

# 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.

## RECENT ENGAGEMENTS

### Closely-Held Businesses and Intellectual Property

- Valuation of equity in **family-owned businesses** for multiple years/decades as equity is passed from one generation to the next and while each generation starts to participate in running the business and adding value to the business.
- Valuation of equity in a **closely-held businesses** for buyout of family members not involved in the business by family members who run the business.
- Valuation of equity in a **privately-held business** for gift to a university.
- Valuation of **intellectual property** in businesses prior to sale of the company so that the founder, and the heirs, will benefit from a revenue stream in perpetuity.
- Valuation of fractional interests in **multiple real estate and business entities** for buyout of non-family shareholders.

### Real Estate Valuations

- Valuation of **real estate portfolio** for division of assets among family members so each member of the family can control their own destiny.
- Valuation of a **portfolio of real estate** held by a closely held business for sale to family owned real estate entities prior to sale of the business.
- **Valuation and cost segregation analysis of a portfolio of real estate** for an estate tax reporting so that the heirs can report a step up in basis AND the accelerated depreciation benefit as of the date of death.

**If a wealth transfer plan is in your future, you may want to accelerate your plan. Contact Marshall & Stevens with any questions or reach out to your tax advisor.**



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*Ralph has been with Marshall & Stevens for over 20 years. He works with clients and their trusted advisors on estate and gift tax reporting analyses that include fractional interests in business enterprises, real estate, and intangible assets.*

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