

Having trouble viewing this email? [Click here](#)



www.dws-law.com

Volume 2 | Issue 5 | August 2009



FAQ's About FLP's

One of the more powerful planning tools available to families is what is referred to as a "family limited partnership." A family limited partnership (referred to as an "FLP") is nothing more than a traditional limited partnership where all of the partners are members of the same family. In a typical situation, the parents will transfer some portion of their assets into an FLP. Initially, the parents will act as both the general partners and the limited partners of the FLP. Thereafter, under the most common and simplest form, the parents will either keep the partnership interests or sell or gift partnership interests (general and/or limited) in the FLP to their children, grandchildren, or other family members.

An FLP can help families accomplish several very important objectives:

1. Asset Protection. An FLP may serve as an asset protection mechanism in the case of a lawsuit. Because the assets within a family limited partnership are not the personal property of its partners, any legal judgment against one of the partners does not include the assets held by the FLP. In Texas, creditors are only able to obtain rights against any distributions (if any) made by the FLP to the affected partner. This acts as powerful negotiating leverage with potential creditors.

2. Avoidance of State Inheritance Tax. In most jurisdictions, FLP interests are considered "intangible assets", and thus only the state in which the partner resides will be able to impose state inheritance tax on the partnership units. For families that own real estate in other states, having your FLP own the real estate may prevent you from having to pay state inheritance tax in the state where the real estate is located.

3. Reduction of Estate Tax. In certain circumstances, the value of a limited partner interest is less than its pro rata share of the partnership assets. This can be helpful, because by reducing the value of the FLP interest, the size of the parents' taxable estate at death can be significantly reduced, which in turn reduces the amount of federal estate taxes owed at the time of the parents' passing.

4. Avoidance of Extra Probate Costs. For families that own real estate in other states, having your FLP own the out of state real estate will allow you to avoid the time and expense of having to undertake an ancillary probate proceeding in another state at

Attorneys

William L. Dismuke
 J. Michael Waters, Jr.
 Michael W. Sweet
 Mathew Jacob

Quote of the Day

"Success usually comes to those who are too busy to be looking for it." -- Henry David Thoreau

Points to Ponder

In "The Power of Who!" by Bob Beaudine, the author proposes that you already know all the people you need to know to have a fruitful and purposeful life and that you can take all you've learned about

networking and throw it out.

Looking Ahead

In a business transaction where one party agrees to obtain property and/or liability insurance for the benefit of both parties, is it safe to rely upon a certificate of insurance?

the time one owner passes away.

5. Management of Family Assets. In most instances, not all family members are created equal when it comes to managing family businesses or wealth. Some family members may be more adept at understanding and managing investments opportunities, while some may have other valuable and important gifts. When this is the case, it is often helpful to have an FLP in place that can facilitate vesting decision-making authority with those who are most capable of managing the family business and investments. Not only will this protect the long-term value of these assets, but it also frequently prevents family discord.

To discuss how an FLP might benefit you and your family, please call one of the attorneys at Dismuke, Waters & Sweet, P.C.

2000 E. Lamar Blvd., Ste. 500 Arlington, TX 76006
(817) 277-2077

680 N. Carroll Avenue, Ste. 100 Southlake, TX 76092
(817) 749-0317

DISCLAIMER: The article presented in this newsletter is not a complete discussion of all legal issues. Because recommendations will vary in every situation, please request a personal legal consultation.

Copyright © 2009 Dismuke, Waters & Sweet. All Rights Reserved.

[Forward email](#)

[SafeUnsubscribe®](#)

This email was sent to jwinter@dws-law.com by jwinter@dws-law.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Dismuke, Waters & Sweet, P.C. | 2000 E. Lamar Blvd., Suite 500 | Arlington | TX | 76006