

*From the desk of Jeanne M. Kerkstra, Esq., CPA*

### **Viewpoint**

#### **The Warren Buffet In All Of Us - Thinking Straight In Uncertain Times**

Warren Buffet, the man who has grown Berkshire Hathaway into a \$199 billion conglomerate, knows how to find opportunity in uncertain times. And you can too. Now is not the time to sit on the sidelines. It is time to take action.

1. Establish an Irrevocable Life Insurance Trust ("ILIT") - one for you and one for your spouse. There is a critical need for liquidity upon the death of the first spouse. Bills need to be paid. Children's schedules and daily lives need to be impacted as little as possible during this very stressful time. Upon the second to die, Uncle Sam gives you a short amount of time to pay your estate tax bill. Right now, most of us are holding illiquid assets - real estate and stocks that have temporarily dropped significantly in value. Over time these assets will appreciate. But how do you ensure liquidity when you need it? Simple. Establish an ILIT. If the insurance policies are "born" in the ILIT, there is no look-back period. However, if you transfer existing policies into the ILIT's, there is a 3-year look-back period, which means that they are included in your estate if you die within 3 years of the transfer. Life insurance provides liquidity when you need it.
2. Establish a Registered Limited Liability Limited Partnership ("RLLLP"). You go into business with friends because you know them well. However, sometimes our risk tolerance is not the same as our friends. In a RLLLP more than one person can be a General Partner in control of the operations. However, in an RLLLP, you are not responsible for the other General Partners' acts even if you know about them. With the collapse of the financial markets, there is a lot of finger pointing. Make sure that you don't take the blame for someone else's decisions.
3. Establish a Family Limited Partnership ("FLP"). The economy has taken a significant downturn. At least in the short term our assets are significantly under appreciated. Now is the time to transfer them to the younger generations. To get your biggest bang for the buck, transfer them into an FLP and then start gifting limited partners' interest to your children and grandchildren. You will be transferring value but not control. Also, by transferring assets that will appreciate in value now, you are taking steps to reduce your estate tax liability.
4. Establish Limited Liability Companies ("LLC's"). Do you have several businesses where the risks are different? Establish separate LLC's for them. Remember that you gain significant protection by having a multi-member LLC. *In Re Albright* has taught us that there are risks with single member LLC's. Alternatively, if setting up separate LLC's is too costly, segregate the liability by establishing multi-series LLC's.

Uncertain times are the best times to plan. Call me to get started.

<p>Jeanne M. Kerkstra, Esq., CPA KERKSTRA LAW OFFICES LLC 53 W. Jackson Blvd. Suite 1530 Chicago, IL 60604 312.427.0493 312.675.0500 (fax) <a href="mailto:jmk@kerkstralaw.com">jmk@kerkstralaw.com</a></p>	<p>KERKSTRA LAW OFFICES LLC Problem? Solved.®</p> <p>asset protection • estate planning corporate work • business succession planning forensic investigation • litigation and more</p>
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