MEDALIST & COMPANY

Estate Planning

THE V STAGE APPROACH

Stage I Core Estate Planning Documents

- [ ] Revocable Living Trust
- [ ] Pour-Over Will
- [ ] Durable Power of Attorney
- [ ] Living Will / Health Care Directive

Stage I — Core Estate Planning Documents

Revocable Living Trust (RLT)

The RLT comes into effect during the settlor's lifetime for the benefit of the settlor and the settlor's spouse and children. Upon the settlor's death, all money and property in a living trust pass to the beneficiaries via the RLT, and not the settlor's will. Therefore, any money or property in a RLT avoids probate.

Pour-Over Will

The essential companion to any RLT. It is a very simple document which, at death, transfers any individually-owned probate property to the RLT for proper distribution to heirs/beneficiaries and allows the individual to name guardians for his/her minor children and appoint executors for their estate.

Durable Power of Attorney

A Durable Power of Attorney is an important supplement to any well-planned estate since it can provide for an individual's welfare in the event he/she is incapacitated. The responsible preservation of one's health, wealth, or business while alive but incapacitated is perhaps more crucial than determining proper disposition at death.

Living Will / Health Care Directive

The Health Care Power of Attorney allows an individual to appoint an agent who shall have all powers to control or consent to health care decisions.

Stage II Discount Estate

- [ ] Family Limited Liability Company
  Family Limited Partnership

- [ ] Recapitalize S Corporations

- [ ] Fractionalize

Stage II Discount Estate

Family Limited Liability Company (FLLC)
Family Limited Partnership (FLP)

The purpose of the FLLC and FLP is to consolidate management investment and disposition of assets in a single business entity and transfer economic interests in the assets to younger generations without providing recipients with direct control over assets. One or more family members may contribute assets to the FLLC or FLP. The FLLC or FLP has two classes of owners: general partners (GPs) and limited partners (LPs). Any discounts properly reducing the value of LP units reduce the gift or estate tax exemption used, or gift or estate tax paid, in transferring those units. Assets contributed to the FLLC or FLP will receive certain discounts which may be appropriate in the valuation of LP units.

Recapitalize S Corporations

Create voting and nonvoting stock. Obtain asset valuation discounts and creditor and liability protection.

Fractionalize

Sell LP interests to Intentionally Defective Irrevocable Trust in exchange for promissory notes.

Stage III Move Assets & Provide Liquidity

- [ ] Annual Exclusions
- [ ] Use of Applicable Estate Tax & Generation Skipping Transfer Tax Exemption
- [ ] Intentionally Defective Irrevocable Trust
- [ ] Grantor Retained Annuity Trust
- [ ] Qualified Personal Residence Trust
- [ ] Irrevocable Life Insurance Trust

Stage III Move Assets & Provide Liquidity

Annual Exclusion

Maximum annual gift tax exclusion.

Use of Applicable Estate Tax & Generation Skipping Transfer Tax Exemption

Maximize the estate tax exclusion amounts and GST exemptions.

Intentionally Defective Irrevocable Trust (IDIT)

An IDIT is drafted so that the grantor will be treated as the owner of the trust for income tax purposes but not for gift tax purposes. A proper estate planning freeze technique involves a sale of limited partnership or member interests, usually for an installment note, to an IDIT. The value of the assets is “frozen” at the value of the note received in the sale, so that the future appreciation in the value of the assets sold to the IDIT will be transferred to the beneficiaries of the IDIT without gift or estate tax.

Grantor Retained Annuity Trust (GRAT)

A GRAT is a gift trust which essentially enables you to place assets into a trust, retain an interest in the property (i.e., income stream) for a stated period of years and at the end of the period transfer the asset to the remainder beneficiaries (typically your children). Since you retain an interest in the property the value of the gift is reduced.

Qualified Personal Residence Trust (QPRT)

The QPRT provides a mechanism through which you could irrevocably transfer your residence and/or vacation home to a trust, retaining a term interest, with your children as the ultimate beneficiaries. During the term period, the house would remain in your name and under your control; thereafter, it would be given to the beneficiaries pursuant to the terms of the QPRT.

Irrevocable Life Insurance Trust (ILIT)

An ILIT is a specific type of irrevocable trust. Typically, an ILIT provides for distribution of trust income and/or trust assets to or for the benefit of the grantor’s spouse or children. The trust can also be an indirect source of liquid funds to the grantor’s estate. Ownership of a life insurance policy (usually on the grantor’s life) is vested in the trust.

Stage IV Charitable Planning

- [ ] Charitable Remainder Trust

- [ ] Charitable Lead Annuity Trust

- [ ] Private Foundations

Stage IV Charitable Planning

Charitable Remainder Trust

The Charitable Remainder Trust is an irrevocable trust which is a split interest trust because you designate separate beneficiaries for its income interest and for its remainder interests. In general, with this type of trust, you would retain an income interest in the trust for life (e.g., five percent annual income stream). The remainder interest after death will belong to the charity.

Charitable Lead Annuity Trust

Charitable Lead Annuity Trusts permit you to leave a charitable beneficiary an annual annuity payment for a term of years. You may designate as the charitable beneficiary a private foundation established by you and controlled by your descendants or a donor advised fund of which your descendants could be the advisor and avoid significant estate taxes.

Private Foundations

Private Foundations permit you to involve your family in charitable decisions, control charitable assets and donations, obtain significant income tax deductions and remove assets from your taxable estate.

Stage V Asset Protection

- [ ] Qualified Retirement Plans
- [ ] International Asset Protection Trust
- [ ] International Private Placement Variable Life Insurance
- [ ] Captive Insurance Companies

Stage V Asset Protection

Qualified Retirement Plans

Qualified retirement plans are a vehicle for the successful business owner and professional to save for retirement. Qualified retirement plans provide for substantial tax deductions today and tax advantaged income in the future. A properly designed qualified plan will help you keep more of what you earn.

International Asset Protection Trust (IAPT)

One of the most important pieces to any sophisticated asset protection plan is the international asset protection trust. An IAPT can offer the highest level of asset protection available under current law, and enables an individual to establish a "start-over" fund in the event of unforeseen misfortune. This level of asset protection is achieved through a variety of components found in certain foreign jurisdictions which permit the creation of a "Self-Settled Spendthrift Trust" which is exempt from the Settlor's claims. The IAPT can be effectively funded with almost any type of asset. These structures can hold assets in any jurisdiction; even the U.S. These transactions are reportable to the IRS but not taxed. These foreign jurisdictions do not recognize U.S. court judgements; do not allow U.S. attorneys to prosecute claims and will bar any claims in which a creditor failed to bring the action within 1-2 years from the date of the transfer. IAPT allows flight provisions which permit the trustee, and the "Trust Protector" to monitor the trust assets and immediately move them to a similar protective foreign jurisdiction in the event it appears the assets are threatened in any way.

International Private Placement Variable Life Insurance

In addition to the traditional benefits afforded by life insurance (tax-free accumulation of assets, tax-free policy loans and tax-free death proceeds) foreign insurance companies have developed investment-oriented contracts which provide lower fee structures. Such life insurance policies provide you with the opportunity to achieve tax-free accumulation in your investment portfolio.

Captive Insurance Companies

A captive is an insurance company organized primarily for the purpose of insuring or reinsuring the liabilities of the business owners. The structures provide federal, state and international tax advantages. They can be established either domestically or internationally.

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