

Preserving Assets within the Family

By Ralph Consola, Principal

- *Wealth Transfer Insight*

Marshall & Stevens is regularly engaged to assist investors with valuations of interest in businesses, funds, and real estate in order to facilitate:

1. **Gift/Transfer/Sell fractional interests into tax efficient vehicles (Trusts, Family Limited Partnerships, etc.).**
2. **Transferring real estate and intellectual property assets from corporate ownership to family controlled ownership.**
3. **Buyout of shareholders to consolidate equity within the family or within members of the family active in the business.**
4. **Giftting of equity to charitable organizations.**

THE OPPORTUNITY AVAILABLE TODAY DUE TO A CONFLUENCE OF CIRCUMSTANCES

Change is inevitable, but for now, we have:

1. **LOW FEDERAL TAX RATES:**
 - A. The personal lifetime Federal Gift Tax Exemption is higher than ever before (>\$11.5MM) and it is due to expire in 2025.
 - B. All-time low personal, corporate and capital gains tax rates.
2. **ELECTION RISK:** Vice President Biden's tax plan includes:
 - A. **Elimination of the step up in basis** on transfers of wealth to heirs.
 - B. An **increase in ordinary income and capital gains tax** rates for "high earners."
3. **RECENT MARKET REVENUE DISRUPTIONS:**
 - A. The "Covid economy" has resulted in a reduction in revenue and earnings for many real estate investors and for public and private companies (i.e. retail, fitness, movie theatres, hospitality).
 - B. Publicly traded REIT and corporate stocks are down in many industry sectors.
 - C. The economic recovery is uncertain.

These facts may provide an opportunity to gift/sell/transfer a greater percentage of equity to tax efficient entities, or directly to heirs and charities, while keeping within the current lifetime gift tax exemption limit or, if pursuing a taxable transaction, a lower tax burden.

SOLUTION

Marshall & Stevens' combination of **quantitative and qualitative valuation analyses** of control and minority interests in privately-held businesses, real estate, funds, etc. provides a clearer, more supportable indication of value, especially in challenging times.