

# LAWYER FOR *Life*

KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE

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## Navigating Business Succession Planning

In today's rapidly changing regulatory environment, staying informed about business requirements is essential. New rules, such as the still-evolving Corporate Transparency Act, underscore the need for proactive planning to ensure compliance and protect the future of your business. These shifts make it more critical than ever to address business succession thoughtfully, laying the groundwork for a smooth transfer of ownership.

Transitioning the ownership and leadership of a family or closely held business is one of the most critical—and complex—aspects of estate planning. Without a clear

plan, the future of the business can be jeopardized, leading to disputes, financial strain, or even the loss of the business itself.

A well-crafted succession plan ensures the continuity of the business and minimizes disruption. Start by identifying your goals: Will the business remain in the family, or will it be sold to a third party? If family members are involved, assess their interest and ability to lead. Begin planning years in advance to allow for training and a gradual transition.

A buy-sell agreement is a foundational tool in business



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# Navigating Business Succession Planning



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succession planning. It's a legally binding contract that outlines how ownership interests will be transferred in the event of retirement, death, disability, or another triggering event. This agreement provides clarity and helps avoid conflicts among owners, heirs, and other stakeholders.

Key elements include:

- **Valuation Mechanism:** Establish a fair method for determining the value of the business.
- **Funding Arrangements:** Use life insurance or other financial resources to ensure funds are available for the buyout.
- **Triggering Events:** Specify the circumstances under which the agreement takes effect.

Further, for businesses with essential employees, retaining and incentivizing key staff during a transition is vital. Consider implementing incentive plans to motivate employees to stay and support the transition, or retention agreements that provide financial or other benefits to employees who remain with the company through the transition period.

Business succession planning often involves significant tax implications. Techniques like gifting ownership interests or using valuation discounts can minimize tax liability. Trusts, such as grantor retained annuity trusts (GRATs) or intentionally defective grantor trusts (IDGTs), are also effective tools for transferring business interests while reducing estate taxes.

Additionally, estate equalization can address fairness among heirs. For instance, if one child inherits the business, others might receive assets of equivalent value to balance the distribution.

Lastly, clear communication with all stakeholders—family members, employees, and co-owners—is critical. Regularly review and update the succession plan to reflect changes in the business or family dynamics. Transparency helps manage expectations and fosters trust, reducing the likelihood of conflicts. Effective business succession planning requires time, thought, and collaboration with experienced advisors. By taking proactive steps and considering the needs of all stakeholders, you can ensure your business continues to thrive and your legacy endures for generations to come.





# Should You Put Your Car in a Trust?

When planning your estate, it's natural to wonder what should go into your trust and what might be better left out. Cars, trucks, motorcycles, and even recreational vehicles raise unique considerations when it comes to trusts. Here's a breakdown to help you navigate the decision.

Placing your car in a trust can simplify the transfer of ownership upon your death. Vehicles titled in your name may need to go through probate—a time-consuming and potentially costly process. A trust avoids this step, ensuring a seamless transition to your intended beneficiary.

Another advantage is privacy. Probate records are public, but the transfer of a car through a trust keeps the details of your estate out of view.

However, there are some drawbacks to consider AND you have to use the right kind of trust for your situation. Many states have simplified probate processes for vehicles, making probate avoidance less critical in certain cases, especially if your spouse survives you. Additionally, retitling your vehicle into the trust may require a visit to the Department of Motor Vehicles (DMV), along with fees and paperwork.

Insurance is another potential hiccup. Some insurance companies may raise questions or require policy updates when a vehicle is owned by a trust, so you'll need to communicate with your insurer to ensure continuous coverage.

## Different Types of Vehicles and Special Situations

Every vehicle type has its own considerations. A family car, for instance, might easily be titled in a trust, while recreational vehicles or collectible cars may require special attention. If your vehicle is used for business purposes or owned by a business entity, it shouldn't be transferred to a personal trust.

Additionally, depending on the type of trust you have, you might not want to commingle your vehicle (considered a “hot” or dangerous asset) with your other assets such as your house, bank accounts, or investment accounts.

## Medicaid Planning and Vehicle Exemptions

For those concerned about Medicaid eligibility, it's worth noting that one vehicle is typically exempt when calculating assets. Transferring a car into a trust could complicate this exemption. If Medicaid planning is part of your estate strategy, speak with an attorney before making any decisions about your vehicle.

## What Happens to Your Vehicle Upon Death?

If your car isn't in a trust, it becomes part of your probate estate unless it has a designated transfer-on-death (TOD) beneficiary or joint owner. A TOD designation allows your car to bypass probate and pass directly to the named individual – just like other beneficiary designations on financial accounts!

Ultimately, whether to place your car in a trust depends on your specific circumstances. Factors like the value and type of vehicle, your state's probate laws, and your broader estate planning goals all play a role. Discussing these details with your estate planning attorney ensures your decision aligns with your overall strategy—saving time, money, and potential headaches for your loved ones down the road.



## A PERSONAL NOTE FROM KIMBERLY

Dear Clients and Friends,

Thank you for reading our newsletter! We hope you find the insights helpful in enriching your knowledge in the area of estate planning.

Life changes, and your plan should keep up with it too. If it's been a while since your last review, now is a great time to ensure it still aligns with your wishes.

Schedule an appointment today to update your planning and secure peace of mind.

