

ESTATE PLANNING TOOLS

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There are many different tools at individual's disposal when constructing their estate. Each one has a specific purpose and there is no one size fits all tool. The following are tools that individuals can employ.

TRUSTS

Revocable living trust-Protects privacy by avoiding probate. Client maintains asset control; no asset or liability protection

Off-shore trust- Flexibility; the creator can also be the beneficiary; allows for protection from creditors, U.S. income tax neutral

Life insurance trust- Usual purpose is tax planning; it is a wealth transfer vehicle; must be airtight, no control over asset; must have third-party trustee and beneficiaries; must comply with Federal exclusion limits; requires annual funding; requires Crummey letter from beneficiaries

Estate freeze trust- For assets expected to appreciate; control maintained but future ownership benefits are forfeited; can be used with a family limited partnership

Qualified personal residence trust- Used as asset protection for homes in which there is significant equity; used for wealth transfer

Charitable lead trust- Used for wealth transfer; donates income to charity

LIMITED PARTNERSHIPS

Family limited partnership- Very flexible structure; some control over assets; can use minority discount rules; must serve valid business purpose; can hold small business enterprise; commonly used as wealth transfer vehicle.

Limited liability company- Greater flexibility than sole proprietorship with better liability protection; structure defined by Articles of Organization

Private equity- Not freely tradable on markets; LBO; venture capital; growth capital; angel and mezzanine financing; offers additional diversification with long time horizon; considered more of an investment strategy than ownership structure