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Meet Family Wealth Goals by Deploying a Proper Tax Strategy

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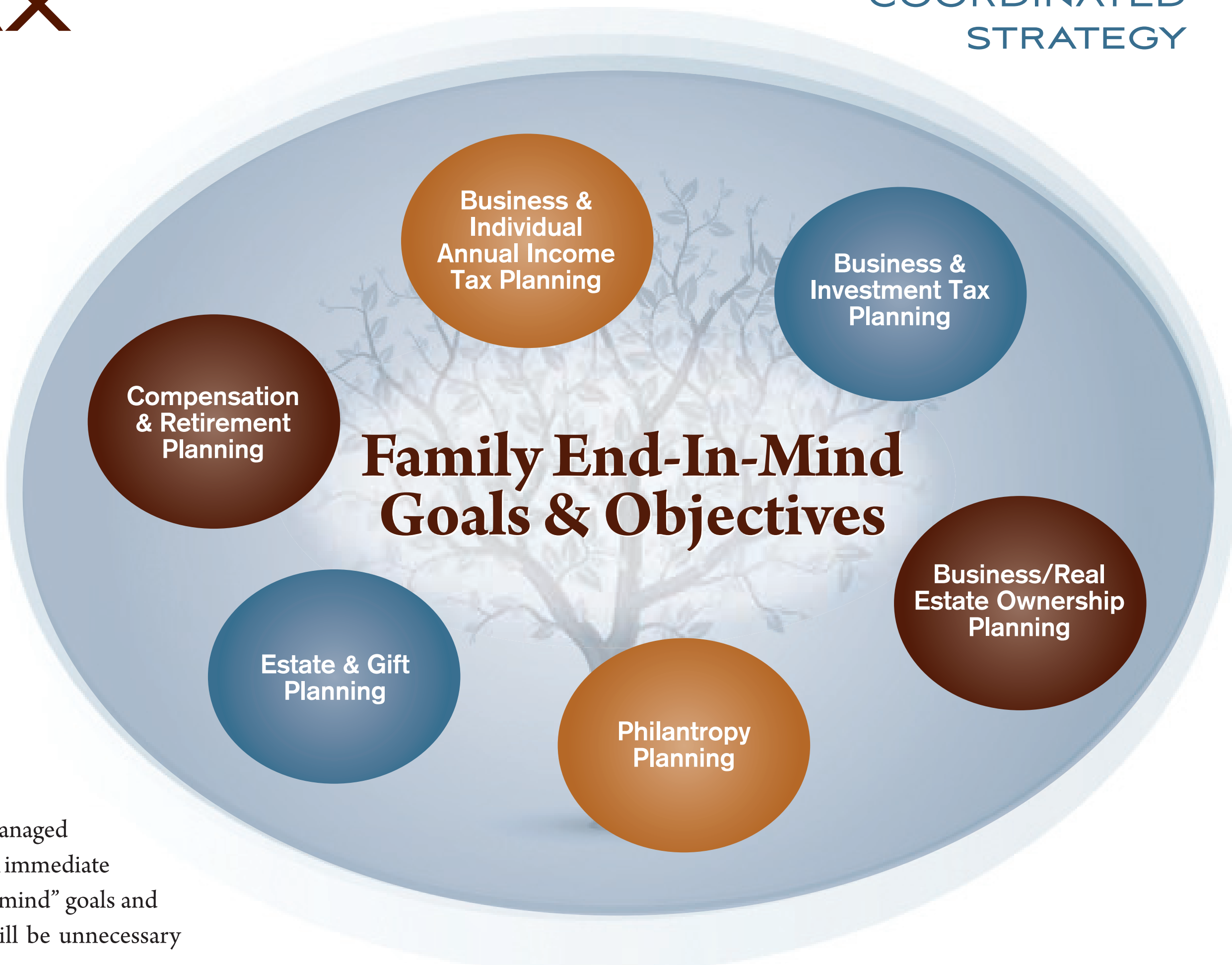
Individuals with significant assets encounter many obstacles before they can fully enjoy, grow and retain their wealth. At the same time, there are many opportunities to help avoid and get around the various obstacles and landmines for those prudent enough to take the proper precautions. It all comes down to advance planning.

One of the more critical planning opportunities is having an effective, coordinated tax plan that addresses:

- **Business and personal income taxes**
- **Compensation**
- **Retirement through pensions, profit sharing and 401Ks**
- **Business and investment transactions**
- **Philanthropy, gifts and estates**

Too often, however, each one of the opportunities listed above is managed piecemeal, often by different advisors. That situation tends to focus only on immediate needs and falls short of a holistic view that bests meet long-term "end-in-mind" goals and objectives. A piecemeal approach also increases the likelihood there will be unnecessary duplication, wasted resources and greater costs.

Tax planning should be part of a holistic, coordinated strategy



Typically, a CPA or other advisor will get questions like this from a client: "What do I have to do to save income taxes this year?" or, "I'm doing some estate planning. How do I save taxes?"

Good questions; but they tend to place the cart before the horse. If they are answered too rapidly, you can veer seriously off course. The immediate question will be answered. But is that necessarily in the best long-term interest of the family?

Most of us get caught up in the 'busy-ness' of life, and we don't take the time to identify lifetime values, goals and objectives. Yet, that is the true starting point for both a business and a family. What is important in life? What would bring you the greatest enjoyment? How would you like to enjoy your wealth tomorrow and throughout your life? What would you like your wealth to accomplish after you pass, both for your family and your community?

Once you have these "end-in-mind" objectives clearly defined, your current tax planning takes on much greater meaning and significance. Only by fully understanding your "end-in-mind" objectives can you design the most effective tax plan, and coordinate the various, overlapping issues represented by different advisors. Otherwise, be prepared for disastrous detours and dead ends.

With your "end-in-mind" objectives in hand, an advisor now can properly answer questions like this:

- What tax planning can be done now that will help meet my objectives, minimize the tax effects of a sale or family transfer, decrease estate tax exposure and increase the family's wealth?
- How should I take advantage of the current two-year window of opportunity (2011 and 2012) that allows gifting up to $5 million without federal taxes?
- Should I set up an annual gifting program?
- Does it make sense to sell to a defective trust (an estate-planning tool to freeze certain assets for estate-tax purposes, but not for income-tax purposes)?
- How does each of these decisions affect current income tax planning?
- How does each of these decisions affect current retirement funding?

"WEALTH - A BLESSING FOR MANY, A CURSE FOR SOME, BUT ALWAYS A CHALLENGE FOR THOSE WHO CARE TO KEEP IT"

BRUCE WRIGHT, THE WRIGHT EXIT STRATEGY

Now, if you make an investment in a new business venture or real estate property, planning becomes easier. Knowing your "end-in-mind" objectives, you can better reduce the family's overall tax exposure and avoid assets from ever touching your hands by initially planning a proper ownership structure and entity type. It is much more cost efficient to plan upfront rather than having to unwind bad decisions later.

What about the charities you care most about? If you know your "end-in-mind" objectives, it will be easier to align your tax planning with your philanthropy. Minimizing your taxes always is important; but now it can occur while ensuring that your values, your legacy and life's objectives are met as well.

Take a look at your annual income and retirement planning. Knowing your "end-in-mind" objectives, you will be able to coordinate your current compensation and income-tax planning with your tax-deferred retirement funding requirements.

From these examples, you can see not only how each tax-planning opportunity connects to each other, but also to the larger "end-in-mind" life picture. It's all about developing a well-coordinated strategy that encompasses every opportunity to minimize taxes, increase wealth and help meet your family's lifetime goals and values. LL

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