



Irv Blackman, CPA and lawyer, is a retired founding partner of Blackman Kallick Bartelstein, LLP and chairman emeritus of the New Century Bank (both in Chicago). Want to consult? Need a second opinion? Contact Irv:

Blackman, Kallick, Bartelstein
10 S. Riverside Plaza, Ste. 900
Chicago, IL 60606
phone: 847/674-5295
e-mail:
Blackman@EstateTaxSecrets.com
www.taxsecretsofthewealthy.com

You Can't Beat Death, But You Can Beat the Estate Tax

The typical reader of this column, (we'll call him Joe), who calls me for estate-planning help has two basic characteristics:

- 1) He has been successful at accumulating wealth, almost always in a business he started or was created by a family elder and passed to him, and
- 2) He hates paying taxes. Joe is usually married (but not necessarily to his first wife), has kids and about two-thirds of the time, one or more of his kids are in the business (Success Co.).

Joe wants to sell Success Co. to his kid(s) and slow down. Rarely does Joe want to retire, he just wants to work less hours and spend more time with family, golf, travel and other nonbusiness pleasures.

One more bitter-sweet fact: Joe's net worth increases almost every year, but so does his potential estate-tax liability. Joe wants and needs a comprehensive plan to eliminate or at least reduce the mushrooming estate-tax burden. Unfortunately, Joe can't find a professional who knows how to create, implement and monitor such a plan.

This article is written for the Joes of the world, struggling to find a way to deal with some or most of the above characteristics, facts or concerns.

We have designed a system that always delivers 100 percent of your wealth to your family or a portion to charity instead of losing as much as 55

percent of your wealth to the IRS. Best of all, every one of the strategies used in the system is legal, easy to do when you know how and always works, whether you are young or old, married or single, insurable or uninsurable.

The system revolves around three pillars:

- 1) Select time-tested appropriate strategies,
- 2) Accomplish your specific goals,
- 3) Base the system on the assets you own.

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Your job is to identify your specific goals, typically divided into goals for you and your spouse, your family and your business.

Our job is to select the strategies—various trusts, partnerships and other techniques—write the documents and implement the

plan. Of course, the plan must be monitored over the years and updated as necessary, when required by changes in your family and business circumstances.

That leaves the assets—really a personal financial statement. We divide your assets into four distinct categories:

- 1) Residence(s),
- 2) Business,
- 3) Funds in a qualified plan, i.e. 401(k), IRA or profit-sharing plan,
- 4) Investments such as real estate, stocks, bonds and an interest in other investments, usually managed by someone else.

Remember, your future income

stream and potential cash flow also are assets. Often, over time, these are your largest dollar amounts, which continue to enrich not only you, but continue to increase your potential estate-tax liability to the IRS.

Logic says that you must have two plans to legally beat the IRS: a lifetime plan and a death plan (the typical will and trust most lawyers draw). The real don't-lose-your-wealth-to-the-IRS plan is always in the lifetime plan.

Your lifetime plan must be designed to use strategies that:

1) Freeze the value of your various assets to prevent your taxable estate from growing larger;

2) Discount each asset and lower the value for estate-tax purposes. For example, a piece of income real estate worth \$1 million would be transferred to a family limited partnership (FLIP) and the value of the real estate reduced to about \$650,000 for tax purposes;

3) Gift assets, not necessarily cash, but nonspendable assets like an interest in a FLIP, to younger family members; and

4) Create tax-free wealth, usually with a life insurance program or a charitable lead trust if you and your spouse are not insurable, to pay any estate tax that could not be eliminated by the other strategies.

One final point: Joe almost always wants to stay in control of his assets, particularly Success Co., for as long as he lives. It is simple to accomplish this control goal when implementing the correct strategies and creating the supporting documents.

Yes, you really can beat the estate tax—whether you are worth \$3 million or \$30 million. Learn all you can. One way to learn is to keep reading this column. Or browse www.taxsecretsofthewealthy.com—you'll find a ton of free information. Or, call Irv at 847/674-5295. **MF**



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