

Managing the Pre-Liquid and Post Liquid Wealth for a Business Owner (Part Two)

QUOTE OF THE DAY

It is not about what you earn . . . rather, it is about what you keep that counts in the end
- TMF

Making better decisions easier . . .

It is time to expect more from "wealth management" and it all starts today.

Our Who . . . about TailorMade

TailorMade is the advisor to the advisor to elite investment managers, other professionals and a select group of families and business owners around the country. We focus on private client matters at the intersection of estate, business, tax and asset protection knowing that an asset allocation pie chart rarely ever equates to a proper or comprehensive financial plan for a client. Our deep technical knowledge delivers a balance between the legal, tax, emotional and wealth aspects of our client goals. Individually connecting a customized "tailor-made" comprehensive planning solution that works both today and tomorrow is what we do.

In Brief . . .

THE CHALLENGE

A successful business owner is in the process of selling his business. While the owner and family are happy about the sale and price, they are concerned about the total tax obligation (state/federal) resulting from the sale of the business.

THE ANALYSIS

Reviewing the length of time before the sale, coupled with the nature of both the business itself and specific terms of the sale, a pre-sale solution would not fit. While the clients did not need all of the proceeds to live on right now, they stated they were still in the accumulation part of their life, and any permanent or technique which restricted their control or access for an extended period of time would not be acceptable.

THE SOLUTION¹

Following the sale, the clients created a Charitable Lead Annuity Trust (CLAT). By depositing a portion of the proceeds inside the trust today, they were able to receive a larger "front loaded" contemporaneous tax deduction to offset the large tax obligation resulting from the sale. The trust will last for set period of years. At termination, the remaining assets inside the CLAT will revert back to the owner. The charitable payments will also be made to the owners' Donor Advised Fund (DAF) to add additional flexibility when determining the timing and ultimate charitable payment.

Objectives

- Reduce current tax bill from sale of business
- Avoid permanent planning / Retain control & access over the majority of their assets
- Systematically reduce the impact of taxes on overall family wealth
- Develop a simplified vehicle to allow children & grandchildren to become accustomed to philanthropy

Summary of Services Provided

- Team based approach (Investment Advisor, CPA and Attorneys)
- Update/Revision current personal legal Documents (Wills/Trusts/Directives/POAs)²
- Initial calculations on CLAT viability, structure and terms²
- Post Sale planning to continue to invest in tax efficient investments
- Integration of current planning with future planning needs
- Periodic Reviews to address any changes

Notes

- 1 - The terms of the CLAT are based on a determined payout rate, term of years while using the AFR determined at the time of creation. The NPV of the aggregate charitable payments represent the potential tax deduction in the calendar year the CLAT is created.
- 2 - The Clients Accounting and/or Legal Advisors drafted the final documents and determined the final calculation used for the deduction as a result of The Pease Amendment (Phase outs).

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TailorMade Financial, Inc. | 6700 Woodlands Parkway, Suite 230-280 | The Woodlands, TX 77382
TailorMade-Financial.com | TheAdvisorToTheAdvisor.com

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