



## Benefits of LLCs Provide for efficient management of assets Provide liability protection for owners Flexibility in governance and ownership Ability to transfer value and retain control Allows for use of discounts Perpetual existence allowed Minimal filing requirements and annual fees

Estate Tax/Gift Tax Benefits

• Use of discounts for estate/gift tax planning

- Lack of control

- Lack of marketability

• Legitimate and significant non-tax purpose requirement

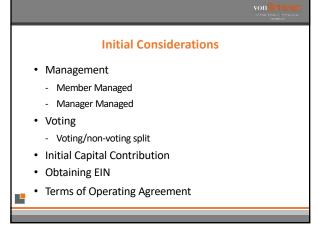
1

## Key Requirements • Separation of assets • Adequate capitalization • Organizational formalities must be followed

5

## Most Common Uses in Estate Planning Real estate LLCs Rental properties Family cabins/family farms Investment real estate Investment LLCs Operating LLCs







Out of State Real Estate LLCs

Can be used to avoid probate in a state in which the member is not a resident.

- Member interest in a LLC is personal property, so contributing real estate converts it from real property to personal property.
- LLC interest can then be contributed to client's Trust during lifetime or using TOD or other non-probate direction.

10

Rental Real Estate LLCs

• Efficient way to mitigate risk of owning rental real estate

• Multiple parcels/multiple LLCs

• Consider outstanding mortgages before funding

• Title and property insurance policy updates

• Leasing and contract formalities

• Not ideal for primary residences

• Separate EIN recommended

11

Family Cabin/Family Farm LLCs

Efficient way to mitigate risk of owning property used by others

Provides for efficient management structure

Transfer restrictions can ensure property stays in the family

Owners can contribute additional capital to cover expenses

Can provide for gradual transition to next generation

Allows transfer of ownership interests without giving up management rights

Use of discounts can create tax efficiencies

Investment Asset LLCs

Provide for centralized management of diverse assets
Transfer restrictions can ensure assets stay in the family
Owners can contribute additional capital
If funded with marketable securities, careful consideration should be given to contributions, structure, and timing
Use of discounts can create tax efficiencies

13

Funding LLCs into Trusts

Consider transfer restrictions in operating agreements and buy-sells

Consider effect on LLC financing and outstanding personal guaranties

Consider effect on voting/management

Lifetime v. death transfers

Tax considerations

Valuation requirements

