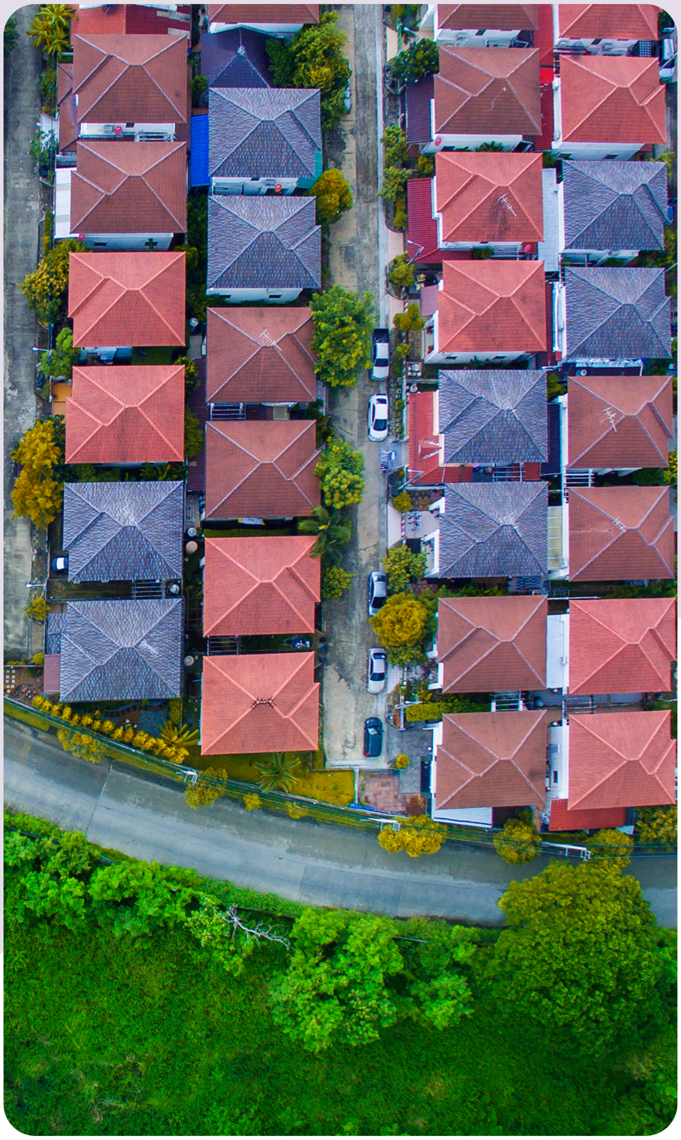
CASE STUDY: REAL ESTATE & CONSTRUCTION

Protecting Family Assets and Future Generations with Proactive Estate Planning



Company Background

A family-owned, closely held real estate LLC valued at $50-70 million sought out Cherry Bekaert for estate planning guidance to ensure the business remained in the family. Despite only one child being actively involved the business, located in Greenville, South Carolina, they wanted both children to maintain equal ownership for the sake of future generations.

Additionally, the sunsetting of the 2017 Tax Cuts and Jobs Act (TCJA) in 2025 caused concern for the family and the future of their business, as it could lead to changes in the gift and estate tax exclusion. Utilization of the lifetime exclusion was important for the family to help protect investments without materially impacting lifestyle.

Guidance

The family reached out to Cherry Bekaert's Estate & Trust Tax Planning team for assistance with estate planning, and for guidance surrounding the implications of the TCJA anticipated sunset and its current lifetime exclusion. By first analyzing the family's short-term and long-term goals, the team recommended the Spousal Lifetime Access Trust (SLAT) as a strategy to utilize lifetime exclusions while maintaining control over the transferred assets.

Cherry Bekaert

Your Guide Forward

The SLAT is an irrevocable trust created by one spouse for the benefit of the other spouse and future generations utilizing their lifetime exclusion. The SLAT is funded by ownership interests in the family business. The other spouse can utilize part of their exclusion by gifting certain assets to a trust solely for the children and to another SLAT for the spouse and children.

The SLAT structure provided significant advantages, including valuation discounts, income tax benefits and asset protection.

Results

Cherry Bekaert's Estate & Trust Tax Planning team developed a strategy to bolster the real estate LLC with significant asset protection for current and future generations through identifying which assets to include in the trust and assisting with designing a trust and partnership structure to hold these assets. The restructuring of the trust will last for many generations in perpetuity and safeguard it from creditors, divorce and estate taxes. Subsequently, because the trust income is not taxed at the trust level, its value will grow each year. The client also found comfort in knowing that trustees can make discretionary distributions if additional income is needed. However, future investments can be made by the trust, rather than directly by individuals, to prevent future appreciation of the family members' estates.

Cherry Bekaert's Estate & Trust Tax Planning team's strategy ensured the real estate LLC remained intact for future generations and provided the company with significant benefits, including asset protection, valuation discounts and income tax benefits. In collaboration with Cherry Bekaert's Valuation team, they also provided the client with real estate and business entity appraisals, including valuation discounts on partnership interests that enabled the family to shield transferred assets from gift tax without having to fully utilize the lifetime exclusion.

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