

Managing the Pre-Liquid and Post Liquid Wealth for a Successful Business Owner

QUOTE OF THE DAY
Efforts and courage are nothing without purpose and direction.
 -John F Kennedy

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

George and Jane, ages 55, have a sizable net worth. They have three children in their twenties with a grandchild on the way. George and Jane like the idea passing on their wealth to their family, but in addition to reducing the impact of taxes, they would like to establish a charitable legacy.

THE ANALYSIS

George and Jane are still in the accumulation portion of their life and are not interested in gifting away their wealth or putting lifetime restrictions on access. They also feel that they have paid their fair share and are interested in reducing the impact on taxes when planning. They unconditionally love their children and future grandchildren, however, since they have not met who they will be in the future . . . they are concerned about the how, when and what they will inherit in the future.

THE SOLUTION¹

In working with the family, several techniques including the revising & updating of the clients' wills were layered into the plan addressing both current and future goals. The first layers were designed around their lifetime objectives; preserving financial security, maintaining flexibility and control while reducing overall taxes. The second layers were aimed at benefitting their children/grandchildren while opportunistically taking advantage of tax laws. Based on the first layers, ample resources will be provided for the children/grandchildren following the 2nd death, thus allowing for a Testamentary Charitable Lead Trust (TCLAT) to be added to their updated will. The TCLAT will blunt the impact of estate/transfer taxes. Settled upon at the 2nd death, the TCLAT's provides that the contribution would be fully deductible to their estate, resulting in minimal or zero transfer taxes while simultaneously creating a charitable legacy. The TCLAT would pay a specified annual percentage to their family's Donor Advised Fund (DAF) for pre-determined amount of years. At the end of the term, the remaining assets inside the TCLAT will revert to their family trust for the benefit of their heirs.

Objectives

- Retain control & access over the majority of their assets and dispositive decisions during their lifetime.
- Systematically reduce the impact of taxes on overall family wealth while providing both a charitable and personal legacy for their heirs.

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 TCLAT 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 TLCAT are based on a determined payout rate, term of years while using the AFR determined at the time of creation. In this instance a Zeroed out formula is being used to reduce the taxable estate to zero.
- 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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