

Plunder

Do what you want, take what you want from a Family Limited Partnership and LLC, but do it businesslike. A few families decided they would rather not follow the rules, and dipped into the till at will. The Tax Court made each family a model on how not to do things.

In one case, the father put all of his assets in the Family L.P., except for a small sum. But he wasn't worried; the financial planners assured him that he would be "taken care of financially" from the L.P. And he was.

Family members took from the L.P., too. A ranch in the L.P. never made money but still paid salaries to family members. The L.P. made loans to family members, but scheduled interest payments were either late or skipped. The L.P. paid homeowners' insurance, newspaper subscriptions, and other personal expenses. The father even looked to the L.P. to get money so he could make personal gifts.

In another case, family members were told to ignore the rules on taking money from the Family L.P.. If they had followed the documents, they could have done what they wanted; they didn't, and IRS found out.

And in one more case, the taxpayer's house went into a Family L.P. as the taxpayer didn't need it in his estate. But no rent was paid for years, so this L.P. didn't exactly look like a business.

No wonder IRS and the Tax Court called each of these Family L.P.s a sham.

What each family should have been told: *Don't* commingle Family L.P. or LLC assets with personal assets. *Don't* promise to make distributions whenever the grantor wants. *Do* have meetings and *do* minutes at least annually.

In short: operate the Family L.P. or LLC like a business. That's what IRS -- and others -- look for.

Asset protection

Estate planning

Disability planning

Post-death strategies

Business structuring

Transactions, contracts,
& other documents.

Charitable entities