LET'S TALK MONEY®
September/October 2024

Preserve Wealth with an FLP

A family limited partnership (FLP) is a business or holding company owned by two or more family members. It is designed to preserve a family's wealth and pass it from one generation to another through tax-free transfers of assets, including cash, real estate or the family business.

Partnerships

An FLP consists of two types of partners: general partners and limited partners. General partners typically own the largest share of the business and have control over asset management and decision-making. They may take a management fee from the profits. Limited partners contribute capital and have limited or no roles in daily business operations.

How to Create an FLP

Creating an FLP involves several steps:

- Choosing the family members (partners) who will manage and own FLP assets;
- Drafting a partnership agreement specifying each partner's responsibilities and ownership percentages;
- Contributing assets, including investments, real estate or business interests. The FLP then becomes the owner of the assets;
- Valuing the assets for tax purposes and establishing each partner's initial interest by employing an independent appraiser;
- Filing paperwork with the state where the FLP was established; and
- Maintaining compliance by adhering to terms of the partnership agreement and following all legal requirements.

FLP Advantages

An FLP can be an effective tool for transferring wealth to future generations, while reducing or eliminating gift and estate taxes. Individuals can gift FLP interests tax free each year, up to the annual gift-tax exclusion — currently, $18,000 or $36,000 for a married couple — to as many individuals as they choose. Assets in the FLP also gain some protection from creditors and lawsuits.

FLP Disadvantages

FLPs are costly to set up and maintain. Expenses include legal and administrative fees, maintenance costs, and the hiring of professionals to ensure compliance with complex regulations. Family disagreements over management, asset distribution and decision-making can jeopardize wealth and relationships. An FLP's limited liquidity can create problems during financial emergencies or when family members have different financial needs. There is also the risk of members incurring debt that impacts other FLP members.

Tax laws governing FLPs are complex. Families should consult a qualified tax professional, estate planning attorney and financial professional before proceeding.

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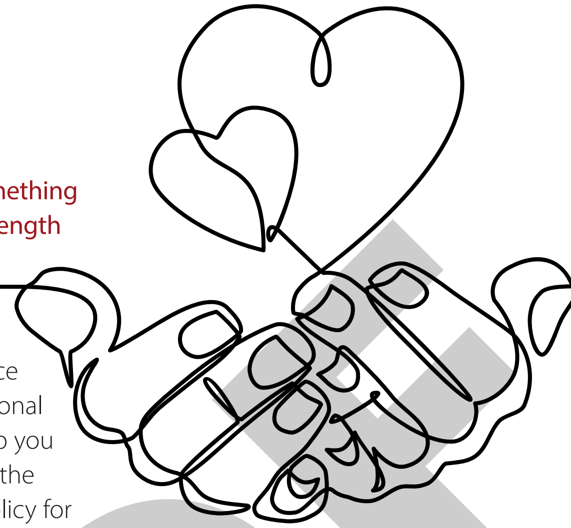
I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

LTM Client Marketing
helping financial professionals stay connected

Life Insurance: Consider Your Options



Life insurance* proceeds can provide a financial lifeline for loved ones if something were to happen to you. The type of policy you choose may depend on the length of time you'll need coverage and the policy's cost.

Term Insurance
Term insurance provides coverage for a specific period, typically 10 to 30 years, although shorter and longer terms are possible. If you die during the term, the policy pays a death benefit to your beneficiaries. A term policy has no cash value. It is less expensive than permanent insurance and may be a good choice when others depend on your income.

Permanent Insurance
Permanent insurance generally remains in effect if you continue to pay the premiums. In addition to the death benefit, the policy builds cash value over time. Permanent insurance is a good option if you want lifetime coverage, access to the policy's cash value through withdrawals or loans and are comfortable with the higher premiums.

Your insurance professional can help you choose the right policy for your circumstances.

**Applications for life insurance are subject to underwriting. No insurance coverage exists unless the required premium is paid to put an issued policy in force. Accessing cash values may reduce the death benefit and policy values, trigger tax consequences, surrender fees, and charges, and may require additional premium payments to maintain the contract. Guarantees are based on the claims-paying ability of the issuer.*

Understanding Beneficiary Designations

Your will is an important document for passing assets to loved ones when you die, but it doesn't apply to everything. Life insurance proceeds, retirement accounts, annuities and similar accounts pass through beneficiary designations and are not governed by your will.

Review Your Selections
You chose a beneficiary when you initially set up your accounts. But things can change. Divorce, death of a beneficiary or even a change in your intentions can affect your selections. Revisit your designations periodically to ensure they're up to date.

Check Old Accounts
Forgetting about 401(k) or other retirement accounts held with former employers can result in outdated beneficiary designations. Remember to include these accounts in your review.

Avoid Mistakes
Take special circumstances into account when you're naming beneficiaries. Minors will not be able to claim assets until they turn 18 or 21 (depending on the state). Individuals with special needs can lose valuable government benefits if they receive an inheritance directly. Setting up a trust to receive the assets may help in both situations.

Keep in mind that godparents are not the same as legal guardians but could be a good choice to serve as trustees.

Integrate with Estate Planning
Your financial professional can help you review your beneficiary designations as an integral part of your estate plan.

The “New” Identity Theft

As if stealing your personal information to access your bank accounts or open credit in your name isn’t enough to worry about, there’s another form of identity theft taking hold. Deed theft is a type of identity theft that targets your residence, second home or other property.

How It Happens

Thieves target a potential property — often a vacation home, second home or vacant property. Criminals forge the owner’s signature on the deed and sell the home to themselves or a third party. They then use personal information found on the Internet to assume your identity or to represent you when they record the deed with the county.

They’re Not Moving In

Once thieves have the deed to your property, they can:

- Sell your home and keep the profit
- Refinance the mortgage to cash out equity
- Open a home equity line of credit
- Illegally rent out unoccupied property

Protect Yourself

You can take steps to protect yourself and your property from deed theft.

- Monitor your credit reports for loans you didn’t take out or for other suspicious activity.
- Check for liens against your property from contractors, subcontractors or attorneys.
- Visit vacant homes periodically to make sure no one is living in them.
- Have your mail forwarded, kept at the post office or picked up by someone when you’re away from home.
- Pay close attention to mortgage, tax, water and other home-related bills.
- Check your county recorder’s office or local registry online for land records and property deeds. You may be able to set up notifications at the registry to alert you to changes.

If Something Is Amiss

Notify the register of deeds as well as law enforcement if you find evidence of deed theft or other criminal activity. Obtain a certified copy of the fraudulent document and consult an attorney.

Selling Your Home?

Homeowners who qualify may exclude up to $250,000 of gain ($500,000 for married couples) from the sale of a primary residence.

Eligibility

To be eligible for the capital gains tax exclusion, you must have owned your home and used it as your primary residence for at least two out of the last five years prior to the sale. The exclusion can be claimed once every two years. You’ll pay capital gains tax on any profits exceeding the exclusion amount, so keep accurate records of the purchase price and any improvements made to the property.

Exceptions

Because the IRS doesn’t consider certain transfers to be a gain or loss, the exclusion rules don’t apply if you’re transferring a home to a spouse or ex-spouse or the home is a factor in a separation, divorce or the death of a spouse.

Partial Exclusion

If the reason for a home sale involves a change in work location, a health issue or an unforeseeable event, the sale may qualify for a partial exclusion. Consult your tax professional for guidance.

A Decade of Home Sales

U.S. home sales are projected to pick up slightly in 2024 and 2025, following a decade low in 2023. High mortgage interest rates and high inflation are considered major factors in the current U.S. housing market.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (projected)	2025 (projected)
5.38 million	5.75 million	6.01 million	6.12 million	5.34 million	6.02 million	6.46 million	6.89 million	5.67 million	4.76 million	5.0 million	5.54 million

Source: Statista Research Department, March 14, 2024

Millennials in the Workplace

Born in years 1981 through 1996, Millennials are currently the largest group in the workforce now that Baby Boomers, with their years of experience, are retired or retiring. Employers looking to attract and retain Millennials should pay close attention to the work culture and benefits they value most.

Work Environment

Despite having a reputation for job hopping, Millennials are looking for job security and stability in a company that's poised for growth. They value having clear goals, feedback on job performance and a say in setting performance expectations. Flexible scheduling and work-from-home options are important factors in the decision to take a job or look for a new one.

Benefits

Health insurance, a retirement plan and paid time off, as well as a salary that reflects their education and skills, are what Millennials value most. The ability to customize benefits, based on a menu of offerings, may attract Millennial workers to your business. Perks, such as help with student loan repayment, can give your business an edge with Millennials who are still paying off their own student loans at the same time they're saving for their children's education.

Training Opportunities

Opportunities for improving skills are another reason for Millennials to consider your company. Apprenticeships, work-study programs and internships that integrate education and work can be powerful incentives. Consider offering tuition assistance for college or continuing education and company-sponsored programs that allow employees to earn a degree while working. Training classes in software, robotics and AI can help employees improve the skills they need for success on the job.

Retirement Planning

A 401(k) or similar tax-qualified retirement plan should be an essential piece of your benefits package. Providing retirement planning and investor education can help Millennials make informed choices about their investments. Consider offering investment alternatives, such as target-date funds, that automatically adjust percentages of stocks, bonds and cash based on an employee's anticipated retirement date. Positioning your business to attract Millennials can give you a leg up in hiring talented workers to move your company forward.

Your financial and tax professionals can help you create an attractive benefits package.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

June 10, 2024

Reference: **FR2024-0521-0101/E**

Org Id: 23568

1. Lets Talk Money September October 2024 Business
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

This year's Advertising Regulation Conference will be held on September 26-27 in Washington, D.C. For more information and to register, please view our site at: https://www.finra.org/events-training/conferences-events/2024-advertising-regulation-conference

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