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| **An LLC Can Be an Alternate Way to Plan Your Estate****A limited liability company (LLC) can cut estate and gift taxes on wealth transferred from the LLC managers to its other members. These transfers reduce the size of the managers’ estate and thus their potential tax burden.**Recognized in all 50 states, LLCs provide the liability protection of corporations without all the legal restrictions they must observe. They can be structured to bypass the 40% estate tax on large estates (i.e., worth more than $11.7 million in 20211) and to discount gifts by up to 40%2.**Family LLCs are the key structures.**When setting up a Family LLC, parents are the managers who maintain control while children and grandchildren hold non-voting LLC units (similar to shares). Parents can transfer assets from their estate to the LLC without losing control of them. This arrangement protects the LLC from financial decisions made by the younger members.**Transferred units trigger less gift tax.**Up to $15,000 per year, per recipient, can be gifted without incurring gift tax for the giver. Married couples can combine their annual gift limits, producing an annual $30,000 gift cap per recipient3. In a Family LLC, gifts from the managers to other members are discounted in value by up to 40%2. This means the managers can give up to 40% more each year without triggering the gift tax.**Family LLCs can reduce your estate taxes.**When you transfer LLC units to your offspring, you reduce the size of your estate, resulting in a lower estate tax your beneficiaries will owe after your death. A Family LLC essentially allows your beneficiaries to receive an advance on their inheritance while you are still alive. Any gift amounts above $15,000 reduce the $11.7 million lifetime cap on gifts (as of 2021), after which the gift tax rate is a flat 40%3.**Your excess gifts increase the likelihood of estate taxes.**By reducing the value of transferred family LLC units by up to 40%2, you can give away more and still stay within the annual limit. That is, you can gift units currently worth $25,000 and they’ll be valued at only $15,000 when transferred, thus avoiding the gift tax, the filing of IRS Form 709, and any reduction to your annual lifetime cap2.**Family LLCs are powerful and complex.**The regulations governing Family LLC’s vary by state, and they change over time. You will want expert assistance from a financial professional and perhaps an estate lawyer to integrate an LLC into your estate plans. Contact me today to get started. The sooner you proceed, the sooner you’ll begin realizing the tax benefits that LLCs confer.This information is not intended to be a substitute for individualized legal advice. Please consult your legal advisor regarding your specific situation.

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| LET'S CONNECT |

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| 1 [irs.gov/businesses/small-businesses-self-employed/estate-tax](https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax)2 [wernerlawca.com/using-family-llc-estate-planning](https://wernerlawca.com/using-family-llc-estate-planning/) [12/29/20]3 [forbes.com/sites/ashleaebeling/2020/10/26/irs-announces-higher-estate-and-gift-tax-limits-for-2021/?sh=193120bc459e](https://www.forbes.com/sites/ashleaebeling/2020/10/26/irs-announces-higher-estate-and-gift-tax-limits-for-2021/?sh=193120bc459e) [10/26/20]Tracking #1-05168592Expiration 07/24 |  |

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