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Solutions for Families™

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About
Matthew Crider, J.D.

Matthew Crider formed *Crider Law PC* in 1999 so he could help individuals and business owners by providing creative solutions and be their trusted advisor and legal counselor. He serves his clients by listening closely to their goals, dreams and concerns and working with them to develop superior and comprehensive estate and asset protection plans. His estate planning practice focuses on preserving and growing wealth by providing comprehensive, highly personalized estate planning counsel to couples, families, individuals and businesses.

Should you set up an old-fashioned family limited partnership?

By Matthew Crider, JD | Family Wealth Protection Attorney

The family limited partnership was a fairly unusual way for wealthy families to manage their real estate and various financial accounts. But this year it is coming back into fashion. Why?

The reason this esoteric and rather arcane estate planning device has once again become popular is because of the scheduled end of the $5.12 million gift tax exemption, which is set to expire at the end of this year. It is not yet known what the figure may be starting next year.

But estate planning experts say rushing to set up a family limited partnership may not be wise, according to an article in the *New York Times*.

Putting various pots of money together in a family limited partnership is a way of getting enough money to invest in hedge funds that are only open to large minimum investments. Another allure is that the value of the investments put into the partnerships may be discounted since the shares are less liquid since only another family member may buy them.

A discount of 25 percent is not likely to attract the attention of the IRS and it could allow you to boost your gift tax exemption from $5.12 million to $7 million or so. But some less wealthy families who are not sophisticated in these matters may run afoul of the IRS by being too aggressive in what they put into a partnership and how much they discount it.

Such partnerships can also run into trouble when the various members don't all see eye to eye.

Experts say it may not always to be wise to make decisions simply based on tax reasons.

Before rushing into a decision, make sure to consult a trusted estate planning attorney and money manager.