



USING LLCs AS EFFECTIVE WEALTH PLANNING TOOL

"NOTHING IS CERTAIN BUT DEATH & TAXES"
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AGENDA FOR TODAY

Control vs LACK OF CONTROL

- Introduction
- Levels of Value
- Prerogatives of control
- Degree of Control
- Control Value
- Family LLCs
- How a Family LLC works
- Tool to Reduce Estate Tax



THE GREAT RESET

- Estate exemption \$13.61 million (2024)
- Set to “sunset” and return to 2017 levels
- Expected to go to b/w \$6M to \$7M
- Marginal Tax Rate @ 40%

WHAT IS AN LLC

WHAT IS AN LLC

Legal Entity recognized in all 50 states



- Each state has own regulations governing formation
- Less regulation & reporting obligations
- Not a tax paying entity
- Flexibility in allocating profits & losses among members

Benefits of Using an LLC for Estate Planning



- Can reduce overall estate tax burden to Family
- Distribute inheritance to heirs during your lifetime with minimal gift tax consequences
- Maintain control of your assets
- Provide “teachable moments” to heirs on your business values

BENEFITS OF USING AN LLC FOR ESTATE PLANNING

BENEFITS OF USING LLCs FOR ESTATE PLANNING

- Effectively reduce the estate taxes your heirs would be required to pay on their inheritance
- Distribute inheritance to your heirs during your lifetime with minimal estate and/or gift tax obligation
- Maintain control of your assets
- Provide for “teachable moments” to your heirs on business style & philosophy
- Estate tax exemption amount expected to drop in 2025
- Gift tax strategy can substantially benefit your estate by reducing overall value

FAMILY LLCs

FAMILY LLCs

- Transfer appreciated assets into the LLC
- Translate market value of those assets into membership or LLC units (similar to stock value)
- Transfer ownership of minority interests to heirs
- Take advantage of discounting interests
 - The discount on the value of units transferred to non-managing members of an LLC is based on the fact that without mgmt. rights LLC units become less marketable

LOWERING YOUR ESTATE TAX BURDEN

POST MORTEM TAX PLANNING

- At death some states declare the LLC must dissolve unless a specific plan of succession is in place
- Dissolution can be avoided by providing for a transfer to another individual upon death as outlined in the operating agreement
 - Creating a joint tenancy membership,
 - Revocable trust to hold the LLC membership, or
 - Probating the LLC through court to determine the succession plan

DOWNSIDE RISKS

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- When compared to running your real estate business separately, the LLC is more expensive
 - California annual tax (\$800) + annual franchise fee based on gross revenue (rents)
 - Various ongoing fees to maintain the LLC (legal & CPA fees)

ASSET PROTECTION BENEFITS

ASSET PROTECTION

- Owner(s) are not liable for the debts of the LLC
- LLC provides protection to the owner from creditors in the event the company defaults, enters bankruptcy or otherwise cannot make its obligations
- Including slip & fall liability from tenant injuries sustained on your property
- Review insurance policy protection limits to make sure you are adequately protected
- Creditors are unable to attach owner's personal assets

**CALL US TO SCHEDULE
AN APPOINTMENT**



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