

# Family Limited Partnership (FLP) Family Limited Liability Company (FLLC)

## CONCEPT APPLIED:

FLPs or FLLCs let individuals and families pass on large assets—real estate, a business or farm, a valuable art collection—by annually gifting partial ownership interests to another generation, while allowing the owners to retain management control.

## HOW IT WORKS:

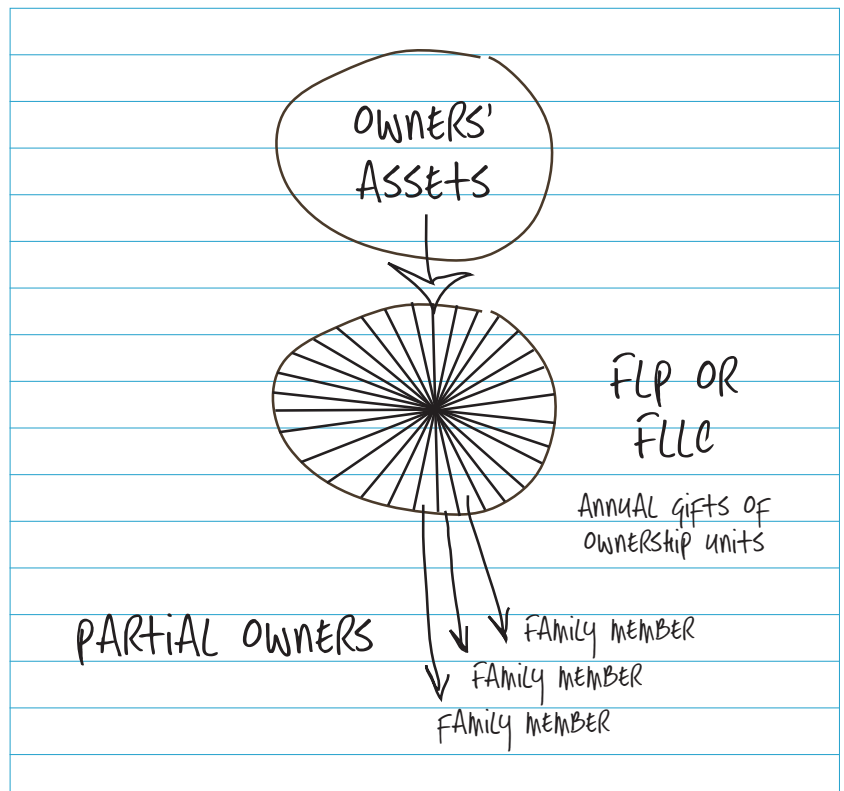
Owners transfer assets into an FLP or FLLC and retain a 100% entity interest. The owners then give a certain number of ownership units to children or grandchildren annually. These gifts qualify for the annual gift tax exclusion and valuation discounts (since they lack marketability and control). The biggest difference between the FLP and the FLLC is asset protection. Protection is available to all members in an FLLC, but is only available to limited partners in a FLP.

## WHY IS IT USEFUL?

FLPs and FLLCs both: (1) preserve and transfer wealth; (2) limit gift and estate taxes; (3) provide asset protection; and (4) provide overall planning flexibility. In a family business, an FLP or FLLC can split business income between family members in lower tax brackets and facilitate succession.

## 50 WORDS OR LESS

FLPs and FLLCs are business entities formed under state law and used for estate planning and wealth management. Owners can gradually transfer a business interest to family members, using the annual gift tax exclusion and valuation discounts to transfer partial ownership gifts.



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