

Estate Planning Presentation

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A. Federal Estate Tax - Overview

1. General concepts
2. Exemptions--\$13.99 million per person, \$27.98 million per couple, in 2025
3. Annual gift tax exclusion--\$19,000 per person per year, in 2025, with unlimited gifts to spouse and charity
4. Impact of step-up in basis
5. Estate Tax and Generation Skipping tax rate: 40% on amounts in excess of the exemptions
6. Payment of tax

B. Liquidity Planning

1. Liquid assets on hand; sale of assets
2. Loan
3. Insurance – use of ILIT
4. Deferred payment:
 - a. IRC §6166 – defer tax attributable to closely held business for up to 14 years (closely held business must exceed 35% of the adjusted gross estate); can pay interest only for 4 years and then amortize over 10 years

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- b. IRC §6161 – the IRS has discretion to grant an extension for reasonable cause (1 year deferral) or undue hardship (up to 10 year deferral); rarely used

- 5. IRC §303 Stock Redemption – corporation which is in the gross estate of a decedent can redeem stock and obtain LTCG treatment (low gain due to basis step-up) to cover estate tax, funeral and administrative expenses; value of the stock must exceed 35% of amount equal to the adjusted gross estate

C. Gift Planning

1. Use of annual exclusion: \$19,000 per person per year for gifts in 2025; or split gift by one spouse for \$38,000
2. Use of all or part of the \$13,990,000 exemption per person so husband/wife total \$27,980,000 in 2025 - shifts income and appreciation to the next generation
3. Funding of Exemption Gift:
 - a. Cash
 - b. Marketable securities
 - c. Income producing real estate
 - d. Interest in family business
 - e. Passive investment interests
 - f. Life insurance premiums for an ILIT
4. Use of discounts—marketability and minority discounts

D. Specialized Transfer Vehicles

1. Qualified Personal Residence Trust (QPRT)

- a. A primary or secondary residence is deeded to an irrevocable trust, with the grantor retaining the right to live in the residence for a specified period, such as 10 years or the death of the grantor if earlier, after which the property passes to children
- b. The gift tax value is discounted for grantor's right to use the property
- c. The QPRT operates to shift appreciation to the next generation without estate tax
- d. Requires an appraisal
- e. Can include 6 months cash for improvements, expenses and mortgage payments
- f. At the end of the term, the grantor can rent the home for FMV rent

D. Specialized Transfer Vehicles

2. Grantor Retained Annuity Trust (GRAT) or Unitrust (GRUT)
 - a. Appreciating assets are transferred to an irrevocable trust, and the grantor receives in exchange an annuity payment (in a GRAT) or a percentage of the trusts assets determined annually (GRUT) for a stated number of years (usually 2-10 years); the annual annuity payment may increase up to 20% per year thereby allowing lower payments in the early years
 - b. The annuity payment is established under IRC § 7520, which is an interest rate set by the IRS based on then-current interest rates and effectively operates as the hurdle rate; and, if the trust is funded with S Corporation stock, the payment period may need to be extended to have adequate cash flow from the stock

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- c. The objective is to transfer assets to the trust which will appreciate at a rate higher than the hurdle rate
- d. At the termination of the stated number of years, the trust terminates and the remaining assets pass to the beneficiaries, presumably the grantor's children and/or grandchildren; as such, appreciation passes to the younger generation without federal estate tax or use of the exemption
- e. If the grantor dies during the term of the trust, most or all of the assets are included in the grantor's gross estate; accordingly, GRATs and GRUTS usually involve a shorter term such as 2-4 years
- f. In light of the relatively short term, often "rolling GRATs" are used; that is, short term GRATs or GRUTS which, upon termination, are rolled into another short term GRAT or GRUT

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- g. The assets to select to transfer to a GRAT are rapidly appreciating assets, such as a family business interests, highly appreciating real estate, pre-IPO stock, etc.; if the asset appreciates at a lower rate than the §7520 hurdle rate, then the technique fails to achieve its purpose
- h. A GRAT is a grantor trust and therefore taxable income is reportable to the grantor which effectively allows a tax-free gift to the beneficiaries
- h. The assets in the trust can be exchanged during the term if the need arises, thereby adding flexibility and planning opportunities
- i. An independent trustee is advisable

D. Specialized Transfer Vehicles

3. Intentionally Defective Grantor Trust(IDGT)

- a. Appreciating assets are gifted or sold to an irrevocable grantor trust; the goal is to shift future appreciate of the assets to the next generation without incurring estate or gift tax
- b. The typical structure is to initially gift assets to the trust (will utilize the grantor's gift tax exclusion) and then sell appreciating assets to the trust for an installment note, often a 10-year term at the AFR rate; the funding gift must be 10%-15% of the amount of the installment note so there is capacity of the trust to service the note in addition to cash flow from the transferred assets
- c. Because the trust is a grantor trust, no gain is recognized on the sale of assets

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- d. The assets to sell to the trust are usually rapidly appreciating property (which includes stock in an “S” corporation) which will appreciate at a rate greater than the rate on the installment note; and, the assets are usually income producing sufficient to service the note
- e. The funding gift may be cash, marketable securities or interest in the asset to be sold to the trust (for example, stock of a closely held business)
- f. The technique requires an appraisal of the assets to be gifted and sold; if a closely held business is used, additional leverage is obtained by using discounts to the valuation
- g. The grantor will report all taxable income of the trust, which effectively allows for tax free gifts to the beneficiaries

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- h. At the death of the grantor while the installment note remains unpaid, only the unpaid balance (and earlier payments which were not consumed) are included in the gross estate
- i. The grantor can substitute assets in the trust, thereby adding flexibility and planning opportunities
- j. It is important to note that the beneficiaries will ultimately receive the trust assets with the grantor's basis, so consideration must be given to the impact of losing the step-up in basis
- k. To make the trust "defective" for income tax purposes, the trust should include the grantor's power to substitute assets, grantor's power to borrow without arms-length interest or collateral, grantor's power to change beneficiaries or the shares they receive, and certain other powers
- l. An independent trustee is advisable

D. Specialized Transfer Vehicles

4. Spousal Lifetime Access Trust (SLAT)

- a. Appreciating assets (which can include “S” Corporation stock) are transferred to an irrevocable grantor trust for the benefit of his/her spouse and/or children and grandchildren. The spouse can receive income or principal during life for his/her health, education, maintenance and support in the spouse’s accustomed manner of living (of course, the grantor receives an indirect benefit from the spouse’s receipt of trust funds)
- b. At the spouse’s death, the remaining trust assets pass to the children and/or grandchildren; in this way, appreciation of the assets during the term of the trust pass to the younger generation free of estate or gift tax
- c. Of course, the concept is that the spouse will not exercise his/her right to access any funds to avoid increasing his/her gross estate

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- d. As a grantor trust, the grantor reports the taxable income of the trust which is effectively a tax-free gift to the beneficiaries
- e. The assets transferred to the trust must be separately owned by the grantor, for example, the asset cannot be JTWRROS with the spouse or community property
- f. Consideration should be given to the life expectancy of the spouse and the strength of the marriage; that is, in case of death or divorce, the grantor loses his/her indirect benefit of the spouse's interest
- g. The beneficiaries will ultimately receive the assets with the grantor's basis so consideration must be given to the impact of the loss of the step-up in basis

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- h. Usually an independent trustee is advisable
- i. Husband and wife can establish SLATs but must contain materially different terms or the IRS may challenge under the “reciprocal trust doctrine” and assert that the trust assets are includable in the grantors’ gross estate
- j. Possibly use a “creeping SLAT”, that is, the grantor makes regular periodic gifts to the SLAT to remove the gifted assets from grantor’s creditor’s claims

E. Charitable Trusts

1. Gifts to charity at death are deductible against estate tax; accordingly, some donors zero out the estate tax through large charitable donations contained in their wills or trusts

2. Charitable Remainder Trust
 - a. Assets (not including “S” corporation stock) are transferred to an irrevocable trust which provides for income to the grantor (or grantor’s beneficiary, such as a child) for a period of years (lifetime or maximum of 20 years), after which the asset passes to the charity

 - b. The donor receives an up-front income tax deduction for the present value of the remainder interest which passes to the charity; the amount of the deduction depends on the term of the trust, type of trust, income payments and IRS interest rates

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- c. The donor removes the asset from his/her gross estate
- d. No capital gain tax is payable if the trust sells the asset; accordingly, an appreciated asset donated to the trust can be sold without resulting income taxes and the proceeds used to pay the income interest to the donor
- e. There are two types of CRTs: an Annuity Trust pays a fixed amount to the donor every year; a Unitrust pays a variable amount to the donor as a percentage of the then-current value of the trust assets

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- f. The CRT can be used with a divorce settlement; that is, the income interest is granted to the spouse and its not a gift due to the spouse deduction
- g. Requires an appraisal of the assets gifted to the trust

E. Charitable Trusts

3. Charitable Lead Trust

- a. Assets are transferred to an irrevocable trust which provides income to a charity for a period of time (stated number of years or the life of a person) after which the trust terminates and distributes the remaining assets to donor's beneficiaries (children and/or grandchildren). This trust is the inverse of a Charitable Remainder Trust and less common
- b. The donor receives an up-front deduction for the present value of the income stream to the charity; the amount depends on the term of the charitable income interest, type of trust and the IRS interest rates
- c. The donor effectively removes the donated assets from his/her gross estate so consideration must be given to the loss of the step-up in basis

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- d. The gift may consist of cash, marketable securities, real estate or other assets, but the donated asset must be able to fund the payments to the charity
- e. The trust usually is irrevocable and usually a grantor trust (a non-grantor trust can be used, but the donor loses the up-front deduction)
- f. There are two types of CLTs: an Annuity Trust pays a fixed amount to the donor every year; a Unitrust pays a variable amount to the donor as a percentage of the then-current value of the trust assets
- g. The CLT can be used with a divorce settlement in the same way as the CRT discussed above

F. Special Trust Considerations

1. Generation-Skipping Trust

- a. Trusts which provide for gifts which either skip a generation (such as a direct gift to a grandchild) or provide for gifts to successive generations (such as a gift to grantor's child for life, then the remainder to grandchildren). There is a GST tax exemption in 2025 equal to the estate tax exemption of \$13.99M per person, or \$27.98M for a married couple
- b. The GST exemption amount adjusts annually for inflation (same as the gift tax and estate tax exemptions) and the tax rate is 40% (same as gift and estate tax)

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- c. Usually the GST trust pays income to the child for life, then the remainder passes to the grandchildren
- d. Generally provides protection from claims of creditors against the beneficiary
- e. An independent trustee is recommended

F. Special Trust Considerations

2. Dynasty Trust

- a. An irrevocable trust to allow funds to transfer to multiple generations without triggering estate or gift taxes, such as a trust which at grantor's death provides for the grantor's children as beneficiaries (income and principal) for life, then to the grandchildren for their lives, and successive generations; as such, the dynasty trust operates like an extended generation skipping trust

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- b. The transfer for multiple generations requires that the state has repealed the “rule against perpetuities” or allows a grantor to “opt out” of the application of the rule (Nebraska allows for the “opt out” but the rule remains effective in Iowa, and South Dakota has repealed the rule although a court may allow modification to an existing trust to eliminate the rule), so the duration is effectively unlimited
- c. Usually organized and funded to use the entire GST exemption and gift tax exemption to allow the maximum permitted amount to pass inter-generationally without estate tax or GST tax

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- d. A dynasty arrangement is often included in traditional family trusts, IDGTs, GRATs and ILITs
- e. Dynasty trusts are often funded with life insurance proceeds, growth stocks, real estate and muni bonds
- f. Any undistributed taxable income is taxed to the trust at its rate which rises to the top 37% rate very quickly; as such, there is a tax incentive for the trust to distribute earnings to beneficiaries on a regular basis
- g. An independent trustee is advisable
- h. The trust assets which pass intergenerationally do not receive a step-up basis at the death of the beneficiaries

F. Special Trust Considerations

3. South Dakota Trusts

- a. Starting in 1983, South Dakota adopted a series of trust statutes to provide substantial benefits and planning opportunities to trusts administered under its laws
- b. Broad powers are granted to trust protectors, including the power to amend the trust to account for changing tax laws, modify the interest of a beneficiary, add or remove a beneficiary, remove and appoint a trustee, create investment or distribution committee members, terminate the trust, interpret the trust and certain other powers
- c. The state statutes provide for the creation of Special Purpose Entities (SPE) to house the trust protector and investment and distribution members, thereby providing additional protection for such members

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- d. There is a streamlined process to modify South Dakota trusts
- e. There is enhanced privacy protection for trust matters involving the courts (court files are non-public)
- f. The trust may restrict or eliminate notice to the beneficiaries of their interest in the trust or the right to trust information to enhance privacy
- g. There is enhanced asset-protection statutes to protect the assets from claims of creditors

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- h. Neither the grantor nor the beneficiaries are required to be South Dakota residents; the only requirement is that the trustee be a South Dakota resident and the trust document provide that it is governed by South Dakota law
- i. There is no South Dakota income tax on the trust assets

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- j. The statutes allow for a “Directed Trust”, which separates the trust administrative functions (tax and beneficiary reporting, distributions and generally administering the trust) from the investment functions, such that a separate investment advisor can manage all investments, while the administrative trustee handles the other administrative functions. The trust may appoint a trust advisor or investment committee to identify the investment advisor to manage the trust’s assets rather than relying on the administrative trustee to manage investments; investment committee members may be family members of the grantor thereby allowing favored investment managers to manage the trust’s investments. This is similar to the Directed Trusts in Nebraska, which will be addressed later

F. Special Trust Considerations

4. Trust Protectors

- a. Trust protectors which are often used in irrevocable trusts are appointed to generally assure the trust's purposes are effectuated, review the trustee's administrative and investment activities, and operate as a "check" on the administration of the trust
- b. The trust document (and sometimes applicable state statutes) will identify the specific powers of the trust protectors, which often include the power to remove the trustee, appoint a successor trustee, veto trustee actions, amend the trust to account for tax law changes, modify the beneficiaries' interests, resolve issues between the trustee and beneficiaries, and terminate the trust
- c. The trust can provide whether the trust protector is a fiduciary or not a fiduciary but only in limited circumstances (to achieve grantor's tax purposes or correct mistakes to conform the trust to the grantor's intent)

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- d. The trust protector is used to provide oversight and the ability to modify irrevocable trusts without the uncertainty, delay and expense of a court hearing
- e. Often the trust protector is an attorney, CPA or other trusted professional who has substantial knowledge of the grantor's circumstances and expertise
- f. Nebraska has adopted the Uniform Directed Trust Act (30-4301) which governs trust protectors, or trust directors, and provides that such directors may be granted powers to direct the investment, distribution or other aspects of the trust. An investment or advisory committee is essentially the same thing as the trust director

F. Special Trust Considerations

5. Decanting the Trust (Nebraska Statute Section 30-4502)
 - a. As of November, 2020, Nebraska adopted the Uniform in Trust Decanting Act; this Act allows a trustee of a trust (revocable or irrevocable) to effectively modify a trust without court approval; the modification occurs through a process known as “decanting” which means transferring the trust assets of the original trust to a new trust containing different terms
 - b. There are two key definitions regarding the trustee’s distributive authority under the trust: (i) “limited distribution discretion”, which means the trustee’s distribution authority is limited to an ascertainable objective standard (such as “health, education, maintenance and support”), and (ii) “expanded distributive discretion”, which means the trustee’s distribution authority is not limited to the ascertainable standard

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- c. With a “limited distribution discretion”, the power to decant is somewhat limited because the new trust must grant each beneficiary of the original trust interests in the new trust which are “substantially similar” to the original trust; for example, if a beneficiary of the original trust has a disability that can qualify for governmental assistance, the new trust can create “special needs” restrictions to preserve qualification for such governmental benefits

- d. With an “expanded distribution discretion”, the trustee’s ability to modify the terms of the trust through decanting is very broad, other than (i) adding a new current beneficiary to the new trust, (ii) adding remainder or successor beneficiaries to the new trust, and (iii) reducing or eliminating a vested interest or an interest which is certain to vest. For example, the decanting process can eliminate current beneficiaries, change non-vested rights, extend the term of the trust, add trust protectors/directors and investment advisors and change distribution standards

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- e. The procedure, without court approval, is that the trustee must give 60 days' notice to all interested parties, including co-trustees, beneficiaries, holders of powers of appointment, trust protectors and investment advisors; the notice must include certain specific items, including the original trust and the new trust
- f. If desired, the Trustee can elect to use a court procedure to obtain approval of a proposed decanting
- g. The parties affected by the proposed modifications can challenge the decanting in court and seek to modify or stop the proposed changes

G. Integrated Succession and Estate Planning

1. In situations in which the parents own a business of considerable value, and which business is a major part of their net worth, it is important to integrate the business succession plan with their estate plan. Although closely-held businesses with unrelated owners present similar issues, the owners usually have a buy-sell arrangement to purchase the interest of a deceased owner rather than allowing the decedent's interest to pass to his or her family members

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2. Business succession planning usually calls for a thoughtful process of evaluating the children's skill sets, talents, work ethic and desire to run the business; the required objectivity can lead to difficult decisions for the parents; for example, we have been involved in situations where, despite the parents' desire to have their children take over the business, they conclude that none of their children have the ability or desire to do so, or, the children do not get along, or none of the children want to be involved in the company or other multiple factors making the children inappropriate to take over the business
3. If succession planning for the family business is not clearly addressed as part of the estate planning process, it could result in substantial tax cost, as discussed below
4. The structure of the business succession plan substantially impacts the estate and gifting plan, so the question becomes, what is the structure of the succession plan and how will it drive the overall estate plan?

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5. If Scenario #1: None of the children are qualified and/or interested in taking over the business, so the parents decide that it should be sold in the event of their death
 - a. Gifting: Parents keep the business to get the basis step-up at death to minimize income taxes on the sale, and gift other assets to children
 - b. Liquidity: Because the business is to be sold, liquidity should not be a problem (sale proceeds should cover estate tax liability)
 - c. Risks: One important risk is that the business may need to be sold at an inappropriate time, such as poor industry conditions, high interest rates, slow economy, etc.

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6. If Scenario #2: One or more children are identified and willing to take over the business upon the parents' death
 - a. Gifting: Gifting interests in the business to the children via direct gifts, IDGTs and GRATs should be carefully considered to shift appreciation to the children
 - b. Liquidity: The payment of the federal estate tax may become problematic if the business is a large portion of the value of the gross estate; the liquidity planning may include life insurance in an ILIT, the sale of parents' non-business assets, borrowing by the estate, IRC § 6166 installment payments or IRC § 303 stock redemption

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- c. Ownership Interests: Passing of the ownership interests (capital stock or LLC units) of the business must be considered, such as whether the children will receive equal shares, whether the voting control will pass to the children who are involved in the business, composition of the board of directors, dividend policies to benefit children who don't work in the business; authority to sell or merge the business, any protective provisions for the children who don't work in the business and other issues
- d. Non-tax matters: Of course, concurrent with the succession and estate planning, it will be necessary to groom, educate, train and empower the identified future leader(s); also, arrangements with customers, vendors, lenders, bonding companies, parents' personal guarantees and change of control provisions in key agreements
- e. Risks: The risks include death or disability of the child-leader, infighting among the children, disruption of relationship with vendors, customers, employees and lenders

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7. If Scenario #3: A non-family key executive of the business may be identified as the best future leader of the business with the children continuing as primary owners of the business

- a. Gifting: Gifting interests in the business to the children via direct gifts, IDGTs and GRATS (and consideration of a SLAT) should be carefully considered to shift appreciation to the children
- b. Liquidity: Federal estate tax liabilities will need to be funded so consideration should be given to an ILIT, sale of non-business assets, borrowing, § 6166 installment plan, and IRC § 303 redemption

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- c. Ownership Interests: Consideration should be given to a plan to bring the unrelated future leader of the company into ownership (such as a voting or non-voting stock purchase or bonus plan for the executive) and the manner in which the children will own the majority of the stock, whether the stock is equally owned by all the children, opportunities for the children to work in the business, composition of the board (potentially including the key executive, children and independent directors), buy-sell arrangements, protective provisions for the children, authority to sell or merge the business and other issues, etc.

- d. Non-tax matters: Grooming the key executive to lead the business, communication and setting expectations among the executive and the family, working with lenders, bonding companies, key customers and vendors, outstanding personal guarantees of the parents, change of control issues in key agreements, risk of death or disability of the key executive

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8. If Scenario #4: Sale of a minority or majority interest to a private equity group or similar investor
 - a. Gifting: Gifting interests in the business to the children by direct gifts, IDGTs and GRATs (and consideration of a SLAT) should be carefully considered to shift appreciation to the children; however, the parents would retain an interest (majority or minority) to sell to the private equity investor (if sold at death, there is very little taxable gain due to the basis step-up)
 - b. Liquidity: The sale of an interest to the private equity group may cover the estate tax liability and can be supplemented with an ILIT or sale of assets

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- c. Ownership Interests: The private equity investor likely requires a special preferential ownership interest so gifts by parents will likely be affected; still, the parents will need to consider the voting power and economic interests to be provided to children working and not working in the business
- d. Non-tax matters: The private equity group may accept one of the children as CEO or may expect to bring its own CEO; if one or more of the children are suitable to run the company, they should be groomed and in place as the CEO when the sale to the private equity firm occurs

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9. If Scenario #5: Use a public company model in which the shareholders (the children) elect the board and the board elects the CEO and the shareholders, directors and officers work together at arms-length
 - a. Gifting: Gifting interests in the business to the children via direct gifts, IDGTs and GRATS (and consideration of a SLAT) should be carefully considered to shift appreciation to the children
 - b. Liquidity: Federal estate tax liabilities will need to be funded so consideration should be given to an ILIT, sale of non-business assets, borrowing, § 6166 installment plan, and IRC § 303 redemption

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- c. Consideration should be given to a plan to bring the future leader of the company into ownership (such as a voting or non-voting stock purchase or bonus plan for the executive) and the manner in which the children will own the majority of the stock, whether the stock is equally owned by all the children, opportunities for the children to work in the business, composition of the board (potentially including the key executive, children and independent directors), buy-sell arrangements, protective provisions for the children, authority to sell or merge the business and related issues, etc.
- d. Non-tax matters: In this model, the shareholders, directors and officers participate on an arms-length basis without preferential treatment for family members. For example, any family member desiring to work for the business must apply, interview and perform like other employees. The board may not be controlled by the children; for example, one approach would be that the children elect two directors, the CEO serves as a director, and the parties select two independent directors

H. Conclusions

While the federal estate tax on wealthy formulas can be substantial, there are numerous techniques to manage, minimize and even eliminate the tax liability. The techniques can be complicated and a careful coordinated effort among all of family's financial, legal and accounting advisors is imperative. It is always the case that an earlier start is better; while significant progress can be made in the parties' last years, starting in their 40's and 50's will make a major difference. Lastly, the importance of focusing on an integration of succession planning for valuable family companies in the estate planning process is critical

I. Putting It Together

Assume father and mother own all of the capital stock of Mfgco, Inc., a corporation engaged in manufacturing steel components for cars, boats and motorcycles. They have three children, a son (age 32), and two daughters (ages 27 and 24). The son works in the business, but has considered leaving to form a software start-up. The older daughter also works in the business and professes to desire to remain with the company long term. The younger daughter wants to be an artist and has no interest in the company. The parties' personal financial statement contains:

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Mfgco., Inc.	\$100M
Rental Real Estate	\$ 30M
Marketable Securities	\$ 20M
Residence	\$ 3M
Vacation Home	\$ 3M
401(k)	<u>\$ 5M</u>
TOTAL	\$161M

Plus \$30M insurance policy owned in ILIT

The potential federal estate tax exposure is approximately \$53M. After consulting with their financial advisors, the parents determined that a succession plan for Mfgco., Inc. is:

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1. The children are not suitable or motivated to run their company, so they will plan that the company is to be sold when they die; the advisors recommended:
 - Gift up to the full exemption amount, funded with the rental real estate and the balance with marketable securities
 - Transfer the vacation home to a QPRT
 - Consider a gift/sale of the real estate to an IDGT if the parents wish to retain some cash flow from payments on the installment note from the sale to the IDGT
 - Parents retain the stock of Mfgco., Inc. to get the step-up in basis at death so little taxable gain on sale
 - The Mfgco., Inc. sale proceeds and life insurance in the ILIT will cover all estate tax liability

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2. The older daughter is identified as the future CEO for Mfgco., Inc, with the son as a back-up and senior executive; the advisors recommended:
 - Create non-voting stock through 1-1 stock dividend; then sell and gift a substantial block of Mfgco., Inc. non-voting stock to an IDGT for the three children in equal shares; (and consider GST or dynasty provisions)
 - Arrange for the Mfgco., Inc. voting stock to pass to the three children with the majority to the older daughter and the son, and use other assets to equalize the shares among the three children
 - Create a board which includes children then working in the business, plus sufficient number of independent directors to allow the independent directors to have majority
 - Adopt a board policy that any family members working in the company will be treated on an arms-length basis and a dividend policy such that children who do not work in the business will realize a return on the stock
 - To fund estate taxes, the plan is to use the life insurance proceeds and sell a mix of rental real estate and marketable securities