being able to use third party borrowing by a disregarded entity to achieve basis adjustment in low basis assets.
- The net effect of the illustrated technique is that for every $1 of the taxpayer's estate exposed to estate taxes there is a $4 increase in basis of the low basis assets subject to the technique.
- The net after income and transfer tax savings to Zelda are projected to be substantial. See the table below:

	Zerobasis Children (1)	Zerobasis Children & Grandchildren (2)	Consumption (3)	Consumption Investment Opportunity Cost (4)	Opportunity Cost/(Benefit) of Borrowing from 3rd Party Lender (5)	IRS Income Tax (6)	IRS Income Tax Investment Opportunity Costs (7)	Estate Taxes (8)	Total (9)
20-Year Future Values									
No Further Planning: Bequeaths Estate to Family	$44,616,886	$8,530,000	$12,772,329	$13,053,175	$0	$15,575,474	$15,627,875	$29,744,590	$139,920,329
Hypothetical Technique: Bequeaths Remaining Estate to Family	$3,135,638	$82,597,794	$12,772,329	$13,053,175	($11,079,903)	$22,247,774	$15,103,098	$2,090,425	$139,920,329
Present Values (Discounted at 2.5%)									
No Further Planning: Bequeaths Estate to Family	$27,228,389	$5,205,611	$7,794,581	$7,965,974	$0	$9,505,259	$9,537,238	$18,152,259	$85,389,311
Hypothetical Technique: Bequeaths Remaining Estate to Family	$1,913,589	$50,407,034	$7,794,581	$7,965,974	($6,761,743)	$13,577,170	$9,216,982	$1,275,726	$85,389,311

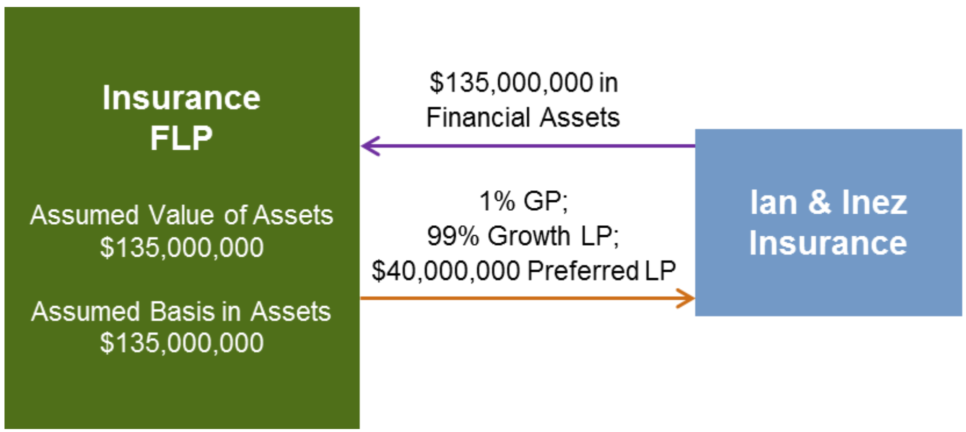
- This technique has the same advantage as a SIDGT.

Considerations of the Technique (Page 166 of the Paper)

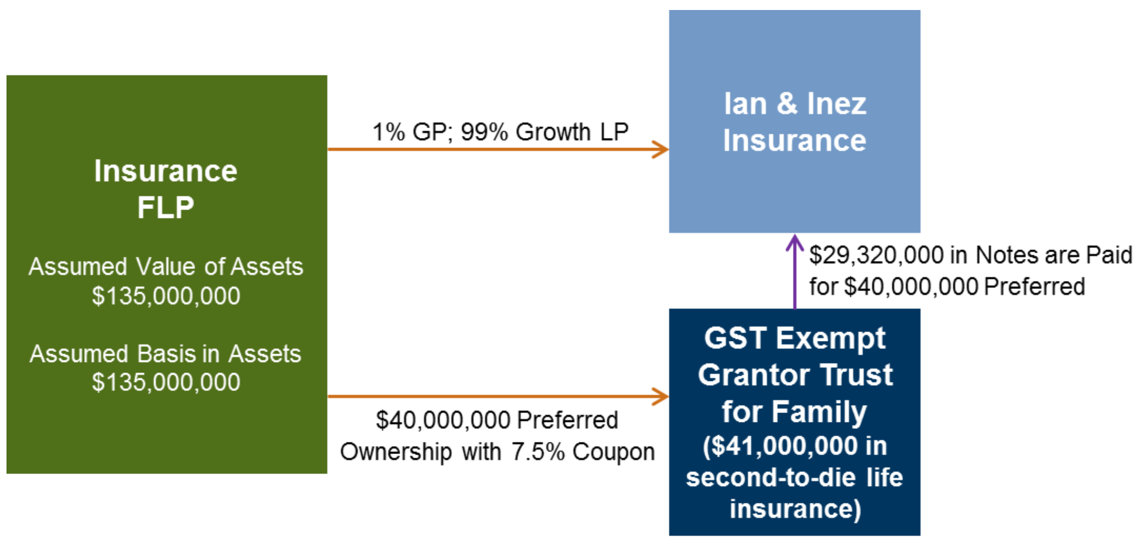
- This technique has the same considerations as a SIDGT, except this technique may address step-up in basis planning in a more advantageous manner.
- Care must be taken to comply with the gift tax valuation rules of IRC Sec. 2701.
- Third party financing, at least on a temporary basis, may be necessary.
- This technique has many of the same considerations as a grantor trust has in third party borrowing to achieve basis adjustment in low basis assets.

Use of the Leveraged Reverse Freeze to Facilitate Life Insurance Planning and Estate Planning (Pages 166-173 of the Paper)

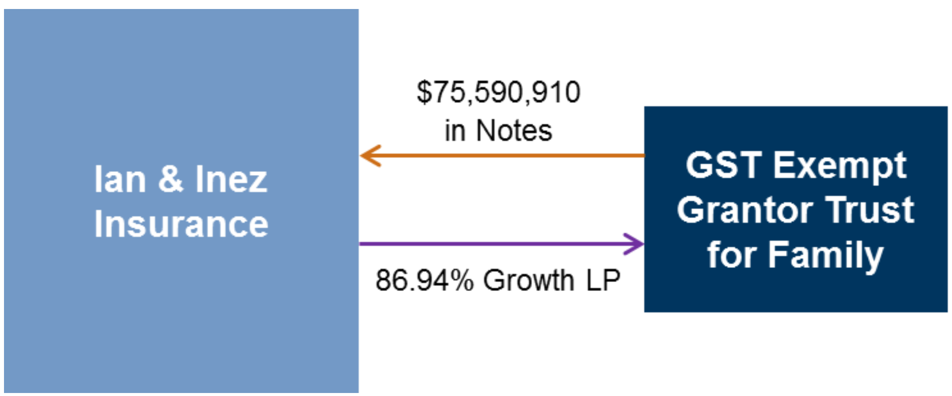
- Consider the following three illustrations:



Partner	Ownership (%)
Ian & Inez Insurance	1% GP; 99% Growth LP; $40,000,000 Preferred LP



Use of the Leveraged Reverse Freeze to Facilitate Life Insurance Planning and Estate Planning (Continued)



Partner	Ownership (%)
Ian & Inez Insurance	1% GP; $104, 910,000 Note Receivable
GST Exempt Grantor Trust for Family	$40,000,000 Preferred LP 99% Growth LP; $104,910,000 Note Payable

Advantages of the Technique (Page 169-172 of the Paper)

- Valuation advantage: IRS concedes preferred partnership interests should have a high coupon.
- IRC Sec. 2036 advantage.
- The valuation rules of IRC Sec. 2701 should not apply, if the preferred interest is transferred and not retained.
- The effect of cascading sales to an intentionally defective grantor trust.
- Life insurance proceeds, if the policy is properly structured, are not subject to income taxes under IRC Sec. 101.
- The taxpayer could save much of his unified credit to assist with a step-up in basis at death and refrain from any additional gifting strategies except as are necessary to pay for the life insurance, which will offset any estate taxes due at death of the taxpayer.
- Significant life insurance can be purchased with this technique without the payment of gift taxes.
- Whether taxpayers live past their collective life expectancies or live a shortened life expectancy, the comparative outcome under the proposed plan is very advantageous.

Advantages of the Technique (Continued)

30 Year Future Values (Death in 10 Years)

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
30-Year Future Values (Death in 10 Years)									
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)	$518,454,579	$0	$20,061,789	$95,693,446	$100,387,186	$446,483,369	$96,004,325	$0	$1,277,084,694
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)	$228,280,974	$557,267,326	$20,061,789	$95,693,446	$148,985,957	$329,382,789	$44,879,416	($147,467,002)	$1,277,084,694

Present Value of the 30 Year Future Values (Death in 10 Years)

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
Present Value of the 30-Year Future Values (Death in 10 Years)									
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)	$213,596,422	$0	$8,265,191	$39,424,433	$41,358,191	$183,945,237	$39,552,511	$0	$526,141,985
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)	$94,048,739	$229,586,760	$8,265,191	$39,424,433	$61,380,242	$135,701,348	$18,489,725	($60,754,452)	$526,141,985

Advantages of the Technique (Continued)

Future Value (Death in 30 Years)

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
30-Year Future Values (Death in 30 Years)									
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)	$421,834,314	$0	$83,256,977	$158,825,116	$131,688,888	$214,816,523	$266,662,876	$0	$1,277,084,694
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)	$9,414,203	$700,602,974	$83,256,977	$158,825,116	$138,943,238	$186,426,522	$0	($384,335)	$1,277,084,694

Advantages of the Technique (Continued)

Present Value of the 30 Year Future Values (Death in 30 Years)

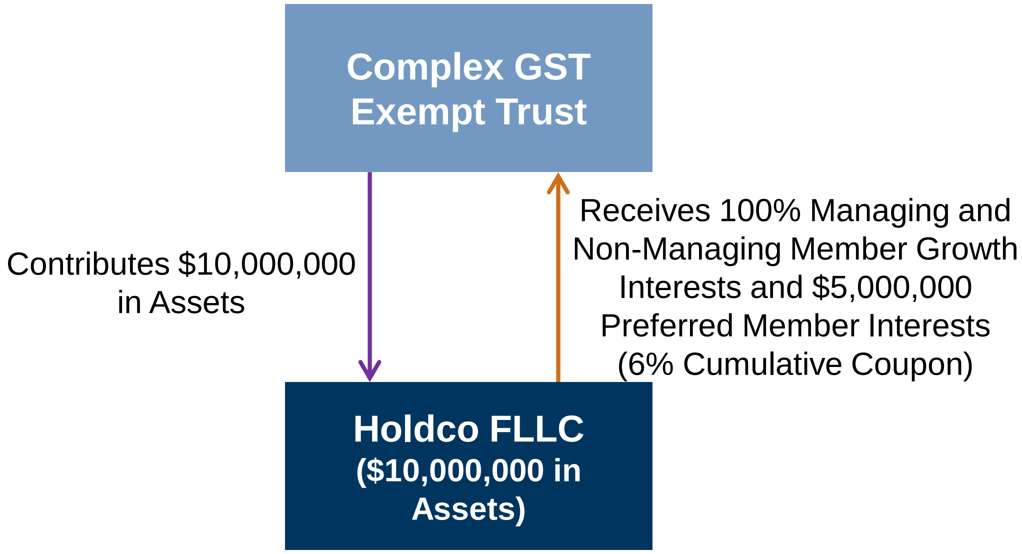
	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
Present Value of the 30-Year Future Values (Death in 30 Years)									
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)	$173,790,152	$0	$34,300,772	$65,433,845	$54,254,078	$88,501,563	$109,861,574	$0	$526,141,985
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)	$3,878,527	$288,639,149	$34,300,772	$65,433,845	$57,242,774	$76,805,259	$0	($158,341)	$526,141,985

Considerations of the Technique (Page 172-173 of the Paper)

- The same considerations as sales to grantor trusts.
- If the insured live beyond their life expectancy there may be an investment opportunity cost in buying life insurance.

Freeze Strategies That May Lower the Income and Health Care Taxes of Trusts Without Making Cash Distributions to the Beneficiaries of the Trusts (Pages 173-184 of the Paper)

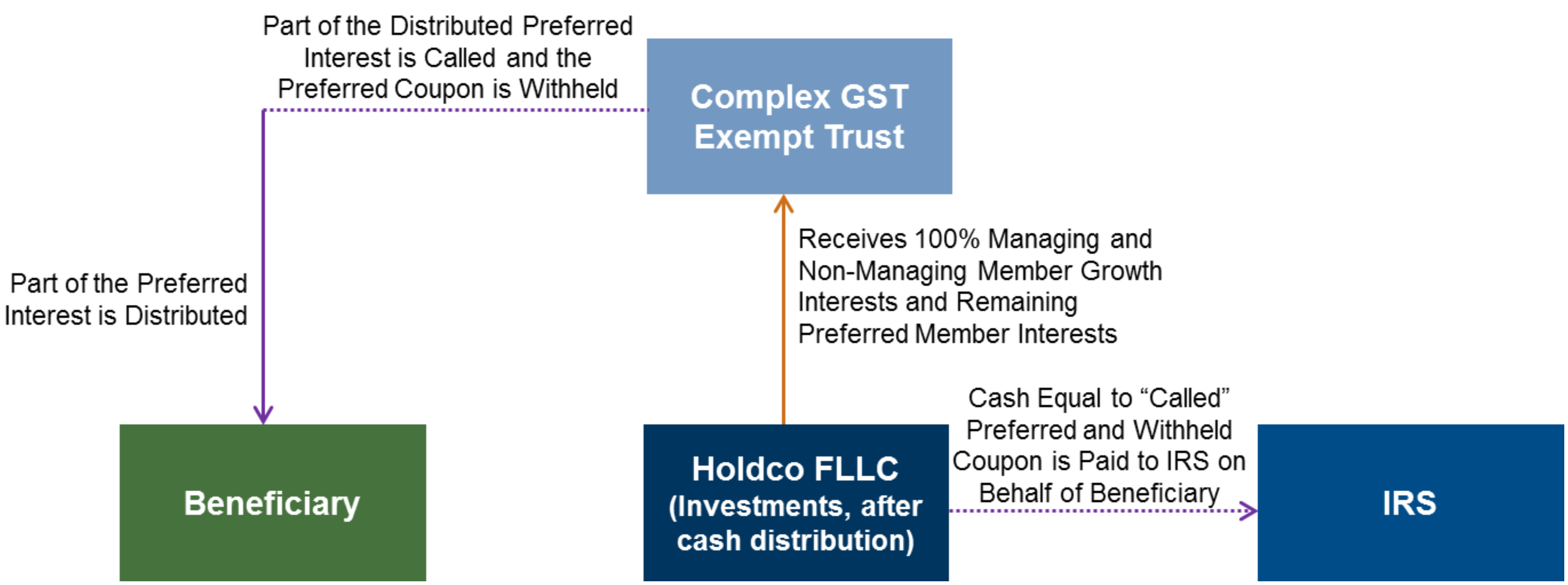
- The trustee of a complex trust could consider creating a two class (one class is a preferred interest and one class is a growth interest) single member FLLC and the trustee could distribute part or all of the preferred class to the current beneficiary.
  - <u>*Hypothetical Transaction 1*</u>*: Trustee of Complex GST Exempt Trust, which has $10,000,000 in assets, forms a single member FLLC with preferred and growth member interests as illustrated below:*



Holdco, FLLC has the right to "call" or "redeem" any portion of the preferred for cash and/or withhold any portion of a preferred coupon that is to be paid to its owner in order to make payments to the IRS on behalf of the owner of the preferred. The trustee of the Complex GST Exempt Trust could pay cash for that portion of "called" preferred that is owed and/or any portion of the coupon that is withheld, to the IRS for the benefit of the owner of the preferred.

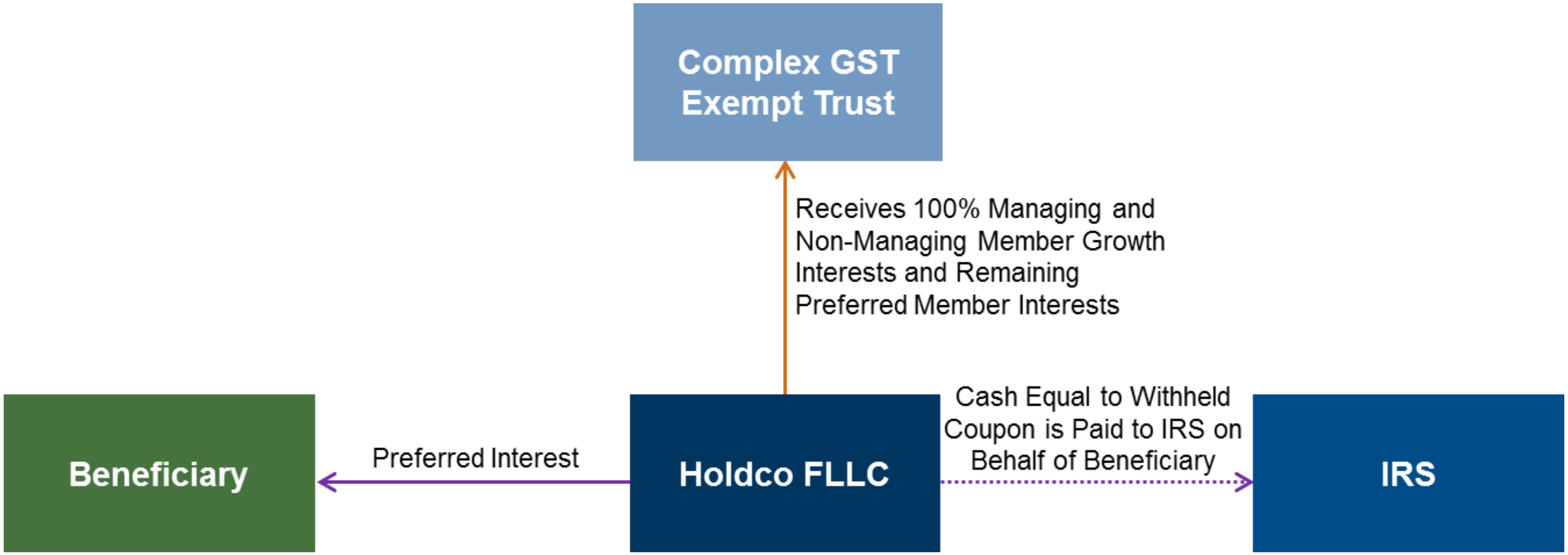
Freeze Strategies That May Lower the Income and Health Care Taxes of Trusts Without Making Cash Distributions to the Beneficiaries of the Trusts (Continued)

– *Hypothetical Transaction(s) 2: Trustee of the Complex GST Exempt Trust could distribute part of its preferred interest to beneficiary. The par value of the distributed preferred is equal to the trust's adjusted gross income, as defined in IRC Sec. 67(e) over the dollar at which the highest bracket in IRC Sec. 1(e) begins for such taxable year. The trustee withholds the coupon payout that is due and "calls" or redeems part of the preferred. A cash amount equal to the "withheld" coupon and the "called" preferred interest is paid to the IRS on behalf of the beneficiary to be applied to the beneficiary's income taxes. This transaction can be shown as follows:*



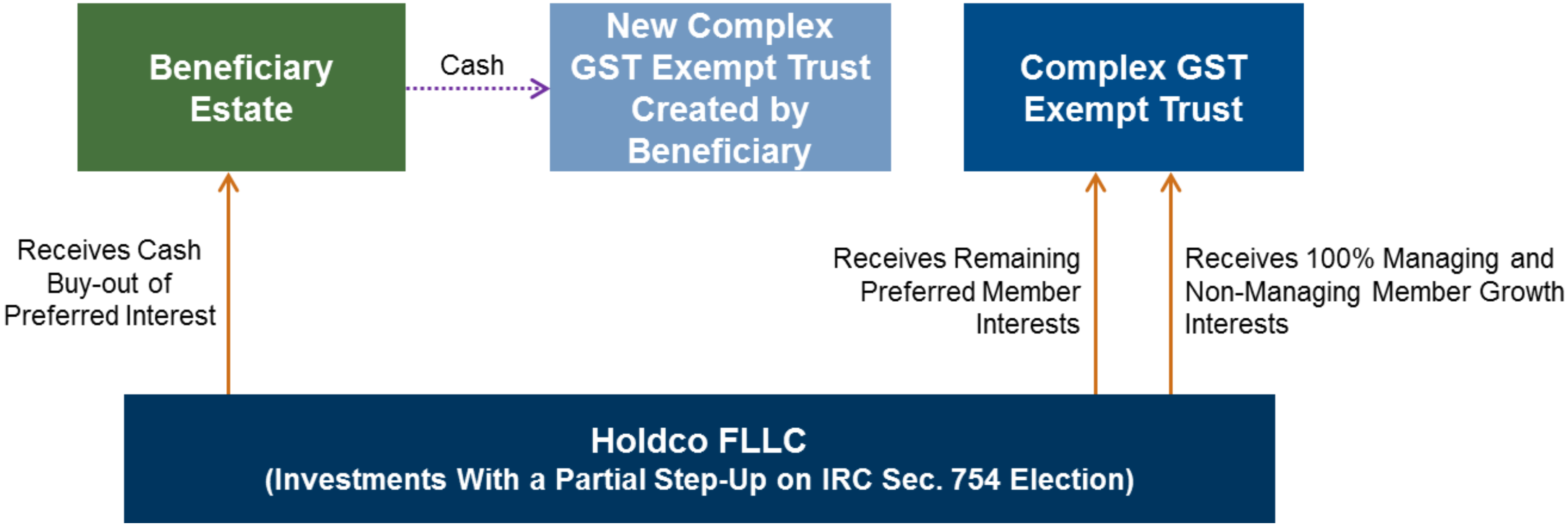
Freeze Strategies That May Lower the Income and Health Care Taxes of Trusts Without Making Cash Distributions to the Beneficiaries of the Trusts (Continued)

– *Hypothetical Transaction 3: In the later years, the trustee of the Complex GST Exempt Trust no longer distributes preferred partnership interests to the beneficiary. The trustee of the Complex GST Exempt Trust is not taxed on the net income allocated to the preferred interest owned by the beneficiary. Holdco, FLLC "calls" or withholds part of the cash coupon owed to the beneficiary and pays that cash to the IRS on behalf of the beneficiary:*



Freeze Strategies That May Lower the Income and Health Care Taxes of Trusts Without Making Cash Distributions to the Beneficiaries of the Trusts (Continued)

– *Hypothetical Transaction 4: Upon the beneficiary's death, the trustee may wish to redeem or "call" all of the preferred interest then held by the beneficiary's estate. If the beneficiary does not have a taxable estate and bequeaths the proceeds of the "called" preferred interest to a similar Complex GST Exempt Trust, that cash, upon redemption, will then pass according to the terms of the new trust. If an IRC Sec. 754 election is made, some of the low basis assets of Holdco, FLLC may receive a step-up in basis:*



Income Tax Advantages of the Technique

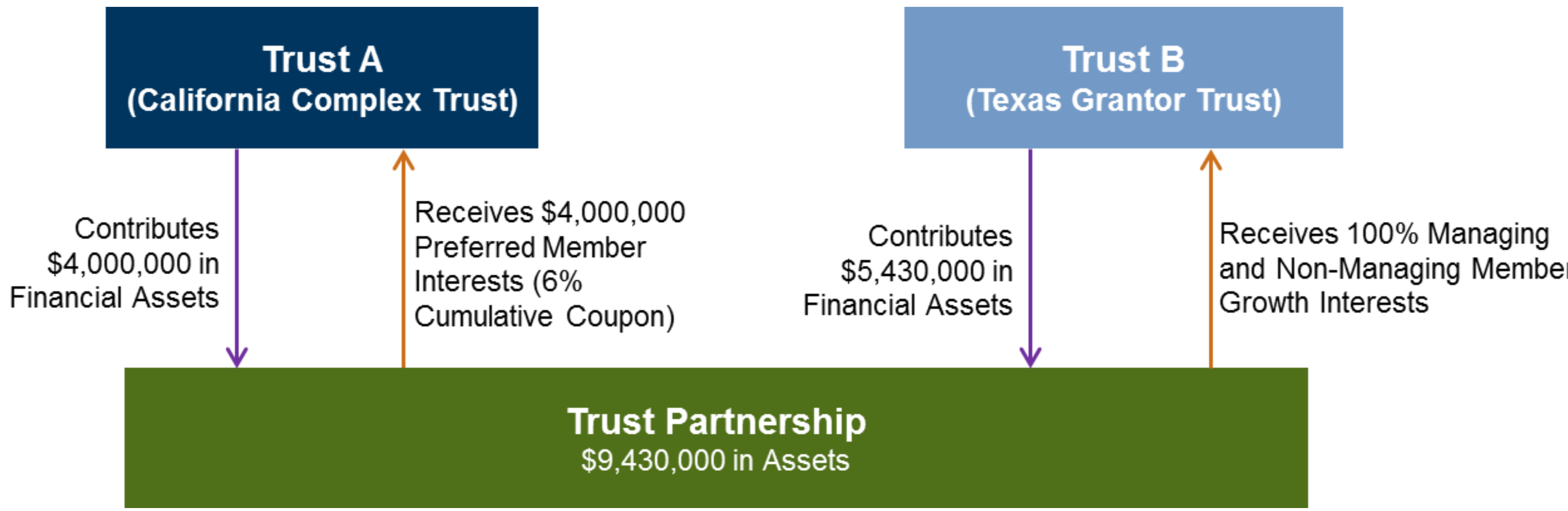
- Taxable income of the trust allocated to the beneficiary, either directly to the beneficiary because of the in-kind distributions of the preferred interest, or indirectly because of the payment of the preferred coupon, will not be taxable to the trust, which could save significant income taxes and health care taxes.
- If the trust contributes low basis assets to Holdco in exchange for the preferred, then distributes the preferred to the beneficiary, and if there is a later sale of those low basis assets by Holdco, significant future capital gains taxes could be saved.
- On the death of the beneficiary additional income tax and health care tax savings could accrue, if the stepped-up outside basis of the preferred interest owned by the beneficiary exceeds the proportionate inside basis of the FLLC Assets.
- Unlike a trustee distribution of cash, a trustee distribution of a preferred interest in a closely held FLLC is not marketable, which could partially address spendthrift concerns.
- Unlike a distribution of cash, in which the trust loses its ability to return the earning potential of that cash for the benefit of future beneficiaries, the trust will indirectly retain the earning potential of the assets owned by the single member FLLC subject to the preferred coupon payment requirements.
- The valuation rules of IRC Sec. 2701 probably do not apply to these illustrated transactions.
- Much greater inherent transfer tax advantages with this technique in comparison to transferring cash to a beneficiary in order to carry out DNI to a beneficiary who is in a lower tax bracket.

Considerations of the Technique

- It adds a layer of complexity to the administration of the trust.
- The beneficiary may bequeath the preferred interest in a manner that is inconsistent with the remainderman provisions of the complex trust.
- Creditors of the beneficiary, including divorced spouses, may be able to attach the preferred interest.

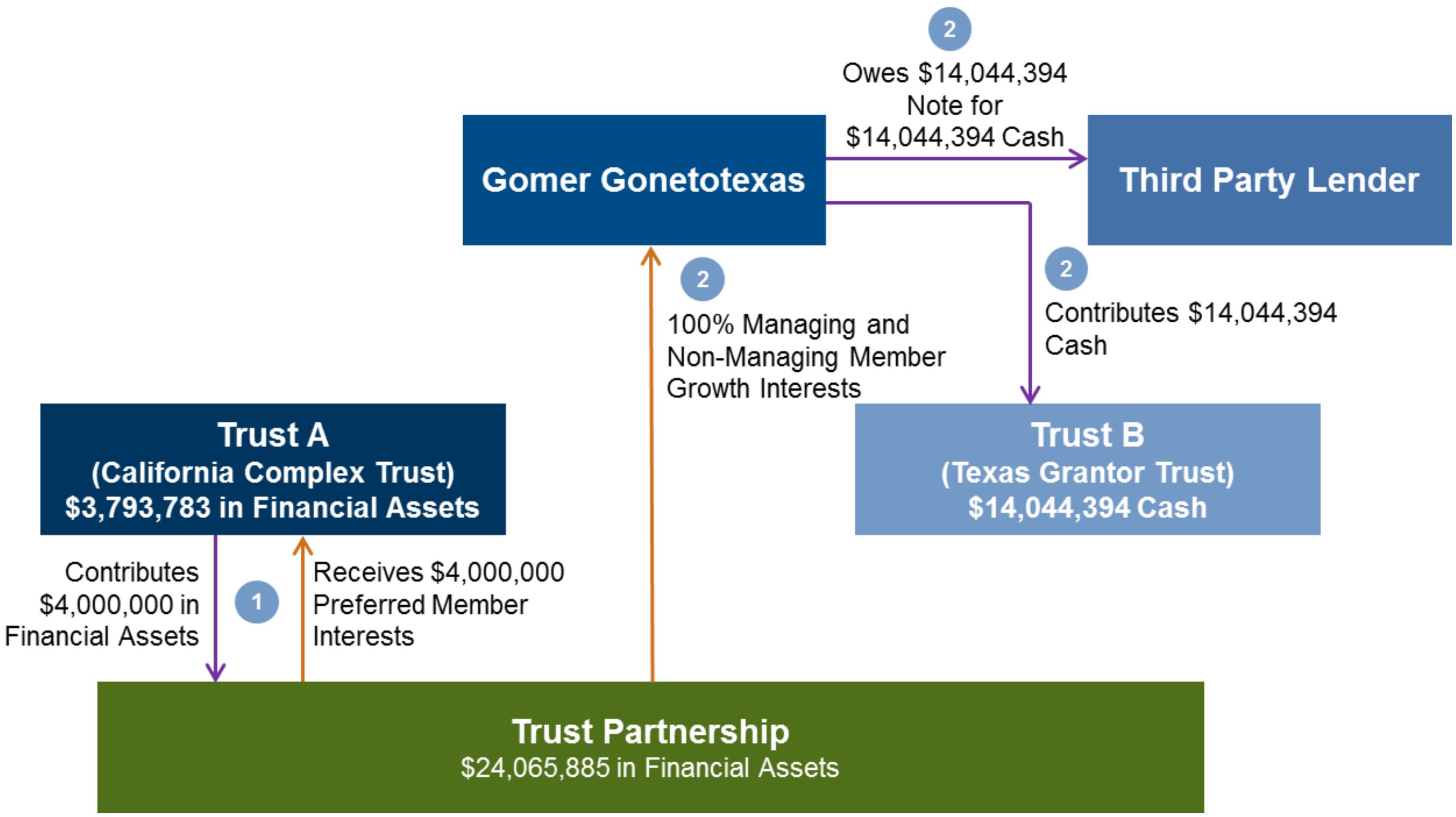
Using Preferred Interests (Owned By a Trust in a High Tax State) and Growth Interests (Owned By a Trust in a Low Tax State) in a Partnership (or Vice Versa Depending Upon the Circumstances) to Shift Trust Income to a Low Tax State

- The proposed transaction for Scenario A is illustrated below:
  - *<u>Transaction 1 (Scenario A)</u>*:



– *Transaction 2 (Scenario A)*:

Eighteen Years After Transaction 1 (Scenario A), Gomer Borrows Cash From Third Party Lender and Buys Trust B's Growth Interest in the Trust Partnership For its Fair Market Value



Income Tax Advantages of Scenario A

- Under this arrangement and the assumed facts, the complex trust's income taxes will be significantly reduced and a significantly greater amount will pass to gomer's descendants.

	Gonetotexas Beneficiaries											
		Children & Grandchildren		Consumption		IRS Income Taxes		CA Income Taxes				
	Children	California Complex Trust	Texas Grantor Trust	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Opportunity Cost/ (Benefit) of 3rd Party Note	IRS Estate Tax (at 40.0%)	Total
20-Year Future Values												
No Further Planning	$15,428,576	$9,609,259	$8,690,000	$12,772,329	$13,053,175	$14,277,270	$13,716,783	$1,257,693	$977,577	$0	$10,285,717	$100,068,380
Hypothetical Technique Scenario A	$10,357,451	$12,333,221	$15,459,872	$12,772,329	$13,053,175	$14,389,073	$13,719,802	$986,747	$887,382	($795,639)	$6,904,967	$100,068,380
Hypothetical Technique Scenario B	$10,165,130	$10,164,400	$18,638,941	$12,772,329	$13,053,175	$14,588,078	$13,924,521	$493,205	$443,626	($951,776)	$6,776,753	$100,068,380
Present Values (discounted at 2.5%)												
No Further Planning	$9,415,611	$5,864,252	$5,303,254	$7,794,581	$7,965,974	$8,713,003	$8,370,954	$767,534	$596,587	$0	$6,277,074	$61,068,825
Hypothetical Technique Scenario A	$6,320,851	$7,526,606	$9,434,710	$7,794,581	$7,965,974	$8,781,233	$8,372,797	$602,183	$541,543	($485,555)	$4,213,901	$61,068,825
Hypothetical Technique Scenario B	$6,203,483	$6,203,038	$11,374,804	$7,794,581	$7,965,974	$8,902,680	$8,497,730	$300,988	$270,732	($580,841)	$4,135,655	$61,068,825

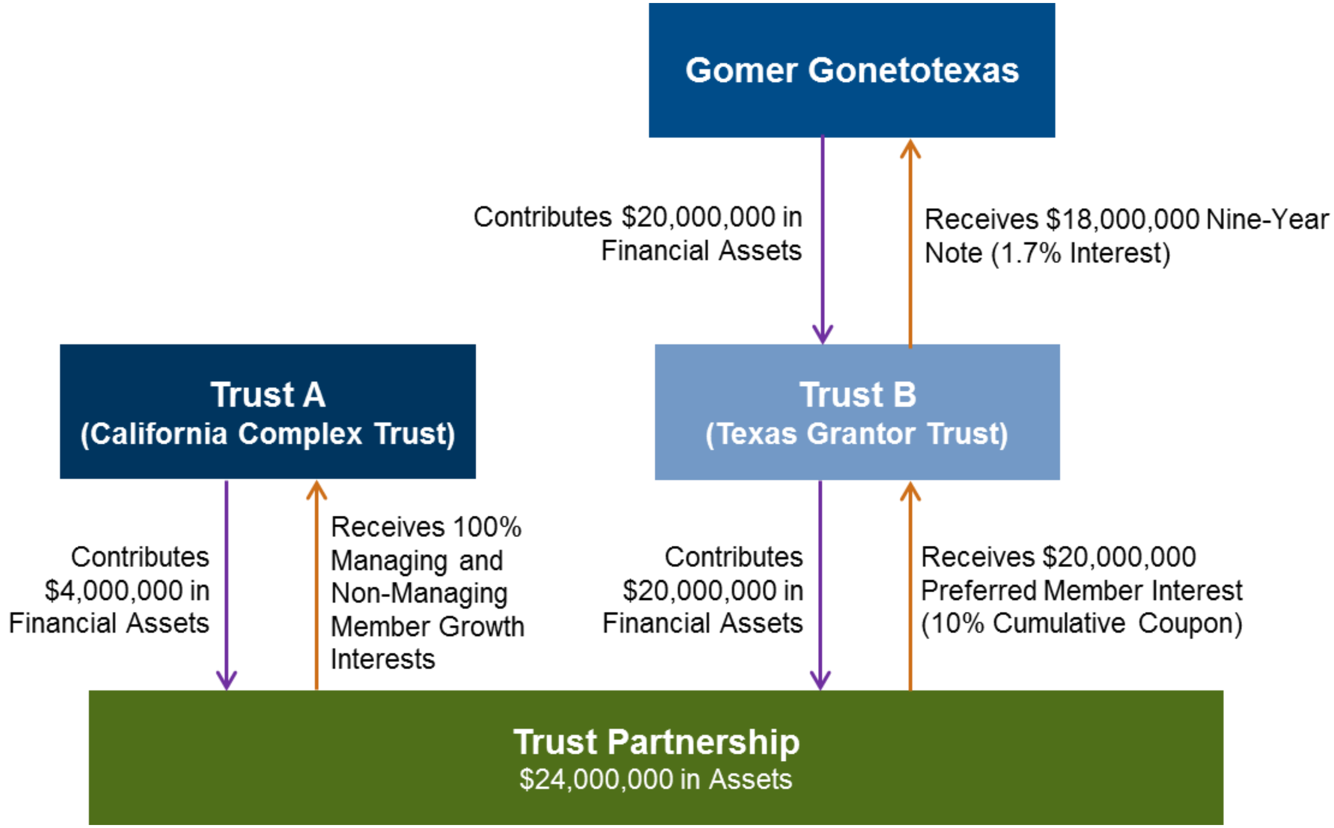
Transfer Tax Advantages of Scenario A

- The trustee of the complex trust does not have to distribute assets or cash to a beneficiary, or give a withdrawal right to a beneficiary, in order to save income taxes or health care taxes.
- If the two trusts have identical provisions the valuation rules under IRC Sec. 2701 may not apply.

Considerations of Scenario A

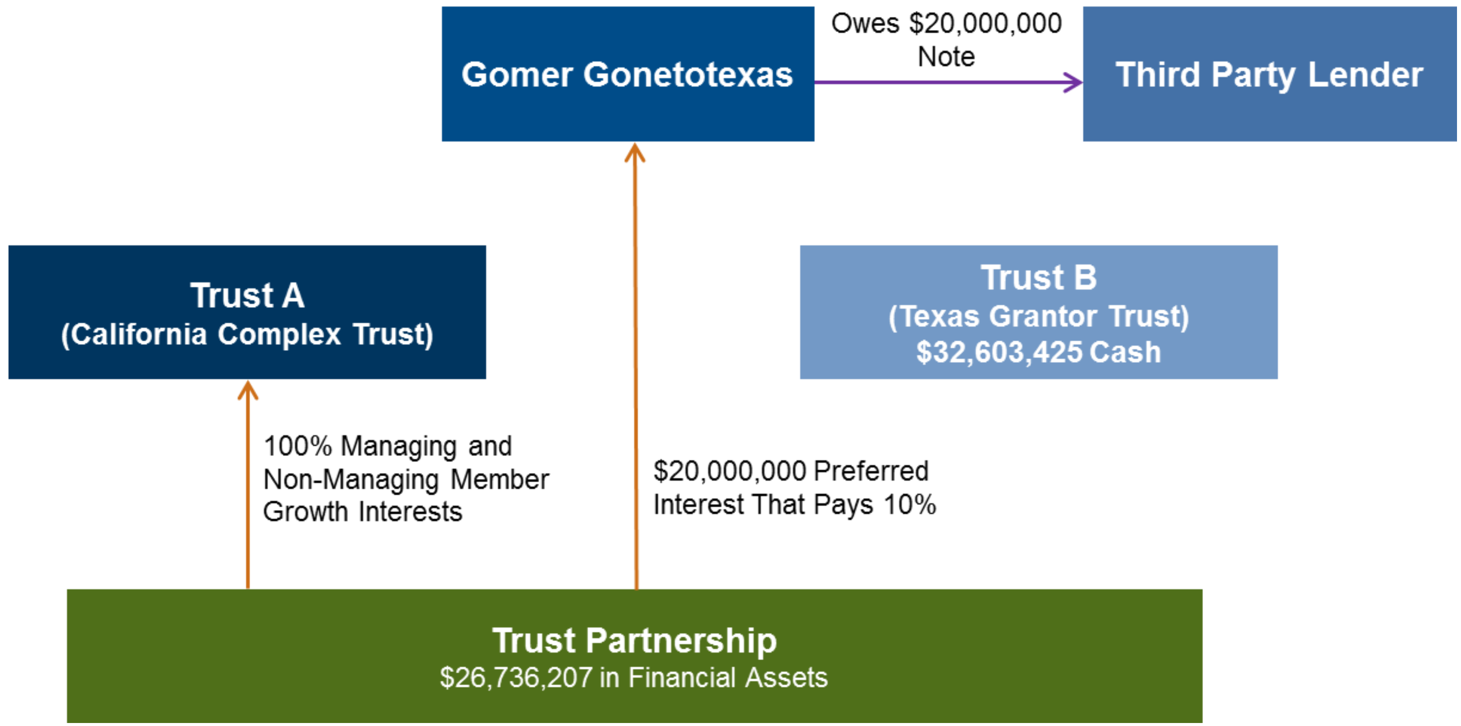
- A party may not exist that could create a grantor trust that could invest and receive a preferred partnership interest.
- The technique is complex.
- In certain circumstances it may be better for the new grantor trust to own the preferred interest if a high coupon is warranted (e.g. 11% – 12%), because the new grantor trust is contributing 80% – 90% of the assets of the partnership. Under these circumstances, if the leveraged reverse freeze is used, the 80% – 90% preferred interest capitalization could be obtained with minimal gift tax consequences by using a contribution from the new grantor trust. Under those facts, consider Scenario B.
- In certain circumstances it may be more profitable for the old trust to sell the high basis assets to the new trust for a low interest (AFR Rate) note to the new trust.
- The IRS may argue that the valuation rules of IRC Sec. 2701 apply despite the identical provisions and beneficial interests of the two trusts.
- If there is not a buy-back of the growth interest by the grantor of the new grantor trust before the death of the grantor much of the income tax benefit will be lost because of the lack of step-up that accrues for the assets held in the new grantor trust.

- The proposed transaction for Scenario B is illustrated below:
  - *Transaction 1 (Scenario B)*:



– *Transaction 2 (Scenario B)*:

Seventeen Years After Transaction 1 (Scenario B), Gomer Borrows Cash From Third Party Lender and Buys Trust B's Growth Interest in the Trust Partnership For its Fair Market Value



Advantage of Scenario B

- Significant state income taxes and the investment opportunity costs associated with those state income taxes can be saved with this technique.
- Under the right facts, many of the state income tax advantages of this Scenario B will exist as they do for Scenario A.
- Significant transfer taxes will be saved under this scenario.

	Gonetotexas Beneficiaries			Consumption		IRS Income Taxes		CA Income Taxes				
		Children & Grandchildren										
	Children	California Complex Trust	Texas Grantor Trust	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Opportunity Cost/ (Benefit) of 3rd Party Note	IRS Estate Tax (at 40.0%)	Total
20-Year Future Values												
No Further Planning	$15,428,576	$9,609,259	$8,690,000	$12,772,329	$13,053,175	$14,270,950	$13,698,567	$1,264,013	$995,794	$0	$10,285,717	$100,068,380
Hypothetical Technique	$0	$4,000,000	$43,359,947	$12,772,329	$13,053,175	$15,967,067	$14,173,982	$0	$0	($3,258,119)	$0	$100,068,380
Present Values (discounted at 2.5%)												
No Further Planning	$9,415,611	$5,864,252	$5,303,254	$7,794,581	$7,965,974	$8,709,146	$8,359,837	$771,391	$607,704	$0	$6,277,074	$61,068,825
Hypothetical Technique	$0	$2,441,084	$26,461,316	$7,794,581	$7,965,974	$9,744,237	$8,649,969	$0	$0	($1,988,336)	$0	$61,068,825

Advantage of Scenario B (Continued)

- The trustee of Trust B may wish to use some of its positive cash flow from the transaction to purchase life insurance on the life of Gomer Gonetotexas, at least to the extent there may be estate taxes associated with Gomer’s note.
- In general, this Scenario B has the same transfer tax advantages discussed in Scenario A.

Biography

Stacy Eastland – Managing Director | **Houston** | **Tel: (713) 654 – 8484**

Stacy joined the firm to expand the advisory team working with Private Wealth Management clients. He currently works with private clients and their own advisors with their strategic wealth management plans, combining a variety of income tax, estate planning and gifting techniques. Prior to joining Goldman Sachs in October 2000, Stacy was a senior partner with Baker Botts, L.L.P. in Houston, Texas. Stacy received his B.S. (with Honors) from Washington and Lee and his J.D. from The University of Texas (with Honors). Stacy's professional associations include: Member of the International Academy of Estate and Trust Law; Fellow of the American College of Trust and Estate Counsel (Regent for 1992/1998 term); Member of the American Bar Association (Supervisory Council Member of the Real Property, Probate and Trust Law Section from 1990-1998); Member of the Texas Bar Association (Texas Bar Foundation Fellow); Member of the Houston Bar Association (Houston Bar Foundation Fellow). Stacy is listed in Who's Who in America and was selected to receive the Marquis Who's Who Lifetime Achievement award in 2017. Stacy is also listed in The Best Lawyers in America (Woodward/White). He has been listed in Town & Country and in Bloomberg Personal Finance as one of the top trust and estate lawyers in the U.S. Stacy was selected as one of the ten initial recipients of the Accredited Estate Planner® award of the Estate Planning Hall of Fame® of the National Association of Estate Planners and Councils (2004). He was chosen as the 2018 Hartman Axley Lifetime Service Award recipient of the National Association of Estate Planners and Councils. He was recently named one of the "Top 100 Wealth Advisors" to ultra-high net worth individual clients in the United States by Citywealth magazine. Articles about Stacy’s estate planning ideas have also been featured in Forbes and Fortune magazines. Stacy is a prominent lecturer throughout the country.

Important Information