

Wealth Enhancement and Preservation

Case Study: Legacy Planning

The Wealth Enhancement and Preservation process is a powerful financial planning tool that was specifically developed to analyze our clients' finances, assess their current and future needs, and identify weaknesses and opportunities. Here we outline one of our many success stories of helping our clients live well for today and plan rich legacies for tomorrow.

THE CLIENTS

Our clients, a **70-year-old retired couple**, recognized the need to update their estate plan with a comprehensive solution to avoid unnecessary taxes and responsibly leave a sizeable inheritance to their children and grandchildren. Though they had established a revocable trust, they had no other plans or protections in place. In addition to a **\$3MM** after-tax trust account, **\$3MM** in retirement accounts and a **\$2MM** primary residence, they also held an **\$11MM apartment building** rental property and **\$2MM in real estate debt**. They had many questions about how they could **best position their assets to reach their goals** for passing on wealth to their loved ones, decreasing taxes, and increasing their contributions to their charitable causes.

THE NEED

Our clients saw us a firm that could provide them with **comprehensive financial planning** and **holistic estate planning expertise**. They also knew our personalized and educational process would help them to address their more complex estate planning needs. Our initial meetings focused mainly on their real estate holdings:

- **The couple was tired of managing the apartment building day to day**
- **Their children had no interest in managing the building in the future**

Given their children's disinterest in building management and the existing debt on the property, the couple was seeking solutions to minimize estate and capital gains tax liability, **diversify their assets** and align the value of the building with their legacy goals.

THE SOLUTION

Through a comprehensive financial plan and estate planning projections, we were able to **illustrate** the low 3% return they were receiving on their rental property. Given the tax implications, disinterest and lack of liquidity associated with holding the building, we recommended selling. We established a Charitable Remainder Trust to eliminate long-term capital gains taxes due on sale and **ultimate estate tax implications**. To replace the value of the rental properties to the heirs, we used the increased net income from the trust to fund the premium payments for permanent survivorship insurance held outside of their estate. By setting up a Family Foundation as the beneficiary of the charitable trust, we ensured that assets will remain in our clients' family's control and be used in line with their wishes for generations to come.

THE OUTCOME

Our solutions **successfully** helped our clients **divest from their rental property on a favorable tax basis**. Not only did they not have to manage them any longer, they were able to add to their liquid investment assets. They increased their net income, further diversified their retirement assets and better positioned their wealth to be managed successfully across multiple generations. All together, **our solutions will make it easier for our clients enjoy retirement, pass on their wealth** to their children and grandchildren, and redirect assets that would otherwise have gone to taxes to have a significant **charitable legacy**.

THE NUMBERS

Total Net Worth: \$17mm	Total increased benefits to family & charity: Family: \$5mm Charity: \$5mm
Total Estimated Tax Savings: \$6.25mm	
Ordinary Income: \$250,000/yr	
Capital Gain: \$3mm	
Estate Tax: \$3mm	