

# Wealthspire FOS Wealth Strategy Team in Action: Client Stories

## BACKGROUND

Daniel and Michelle are in their 70s, have 4 children and 7 grandchildren, and a net worth around \$60M. Daniel set up several real estate partnerships worth around \$40M. They have revocable trusts and an irrevocable children's trust that was funded with \$2M in 2013. At this stage of their lives, they are comfortably living off the distributions from the real estate partnerships but are concerned about their eventual estate tax liability and how the real estate partnerships will be dealt with after Daniel passes away. The children are concerned about how to pay estate tax and expenses when both Daniel and Michelle pass away, given that a large portion of their net worth is in the real estate partnerships. Michelle also wants to make sure she has enough to maintain her lifestyle if she survives Daniel. They live in a state with its own estate tax.

## HOW WE HELPED

The Wealthspire FOS team joined their advisor team and attorneys to help Daniel and Michelle as follows:



*Creation of Spousal Lifetime Access Trust for Estate, Gift, and GST Tax Planning:* We suggested that Daniel consider creating a GST-exempt Spousal Lifetime Access Trust (SLAT) for the benefit of Michelle and his descendants. We determined the partnership interests would be the best assets for Daniel to gift to the SLAT because he would be able to discount the gift for lack of control and marketability, thereby leveraging use of his gift exemption. In anticipation of the federal gift exemption dropping in 2026, this plan allowed Daniel to use the currently high federal gift exemption to make a larger gift and most importantly, remove the gifted assets and all of the future appreciation in the gifted assets from Daniel and Michelle's taxable estate.

**Value to Client: Significantly reduces the overall estate tax and transferred wealth to future generations free of gift or GST tax while still allowing Michelle as the beneficiary spouse to access the gifted assets if needed. We coordinate the plan with the family's estate planning attorney and tax advisor to make sure it is properly implemented.**



*Analyzed Existing Estate Plan:* We reviewed their revocable trusts and analyzed federal and state estate tax implications. To address Michelle's concerns, we identified all of the trusts Michelle would be able to access as beneficiary upon Daniel's passing, including the continuing trusts created under Daniel's revocable trust at his death. We also analyzed which trusts should be used for Michelle first in order to reduce estate tax due at Michelle's subsequent death and maximize the wealth transferred to their descendants. In order to simplify this information, we created a customized Estate Plan flowchart to help Daniel and Michelle visualize and understand how their descendants will be provided for when both of them are gone and when estate tax would be due.

**Value to Client: Gives Michelle peace of mind that she will have access to sufficient assets to support her lifestyle if Daniel predeceases her.**



*Reviewed Business Succession Plans for Real Estate Partnerships:* Reviewed buy-sell agreements for the real estate partnerships to summarize terms to buy out Daniel's interest at his passing, how the value of Daniel's ownership interests are calculated at his passing, and how the buyout would be financed. We met with the family to explain the IRS rules that allow estates with significant value in closely held businesses to defer federal estate tax attributable to those businesses and pay that federal estate tax due in installments.

**Value to Client: Helps the family understand how the real estate partnerships will be liquidated upon Daniel's passing, and options to defer federal estate tax attributable to the real estate partnerships if Daniel is second to die.**