

Calling all business owners and professionals

One big piece of news from that American Taxpayer Relief Act was that the vast majority of Americans have been permanently excused from worrying about federal estate taxes. The permanent \$5 million estate tax exclusion, indexed for inflation (\$5.34 million in 2014), should limit the impact of federal estate taxes to a few thousand estates per year. But that does *not* mean people should become complacent about their estate planning.

Business owners and professionals with practices provide especially vivid examples of the continuing importance of estate planning. Leaving aside the question of whether the business or practice is valuable enough to enter the federal estate tax zone, there are four other major objectives for a business owner's estate plan.

Control and ownership. One normally doesn't want to be in business with one's partners' family members. A buy-sell agreement is needed to provide an orderly plan for successor management.

Family members. There can be problems among heirs if some members of a family are active in a business and others are not. Those who are not active probably should not be given a voice in management, even if they will have a financial interest in the business. An estate plan may need to address equalizing inheritances in a way that won't impair the business' value or manageability.

Probate avoidance. No one wants to have his or her business mired in the probate process. Imagine that you can't cash royalty checks, or sell a building, because you need to wait to have a personal representative appointed and the statutory period for creditors to make claims to pass. Even worse, in formal probate, no distribution of assets can occur without a court order. Imagine that a professional business valuation to the tune of \$10,000 must be obtained to legally claim the value of the business with the court. A trust, buy-sell agreement, transfer-on-death shares, or a combination thereof, will avoid the costly delays and court requirements of probate.

State death taxes. Most states have eliminated their estate and/or inheritance taxes. Those that still have them typically have "decoupled" from the federal tax guidelines, and they impose their taxes at death on much smaller estates, in the area of \$1 million. If you live in one of those states, or own property in one, you still may have some tax planning to do.

If you haven't seen your estate planning advisors this year, make an appointment soon. Now that the federal estate tax law is settled, you can develop a durable plan for your family's financial future.