

Business Wealth Transfer & Estate Plan Integration

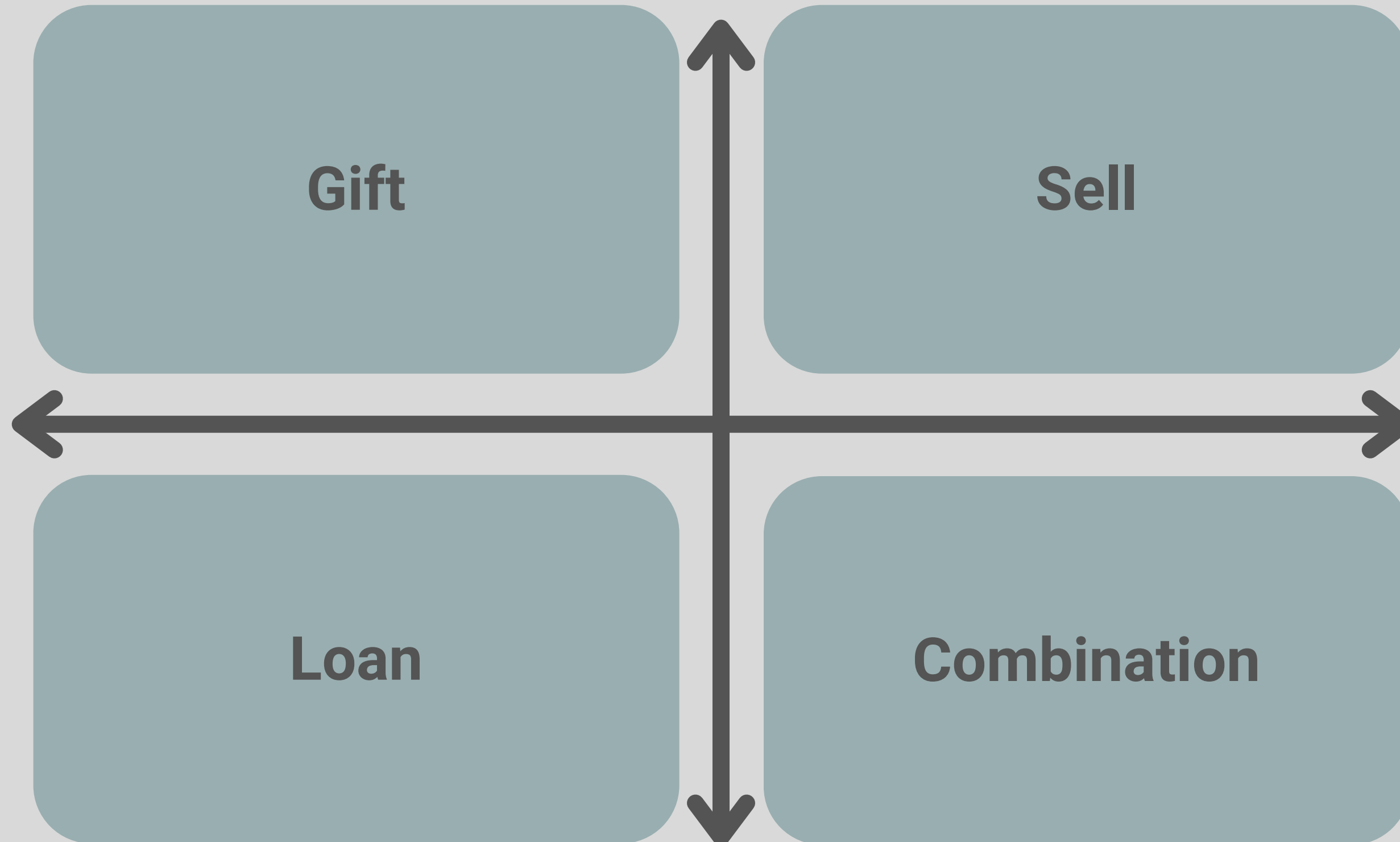
CBS | BROKERAGE

OUR GOAL IS YOUR LEGACY

EST. 2008

SHAKOPEE, MINNESOTA

Four Ways to Transfer Assets



Four Aspects of a Business Entity Asset

Options Defined: What you may want to do, might be different depending on what you knew or know to be possible.

Income

Capital Appreciation

Equity

Control

Example of an Typical Balance Sheet's Content

Asset	Fair Market Value	Liabilities	Ownership
CASH			
Cash	\$1,668,603	\$0	His
IRA Accounts and Profit Sharing	\$1,599,670		His
IRA Accounts and Profit Sharing	\$80,000	\$0	Hers
Other Income			
Flight Options	\$296,793	\$0	His
PERSONAL RESIDENCES			
Saxon Place, Rkfd. IL(appraisal)	\$545,000	\$0	Her Revocable trust
Cape Marco Dr. Marco Island,FI	\$2,500,000	\$0	Her Revocable trust
Personal Property	\$400,000	\$0	Joint Survivorship
INVESTMENT PROPERTY			
20th Street	\$450,000	\$181,000	Family Partnership
American Road	\$300,000	\$80,000	Family Partnership
Sockness Dr	\$745,000	\$456,012	Family Partnership
South Rockford Ave	\$625,000	\$0	Family Partnership
International Drive	\$260,000	\$110,500	Family Partnership
GTE Cell site	\$20,000	\$0	His
OSF Annuity on Building	\$195,600	\$0	Family Partnership
Publishers Drive	\$750,000	\$0	Family Partnership
20th Street	\$300,000	\$89,500	Family Partnership
Rockton Granary	\$950,000	\$582,500	his
International Drive	\$700,000	\$530,000	his
Publishers Drive	\$750,000	\$419,000	Family Partnership
N Junction Way	\$1,850,000	\$1,000,000	Family Partnership
Eisenhower	\$1,360,000	\$1,230,000	Family Partnership
Florida Open water lot	\$695,000	\$0	Family Partnership
Sandy hollow	\$4,100,000	\$2,695,000	Family Partnership
SECURITIES			
STOCKS & MUTAL FUNDS	\$9,704,510	\$0	Her Revocable Trust
CERTIFICATES of Deposits	\$2,765,719	\$0	Joint Survivorship
PARTNERSHIPS			
Roxbury Rd - DaVita (5%)	\$50,000	\$0	His Revocable trust
CC Hills-DaVita	\$1,000,000	\$0	His Revocable trust
DaVita N Rockton LLC (50%)	\$1,050,000	\$535,100	His Revocable trust
Center Street (62.5%)	\$265,625	\$59,612	Family Partership
S&B Vent LLc (50%)	\$1,322,231	\$0	his
Jones Junction LLC (40%)	\$136,000	\$0	his
Jones J&B LLC (60%)	\$450,000	\$0	Joint Survivorship
BUSINESSES			
Jones Companies LTD (2%)	\$200,000	\$0	His
Future Fish Co. (7.96%)	\$7,000,000	\$0	his
Vacate Land	\$3,714,225	\$0	his
Jones Plumbing&Heating (100%)	\$4,800,000	\$0	His Revocable trust
	\$53,598,975	\$7,968,224	
Gross Estate Net of Liabilities	\$45,630,751		
Joint Federal Estate Exemption	\$18,000,000		
Adjusted Taxable Estate	\$27,630,751		
Est. Federal & IL Estate Tax	\$13,815,376		

→ Compare Ye
Next Page

This Balance Sheet is missing Critical Data needed to decide what assets are ideal to transfer off balance sheet vs maintain in the estate. It doesn't identify:

- **Discountable Business assets** based on minority, lack of marketability and closely held interest in nonpublic entities. We need to determine the gross estate value vs. the fair market value. The difference between these figures for a business owning client is usually around 20% to 30%.
- **Income producing assets-** Where is income derived and in what proportions from what sources.
- **Cost basis-** Determines how much of an assets is income or capital gains taxable and what assets may be ideal to be held within the estate or in trust because there is a step up in basis at death for assets owned in the estate.
- Growth Rate of Assets

*Compare highlighted section to next page

Example of an Actionable Balance Sheet's Content

This balance sheet is Actionable in the sense that it includes all the critical data we need to determine what is the best assets to use if we are consider transferring wealth in one of four ways.

- Estate vs Fair Market Value (FMV)
- Cash Flow
- Cost Basis (CB)
- Taxable Balances
- Taxes payable
- CB to FMV Ratio
- Growth Rate

Asset	Fair Market Value	Discounted Estate Value		Cash Flow	Liabilities	Cost Basis	Taxable Balance	Deferred Effective Federal & State Taxes		Cost Basis to FMV Ratio	Growth Rate	Ownership	
		15%	or					30%	Capital Gains				Income
CASH													
Cash	\$1,668,603	\$1,668,603	\$0	\$0	\$1,668,603	\$0				100.00%	0.00%	His	
IRA Accounts and Profit Sharing	\$1,599,670	\$1,599,670	\$0	\$0	\$0	\$1,599,670		\$575,881		0.00%	5.00%	His	
IRA Accounts and Profit Sharing	\$80,000	\$80,000	\$0	\$0	\$0	\$80,000		\$28,800		0.00%	5.00%	Hers	
Other Income													
Flight Options	\$296,793	\$296,793	\$0	\$0	\$296,739	\$54	\$14			99.98%	-0.50%	His	
PERSONAL RESIDENCES													
Saxon Place	\$545,000	\$545,000	\$0	\$0	\$250,000	\$295,000	\$76,700			45.87%	-0.50%	Hers	
Cape Marco	\$2,500,000	\$2,500,000	\$0	\$0	\$2,200,000	\$300,000	\$78,000			88.00%	0.00%	Hers	
Personal Property	\$400,000	\$400,000	0	\$0	\$0	\$400,000	\$104,000			0.00%	-0.50%	Joint Survivorship	
INVESTMENT PROPERTY													
20th Street	\$450,000	\$382,500	\$47,291	\$181,000	\$59,170	\$390,830	\$101,616			13.15%	-1.00%	Family Partnership	
American Road	\$300,000	\$255,000	\$10,748	\$80,000	\$147,155	\$152,845	\$39,740			49.05%	-3.00%	Family Partnership	
Sockness Dr	\$745,000	\$633,250	\$28,530	\$456,012	\$479,294	\$265,706	\$69,084			64.33%	-1.50%	Family Partnership	
South Rockford Ave	\$625,000	\$531,250	\$33,634	\$0	\$191,161	\$433,839	\$112,798			30.59%	-1.50%	Family Partnership	
International Drive	\$260,000	\$221,000	\$9,044	\$110,500	\$121,161	\$138,839	\$36,098			46.60%	-1.50%	Family Partnership	
GTE Cell site	\$20,000	\$20,000	\$10,098	\$0	\$0	\$20,000	\$5,200			0.00%	0.00%	His	
OSF Annuity on Building	\$195,600	\$166,260	\$63,800	\$0	\$0	\$195,600	\$50,856			0.00%		Family Partnership	
Publishers Drive	\$750,000	\$637,500	\$56,793	\$0	\$347,108	\$402,892	\$104,752			46.28%	-1.50%	Family Partnership	
2415 20th Street	\$300,000	\$255,000	\$21,638	\$89,500	\$116,086	\$183,914	\$47,818			38.70%	-1.50%	Family Partnership	
Rockton Granary	\$950,000	\$950,000	\$4,000	\$582,500	\$950,000	\$0	\$0			100.00%	0.00%	His	
International Drive	\$700,000	\$700,000	\$18,740	\$530,000	\$512,000	\$188,000	\$48,880			73.14%	0.00%	His	
Publishers Drive	\$750,000	\$637,500	\$106,818	\$419,000	\$362,489	\$387,511	\$100,753			48.33%	-1.50%	Family Partnership	
N Junction Way	\$1,850,000	\$1,572,500	\$36,951	\$1,000,000	\$940,301	\$909,699	\$236,522			50.83%	-1.50%	Family Partnership	
Eisenhower	\$1,360,000	\$1,156,000	\$13,840	\$1,230,000	\$1,236,517	\$123,483	\$32,106			90.92%	-1.50%	Family Partnership	
Florida Open water lot	\$695,000	\$590,750	(\$5,500)	\$0	\$375,000	\$320,000	\$83,200			53.96%	-0.50%	Family Partnership	
Sandy hollow	\$4,100,000	\$3,485,000	\$115,000	\$2,695,000	\$3,338,780	\$761,220	\$197,917			81.43%	1.00%	Family Partnership	
SECURITIES													
STOCKS & MUTAL FUNDS	\$9,704,510	\$9,704,510	\$0	\$0	\$0	\$9,704,510	\$2,523,173			0.00%	5.00%	Her Revocable Trust	
CERTIFICATES of Deposits	\$2,765,719	\$2,765,719	\$60,000	\$0	\$0	\$2,765,719	\$719,087			0.00%	2.00%	Joint Survivorship	
PARTNERSHIPS													
Roxbury Rd	\$50,000	\$35,000	\$7,814	\$0	\$0	\$50,000	\$13,000			0.00%	0.00%	His Revocable trust	
CC Hills-DaVita	\$1,000,000	\$700,000	\$7,814	\$0	\$0	\$1,000,000	\$260,000			0.00%	0.00%	His Revocable trust	
DaVitaN Rockton LLC (50%)	\$1,050,000	\$735,000	\$38,430	\$535,100	\$0	\$1,050,000	\$273,000			0.00%	0.00%	His Revocable trust	
Center Street (62.5%)	\$265,625	\$225,781	\$29,053	\$59,612	\$30,000	\$235,625	\$61,263			11.29%	-1.50%	Family Partnership	
S&B Vent LLC (50%)	\$1,322,231	\$1,123,896	\$38,728	\$0	\$210,000	\$1,112,231	\$289,180			15.88%	0.00%	His	
Road Junction LLC (40%)	\$136,000	\$95,200	(\$500)	\$0	\$25,000	\$111,000	\$28,860			18.38%	0.00%	His	
Agave LLC (60%)	\$450,000	\$382,500	\$0	\$0	\$360,000	\$90,000	\$23,400			80.00%	10.00%	Joint Survivorship	
BUSINESSES													
Jones Companies LTD (2%)	\$200,000	\$140,000	\$800,000	\$0	\$0	\$200,000	\$52,000			0.00%	1.00%	His	
Fortune Fish Co. (7.96%)	\$7,000,000	\$4,900,000	\$250,000	\$0	\$725,000	\$6,275,000	\$1,631,500			10.36%	0.00%	His	
Vacate Land	\$3,714,225	\$3,714,225	(\$45,000)	\$0	\$974,000	\$2,740,225	\$712,458			26.22%	0.00%	His	
Jones Plumbing&Heating (100%)	\$4,800,000	\$4,080,000	\$500,000	\$0	\$1,400,000	\$3,400,000	\$884,000			29.17%	1.50%	His Revocable trust	
	\$53,598,975	\$47,885,407	\$2,257,764	\$7,968,224	\$17,315,564	\$36,283,411	\$8,996,973	\$604,681		32.31%	0.31%		
Gross Estate Net Liabilities	\$45,630,751	\$39,917,183											
Joint Federal Estate Exemption		\$18,000,000											
Adjusted Taxable Estate		\$21,917,183											
Federal and IL Estate Tax		\$10,958,592											

→ Note the Difference in Taxes vs the Typical Balance Sheet

Sample Transfer Technique Involving Business Interest: Installment Sale to a Trust

Assets Owned on the personal balance sheet of a person in the estate are taxed at

Grantor:

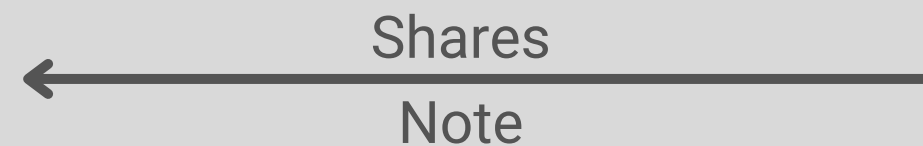
Spousal Lifetime Access Provisions for Noncontributory Spouse

Other Permissible Beneficiaries: Children, Charities & Others.

Step 1: Initial gift, usually of income producing business shares, to trust from the grantor to provide economic substance to the trust



Step 2: Sale of Income producing business shares in exchange for a note from the trust

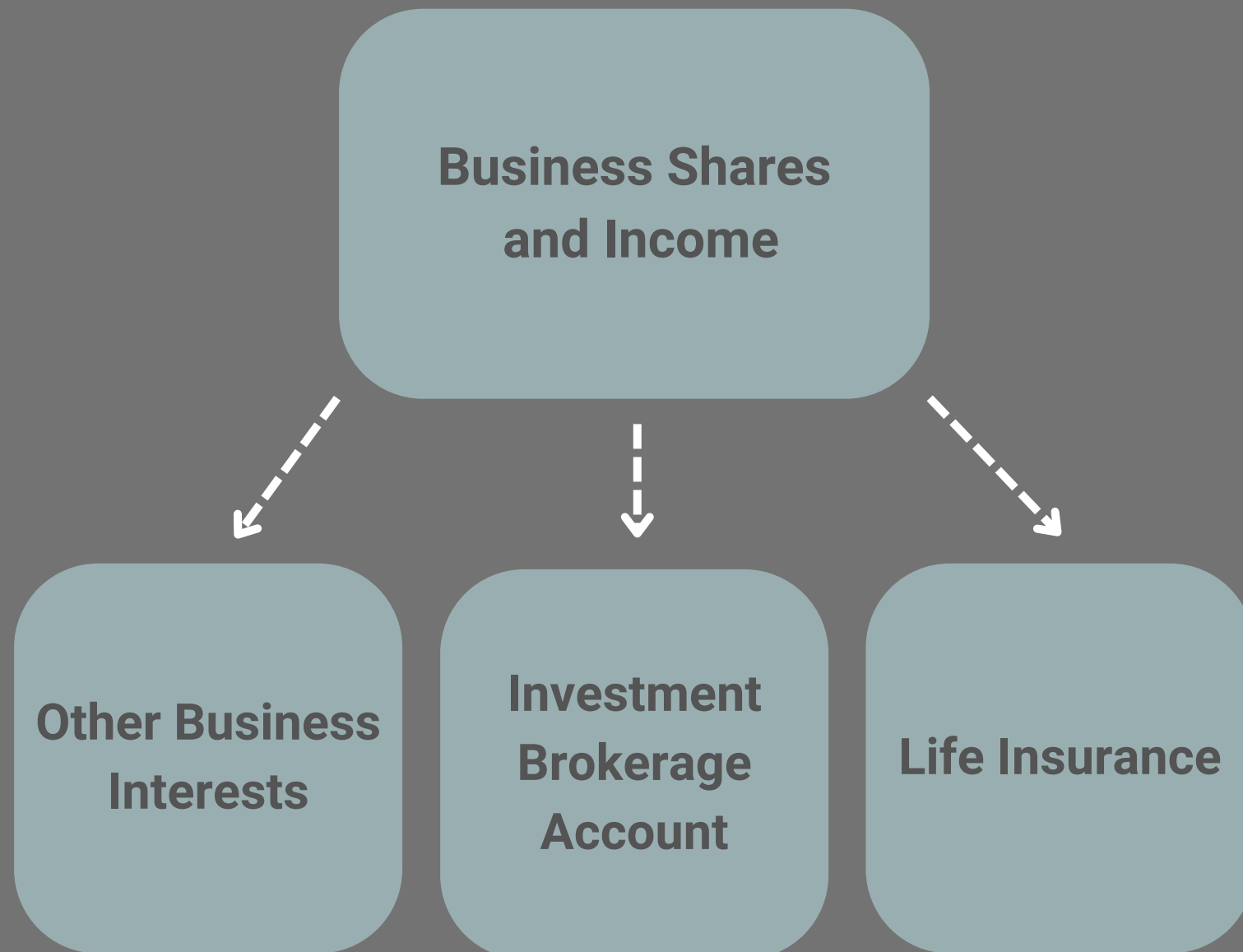


During lifetime or at death: discretionary income to spouse, children, charities or others.

Intentionally Defective Grantor Trust (IDGT)

Illustration of What a Business Interest Owned in a Trust Can Achieve

Trust:



Trust Income:

Business Income is owned by the trust and held in a trust checking account

Trust Assets:

Trustee can use funds in the trust to apply towards life insurance premiums, brokerage account, business purposes or make distributions to beneficiaries depending on the powers and discretion given the trust agreement.

Taxes:

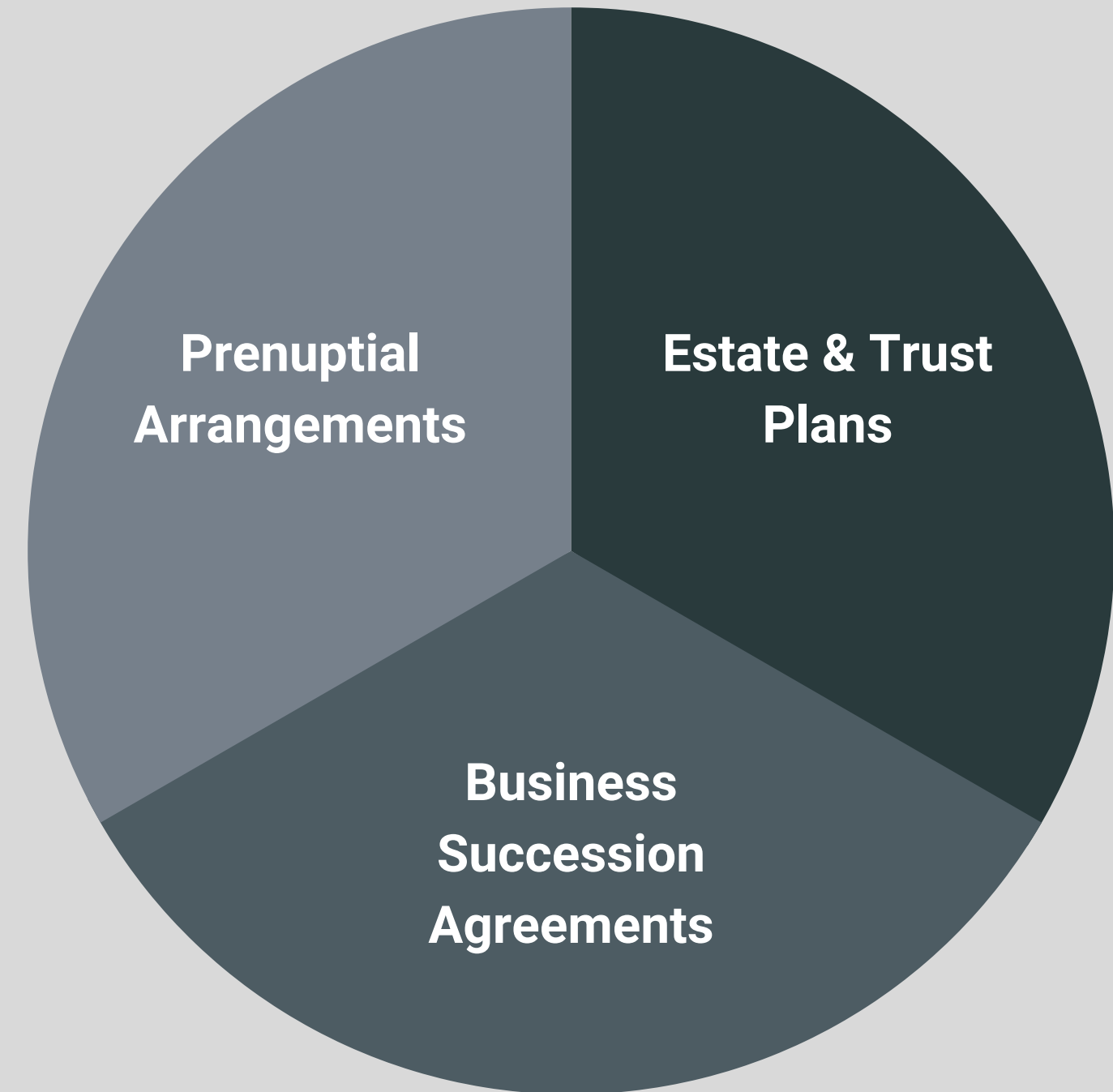
The Trust applies for its own tax ID number through the income taxes flow through to the Grantors tax return. The Grantor should have the power to stop being responsible for income taxes if he or she surrenders the powers that made the trust income taxable to him or her. The trust or trust beneficiaries would then be responsible.

Business and Trust Agreement Reviews

Copies of any relevant documents to include:

We Identify:

- Parties, powers and rights within the agreements
- How and when assets are to be distributed and valued
- How assets are to be taxed at various triggering events
- Ensure the documents are congruent with one another
- Summarize observable facts
- Professional opinions and recommendations



Thank You

Contact Us:



www.cbsrokerage.net



763.450.1870



500 Marschall Rd, Suite 200 Shakopee, MN 55379