



## SSG COMPANIES

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# The Wealth Plan

for

**Mr. and Mrs. Sample Client**



# SSG FINANCIAL GROUP

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April 8, 2015

Mr. and Mrs. Sample Client  
Big Time Productions, Inc.  
123 Smart Money Street  
Shreveport, LA 71107


Dear Sample Client:

We are very pleased to present you with this initial draft of your Wealth Plan. This plan represents the culmination of several weeks of comprehensive analysis of your current financial situation. In addition, numerous planning meetings took place with your other financial advisors. We reviewed a variety of strategies which we felt could assist you with achieving the goals and objectives outlined in your Family Financial Philosophy.

The strategies which we are recommending are interrelated. As such, any deviation in the implementation should be carefully evaluated since it may alter the results that we intend to achieve. It is also important to note that the projections in your plan reflect our best estimates and do not represent a guarantee of future results.

We want to emphasize that the strategies were designed with your current specific goals in mind. However, the planning process is not static. Thus, we should meet annually to review your financial status and the effectiveness of your financial plan during the coming years. You may also develop additional financial goals for which we may provide assistance. We thank you for selecting us to help you with your current financial and estate planning strategies and look forward to a continuing relationship even after the implementation of this plan.

Sincerely,  
SSG FINANCIAL GROUP



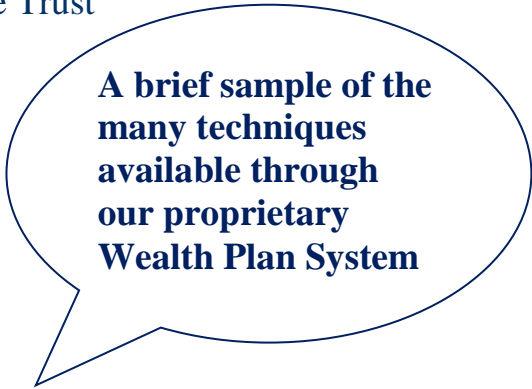
John G. Griffin, CLU  
Chartered Financial Consultant

JG:rel  
Enclosure

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**A brief sample of the many techniques available through our proprietary Wealth Plan System**

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# **Wealth Plan Solutions**

## WEALTH PLAN SOLUTIONS

Any effective wealth transfer plan needs to utilize strategies out of the main strategy groups used in this area:

- Valuation discounting;
- Freeze techniques;
- Reduction techniques;
- Charitable planning;

The valuation discounting techniques perform the concept of reorganizing the balance sheet of the client in such a manner that the assets can be discounted significantly due to the reorganization. The strategies which are often used in this area are:

- Family Limited Partnerships;
- Recapitalization of S Corporations;
- Recapitalization of C Corporations;

In each of these reorganizations, we utilize a business entity which provides us some means of discounting the market value of the assets which are inside the entity. By losing some aspect of ownership which revolves around management control, marketability and overall liquidity, we are able to significantly discount the market value of the assets inside the unit.

The freeze techniques are used to modify the type of asset that is held in the client's personal balance sheet by substituting an asset which will not appreciate for one which does not reflect well appreciate significantly. The point of this is to move appreciation of those assets outside the taxable estate of the client. This is done primarily through a current use of the unified credit for a sales transaction to a grantor trust which in effect moves the appreciation of the assets sold or gifted outside the taxable state of the client. The remaining balance which has been left in the personal balance sheet of the client is not frozen.

From that point we move to the reduction techniques which include:

- Annual leveraged gift giving;
- Reduction of the personal estate through income tax liabilities;

By using a coordination of all of these various strategies in the estate plan of the client, we can project what the overall taxable estate of the client will be out towards life expectancy. Once we have made a determination as to what the main taxable estate of the client will be out at life expectancy, we can then illustrate how a charitable bequest at that point in time could be used to zero out the taxable estate of the client.

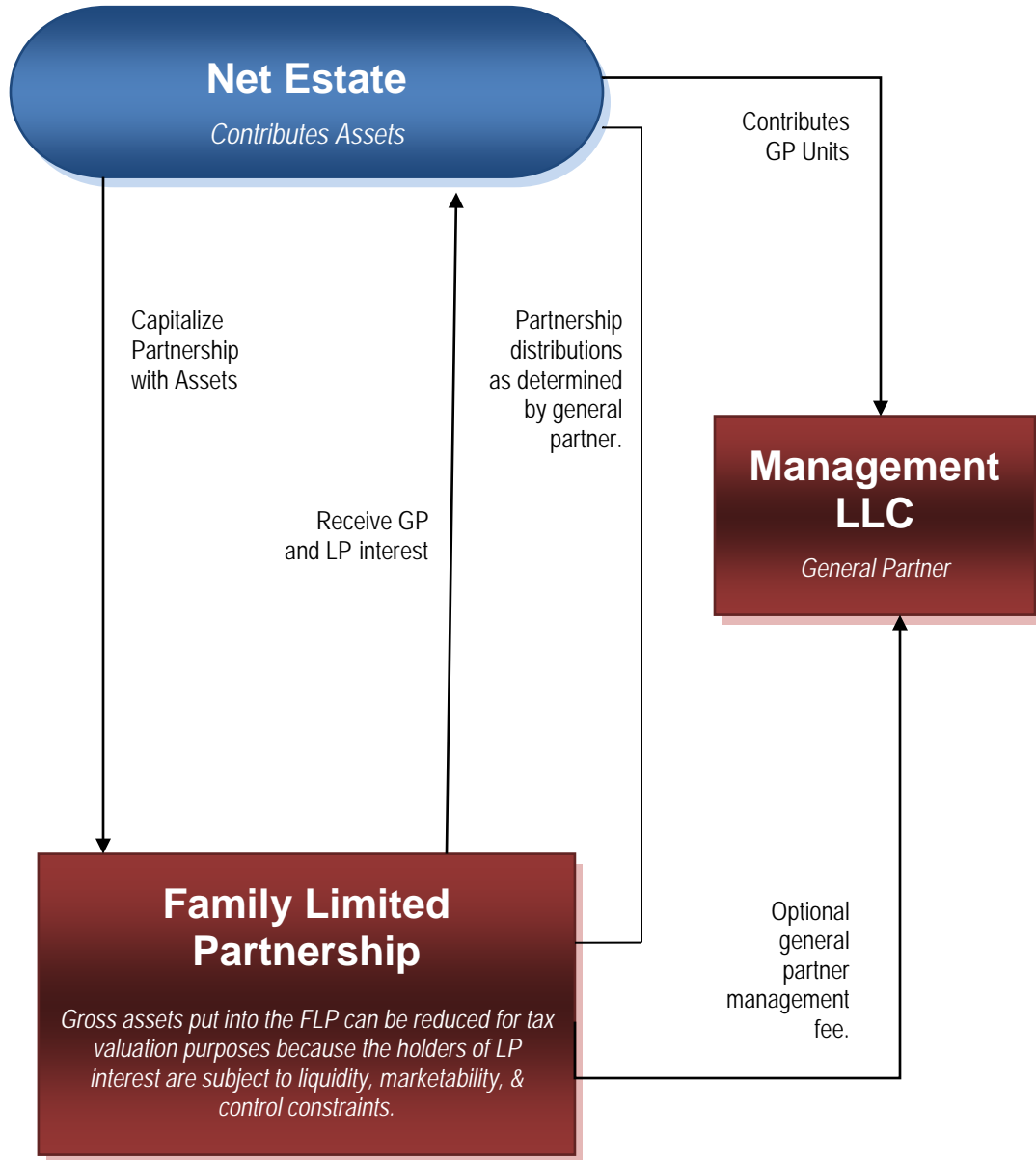
Additional leverage can be impacted by the use of life insurance as a means of funding the charitable bequest to do a loan or purchase of assets in the estate of the client. By utilizing the income and estate tax-free nature of the life insurance proceeds, which will typically utilize a four to one leverage cash on cash, we are able to leverage this further by making the life insurance available to purchase or loan money to the estate of the client on a tax-free basis. Thus we have used a tax-free asset to produce a tax deduction.

Thus we have provided the client the means of producing a zero out tax plan.

# **The Family Limited Partnership**

Family Limited Partnership

Mr. Sample Client - April 2015





**DISCUSSION POINTS**

Create a Family Limited Partnership (“FLP”) with Limited Partnership (“LP”) and General Partnership (“GP”) Interests.

- The Family Limited Partnership is a business entity which gives you, the general partner(s), the ability to give away assets and reduce the size of your estate while retaining control over those assets.
- Holders of Limited Partnership units have limited liability and no participation in investment or distribution decisions. Because of these limitations, limited partnership units are appraised and valued at a discount.
- Under IRC 721, no gain or loss is recognized when assets are transferred to a partnership.
- Because the Family Limited Partnership is a flow-through type of organization, tax liabilities incurred by the partnership are distributed equally to all limited partnership shareholders.
- Distributions of income or capital assets which you declare must be distributed equally to all shareholders.
- Because the assets represented by limited partnership units are discounted, gifts of LP units result in a gift and/or estate tax discount.
- The IRS has taken the position that FLPs cannot have tax-avoidance as one of your primary motivations. Thus, your partnership details may be audited to determine the appropriateness of the discount being used. The result of an audit would do no more than lower the partnership discount allowable for the partnership interests.

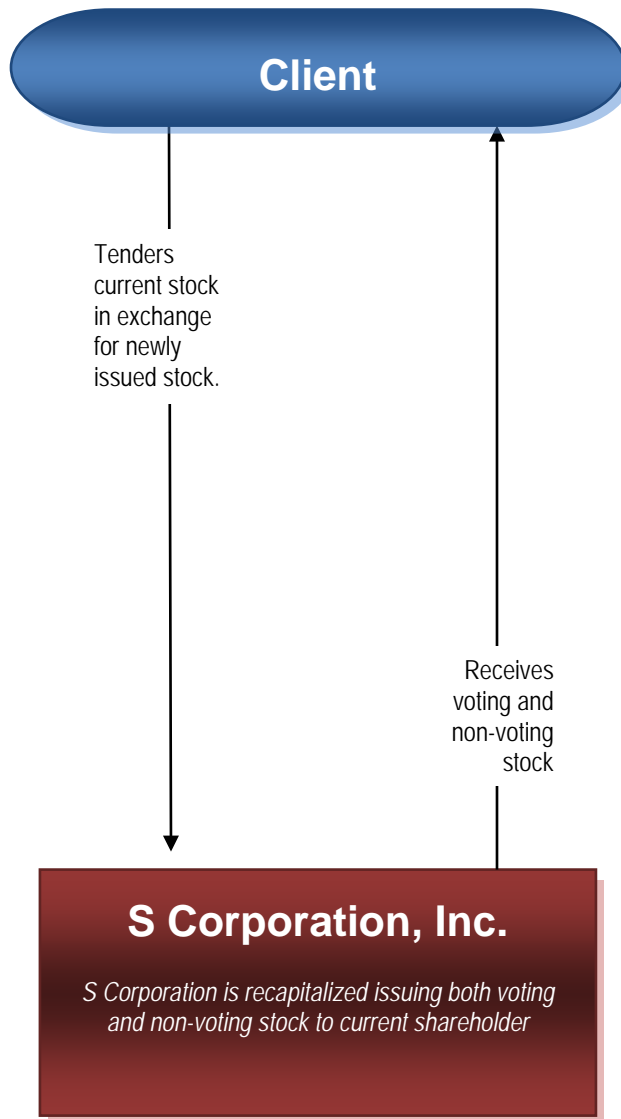
In addition to the many business reasons to create a Family Limited Partnership (“FLP”), there is one estate planning reason that is extremely worthwhile for using an FLP – the ability to give assets away and reduce the size of your estate while still maintaining control over the assets. Almost all of the people who ultimately make the decision to utilize an FLP do so in order to make gifts to their children and grandchildren without giving up any control over the management of the assets held by the FLP. In short, this strategy enhances management efficiency and preserves control in a systematic gift-giving program.

***Only the first page of the comprehensive analysis has been provided as a sample.***

# **Stock Recapitalization of S Corporation**

Stock Recapitalization of S Corporation

Mr. Sample Client - April 2015



**Stock Recapitalization of S Corporation**

**Mr. Sample Client - April 2015**

**DISCUSSION POINTS**

- In order to remove much of the asset appreciation from your taxable estate, it will be necessary to remove a portion of the value of the stock that you hold in an S Corporation from your taxable estate.
- In order to maintain management control over the S Corporation, it will be necessary to recapitalize the corporation with voting and non-voting shares of stock.
- Once the recapitalization has been done, and then the non-voting shares of stock can be transferred to family members or to the trusts which they are the beneficiaries. Thus, the corporation will be maintained within the “family.”

**DESCRIPTION**

Ordinarily, of course, a corporate distribution of property to a shareholder with respect to the corporation’s stock is taxed under Section 301(c). Section 305(a) provides an exception to the taxation of distributions to shareholders under Section 301(c): gross income does not include the amount of any distribution of the stock of a corporation made by the corporation to its shareholders with respect to its stock. Section 305(b) eliminates the exclusion from gross income contained in Section 305(a) for distributions of stock that meet the requirements of paragraph (1), (2), (3), (4) or (5) of Section 305(b).

Section 305(b)(1) applies to distributions payable, at the election of any shareholders, either in stock or property. Section 305(b)(2) applies to disproportionate distributions in which the distribution has the effect of the receipt of property by some shareholders and an increase in the proportionate interests of other shareholders in the assets or earnings and profits of the corporation. Section 305(b)(3) applies to the receipt of preferred stock by some common shareholders and the receipt of common stock by other common shareholders. Section 305(b)(4) applies to distributions with respect to preferred stock. Section 305(b)(5) applies to a distribution of convertible preferred stock that have the effect of distributions described in section 305(b)(2).

Of course, an actual distribution of stock is not always necessary for a transaction to be taxed as a distribution of property under section 301. Section 305(c) can treat certain described circumstances as a deemed distribution of stock. A change in conversion ratio, a change in redemption price, a difference between redemption price and issue price (i.e., a redemption premium), a redemption treated as a distribution to which section 301 applies, or a change in conversion ratio (i.e., a redemption premium) has a similar effect on

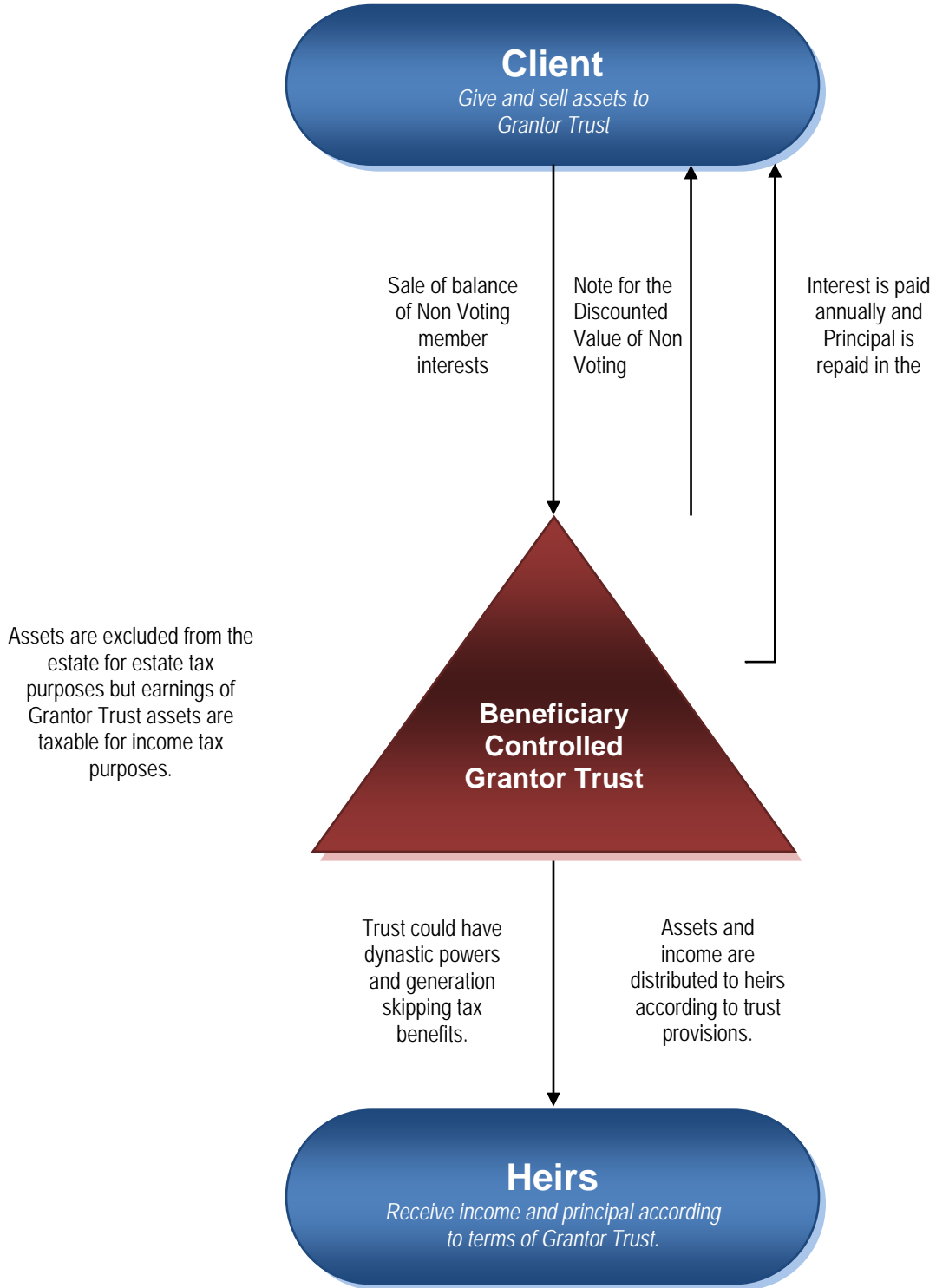
***Only the first page of the comprehensive analysis has been provided as a sample.***

**Beneficiary Controlled Grantor Trust  
Used with Sales Transaction**

**The Wealth Plan**

**The Beneficiary Grantor Trust Used with a Gift/Sales Transaction**

**Mr. Sample Client - April 2015**



**DISCUSSION POINTS**

**SELL LP UNITS OR NONVOTING STOCK TO A BENEFICIARY CONTROLLED GRANTOR TRUST VIA INSTALLMENT NOTE REQUIRING INTEREST ONLY PAYMENTS**

- The Grantor Trust provides your heirs with a low cost means of acquiring assets from your estate through an installment sale.
- Since the trust is a “grantor” trust, income tax liability reverts to you. In effect, you are paying the taxes on earnings which will pass to your heirs. This tax payment, however, can be viewed as an outright gift to your heirs without gift tax consequences.
- The trust pays you interest on the note. The trust obtains cash to pay this amount from distributions from the limited partnership units, which you declare.
- Since you are the General Partner(s) of the limited partnership, you remain in total control of the assets represented by the FLP units held by the Grantor Trust.
- In a similar fashion, by selling the nonvoting S corporation stock to the trust, you will continue to control the corporation by remaining in control of the voting stock.
- In order to provide that the transaction has economic viability, you should either have the Settlor of the Trust (or Trustmaker) contribute an adequate amount of assets to the trust or a Note Guarantor will need to be used to provide the necessary collateral position to provide what many practitioners call “coverage.”
- The note may also create income in respect of decedent (IRD) in your estate, generating an income tax liability. This is another reason the installment note should be paid off either during life or with life insurance proceeds at death. Alternatively, you can leave the note to your family foundation to avoid the income tax liability.

Selling property on an installment basis to a Grantor Trust is a unique and effective estate freezing technique. In certain circumstances, incorporating this installment sale strategy into an individual’s estate plan proves to be a superior alternative to transactions that traditionally involved Grantor Trusts.

**BACK** *Only the first page of the comprehensive analysis has been provided as a sample.*

# **Leveraged Annual Gifting to Trusts for Children and Grandchildren**



## The Wealth Plan

# Leveraged Annual Gifting to Trusts for Children and Grandchildren

Mr. Sample Client - April 2015

### DISCUSSION POINTS

#### MAKE GIFTS TO A TRUST TO PROVIDE FUNDS FOR HIGHER EDUCATION AND OTHER WORTHWHILE PURPOSES

- You can each give up the annual gift exclusion per year to as many donees or persons as you wish without gift tax implications.
- If you give more than this, you will use a portion of your lifetime exemptions to shelter the tax on the gifts.
- The trust must be designed with separate shares for each grandchild in order to qualify for annual gift and generation skipping tax exemptions.
- To make sure that the gifts qualify for the annual gift tax exclusion, you should give each child the right to spend the money or leave the funds in the trust. The Crummey court opinion has established a proper methodology for giving children appropriate control over the trust contributions to take advantage of this exclusion.
- You should not serve as trustee of this trust to be sure the assets are excluded from your estate. You may appoint children or another trustee.

#### HOW THE GIFT TAX WORKS

Gifts made to heirs, or any other person but your spouse, are taxable events. The IRS does, however, allow gifts up to a certain value to be made free from gift tax. The amount of gifting that will not be taxed, whether unified credit or annual gift exclusions, has undergone some changes over the years.

#### Unified Credit

Year	Exemptions
2015 and thereafter	\$5,430,000

#### Estimated Annual Gift Exclusions

Year	Exclusion
2015	\$14,000

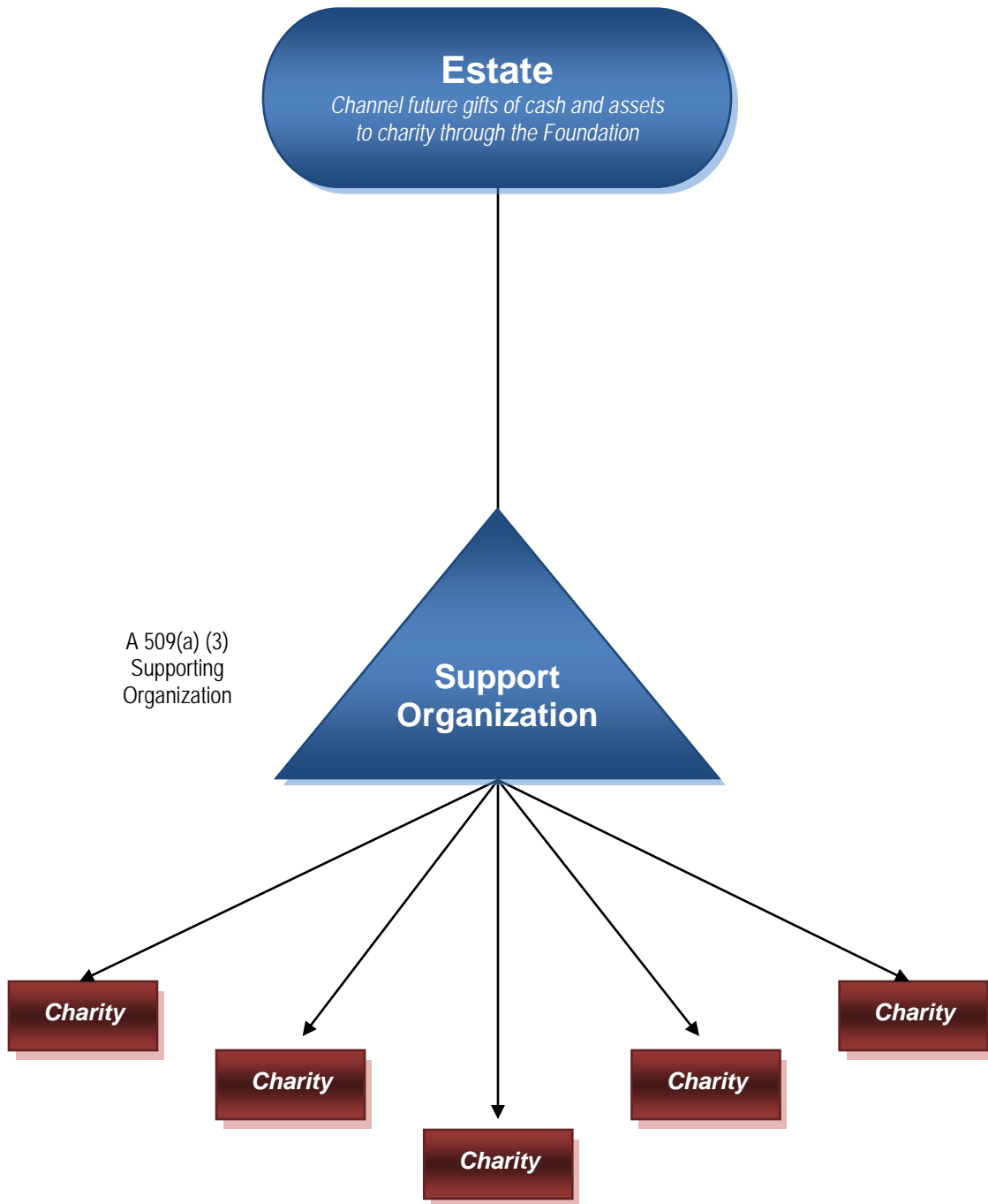
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# **Family Foundation**

**The Wealth Plan**  
**Family Foundation**

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**Mr. Sample Client - April 2015**



## **DISCUSSION POINTS**

### **ESTABLISHING A FAMILY FOUNDATION**

- Family Foundations come in many and varied types. Depending upon your circumstances and objectives, a private family foundation might provide you with the charitable organization that you need. Or, you might utilize a support organization under a public charitable trust to provide you with public charitable tax status.
  - A Type III 509(a)(3) Support Organization is known as an entrepreneurial Support Organization, and it qualifies as a public charity.
  - Contributions to your Support Organization qualify for the estate tax deduction, the gift tax charitable deduction and the income tax charitable deduction at the highest “public charity” deductibility thresholds.
  - A Support Organization enables you to influence the support of your specific charitable goals.
  - A Support Organization avoids the strict limitations of Private Foundations. For instance, there are no excise tax penalties on self-dealing, excess business holdings, jeopardy investments or taxable expenditures, and there is no flat excise tax on investments income.
  - Like a Private Foundation, a Support Organization affords its founders and their descendants the opportunity to support favorite charitable causes through grants and distributions to public charities.
  - Naming a community foundation as a supported charity permits the Support Organization to direct funds to numerous other public charities.
  - To enjoy the benefits of a Family Foundation while you are alive, you can create an inter vivos Support Organization. However, it should be funded with sufficient assets to offset its expenses and make charitable distributions significant enough to validate you and your family’s time and energy.
  - Funds contributed to the Support Organization will be invested and managed to provide growth and income sufficient to further your philanthropic goals.
  - Support Organizations must engage solely in activities which support or benefit the specified supported organization.
  - Upon creation of the Support Organization, specific charities (called “supported organizations”) must be named in the Support Organization’s governing instrument, one of which should be a “friendly” charity in order to
- Only the first page of the comprehensive analysis has been provided as a sample.***

# **The Zero Out Tax Plan**

## ZERO OUT TAX PLANNING

### DISCUSSION POINTS

- The estate and gift tax is a tax on your ability to transfer your assets whether upon death or during your lifetime.
- The estate and/or gift tax is really a voluntary tax which is levied on those who do not plan

### ESTATE AND GIFT TAX IS A TAX ON TRANSFERS

The estate and gift tax is a tax on your ability to transfer your assets and is triggered by the transfer of those assets. And to most who have accumulated significant assets, the estate and gift tax is an extremely unfair tax – you right to transfer what you have accumulated to the objects of your bounty. But another fact is that the estate and gift tax is a voluntary tax. You might ask – how is it a voluntary tax?

### LET ME ILLUSTRATE:

When we work on a planning engagement in the wealth transfer area, the distribution arrangement of our typical client looks something like this:



55%



45%



0%

They will give half of what they own to the Internal Revenue Service when they transfer their assets!

But, remember, we told you that estate and gift taxes are voluntary taxes, but they are levied if you choose to do nothing. But for those who understand that there are any number of good, sound tax strategies which can be used to significantly reduce, and sometimes eliminate estate and gift taxes!

There are some fundamentals that you must know to take advantage of the tax savings which are available to you, just for the asking.

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start your Personalized Wealth Plan**