

SAGE *Solutions*

Estate Planning Case Study

2011 presents unique estate tax planning opportunities for affluent individuals (with greater than \$10,000,000 of Net Worth)...BUT, don't let the tax law opportunity cloud what you want to accomplish personally with your wealth.

The estate tax law provisions enacted in 2010 allow for the following primary tax opportunities through 2012 (the provisions sunset after 2012, leaving subsequent estate and gift tax unknown):

- \$5,000,000 per person estate tax and lifetime gift tax exemption (the unlimited gifts to one's spouse during lifetime or at death remains)
- ("Portability") Unused exemption of one spouse can be used by his / her surviving spouse following death

Note that the unknown characteristic of the post-2012 exemptions and portability present challenges...but not insurmountable.

Following was our new client's situation and summarized challenges:

- Net Worth: \$88,000,000
- Asset Structure: Very Illiquid – Predominantly Operating Businesses
- Ages: Husband 60 / Wife 58
- Prior Estate Plan
 - Wills
 - Revocable Living Trusts
 - Irrevocable Life Insurance Trust
 - Buy-Sell Agreement (Unexecuted)
 - Family Limited Partnership (Unfunded)
- Prior Estate Tax Exposure
 - ~ \$30,000,000
- Prior Estate Tax Funding
 - Use of Technique
 - Nominal
 - \$20,000,000
 - Cost ~ \$175,000 / Year
 - Life Insurance
 - None
- Business Leadership Succession Plan
 - None

Our plan....read on....

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Sage Hill Client Plan – 2011

- Funded Family Limited Partnership with company stock
 - **Reduces estate tax exposure by ~ \$8,000,000**
 - Maintain control of company
- Created Multi-Generational Trust
 - Utilized current \$5,000,000 gift tax exemption
 - Future generations will be *stewards* of the family business
 - Family Council created to advise Trustee re distributions to family members
 - Council provides mentorship for younger generations
 - Family members' interest in Trust is protected from
 - Creditors
 - Divorce Actions (de facto Pre-Nuptial Agreement)
 - Value of businesses frozen for estate tax purposes at current value
 - **Reduces projected estate tax exposure by ~ \$60,000,000 @** projected death
 - Payments from Trust to H&W support lifetime financial independence needs
 - **Analysis of H&W's lifetime needs...and funding of such...** is critical to a proper plan
- Refined / Finalized Buy-Sell Agreement
- Engaged Life Insurance Consultant to review Northwestern L.I. Co. current program
 - Restructured life insurance @ **\$75,000 annual cost savings**
 - Incorporated premium guarantees against future increases
- Funded Revocable Trusts for H & W
 - Avoids probate and provides for Privacy
 - Enables functional financial funding for potential incapacity of H or W

Our clients recognized their situation as a Call-to-Action. Sage Hill provides an ongoing objective / collaborative personal-financial-legal legacy plan for our client families.