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**DO YOU NEED A FAMILY
BUSINESS ENTITY?**

Anne R. Moses

Many couples own significant real estate, a business, or securities that they want to leave to future generations so assets are maintained as a unit. This can be accomplished by creating a business entity that owns the family assets. The couple maintains control as long as they choose, and the assets are maintained in one managed fund for the long term benefit of the family. When the couple is ready to relinquish management, they can turn over control to selected family members in an orderly manner. Assets are protected from claims of individual's creditors. Because the entity is long lasting, it is flexible regarding economic changes, and provides for orderly development and management of assets. The entity also provides for interaction with and education of family members regarding asset management, and creates a fairly simple way for parents to give or sell business interests to family members.

Meet with your business succession planning attorney to discuss the options. Generally, the entity protects owners from liability for company acts, and is a pass-through entity for tax purposes, so items of income, gain, deduction and loss are passed through to individual owners based on their percentage ownership. Interests can be readily transferred, subject to the terms of the agreement in which centralized management and terms for orderly operation are set forth in writing.

A major disadvantage of some business entities is the loss of step up in basis for the portion of the underlying assets attributable to interests you give. If you retained those assets until your death rather than transferring them to the entity, the family would have a basis adjustment that would eliminate income tax on the pre-death appreciation. The pre-death appreciation, however, would be eliminated from the estate.
