ESTATE PLANNING FOR WINERIES AND VINEYARDS

LAKE COUNTY WINEGRAPE COMMISSION MOMENTUM

GVM
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Why Does Planning Matter?

- *Estate Taxes – biggest issue*
  - If decide to keep in family, on death:
    - Federal Estate Tax of 40% on estates over $5.49MM single; $10.98MM married couples.
    - How to pay this without selling the business or borrowing a LOT of money
    - Value at death, not now (we assume the values will increase over time)

Transition Planning Psychology

- *Lack of Planning – Huge Issue*
  - Majority of family owned winery businesses (wineries/vineyard owners) have done no transition planning even though founders or current owners advancing toward retirement age (SVB 2008 and 2014 surveys).
- *Why the lack of Planning?*
  - Founders/current owners do not want to give up control.
  - Loss of cash flow and lifestyle if current owners plan
  - What is “fair” is not always “equitable.”
    - Should actively involved children get more equity than un-involved children?

Most Common Technique: IDGTS

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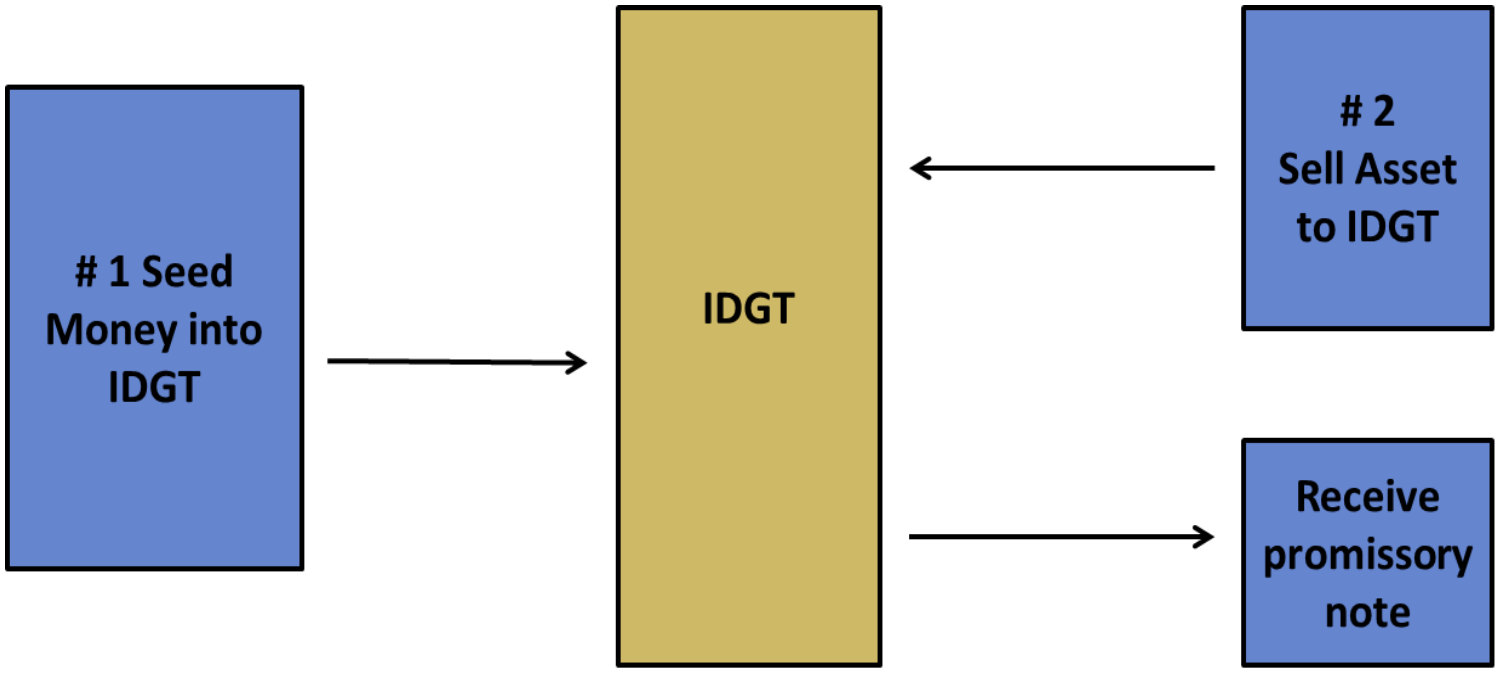
The IDGT Basics



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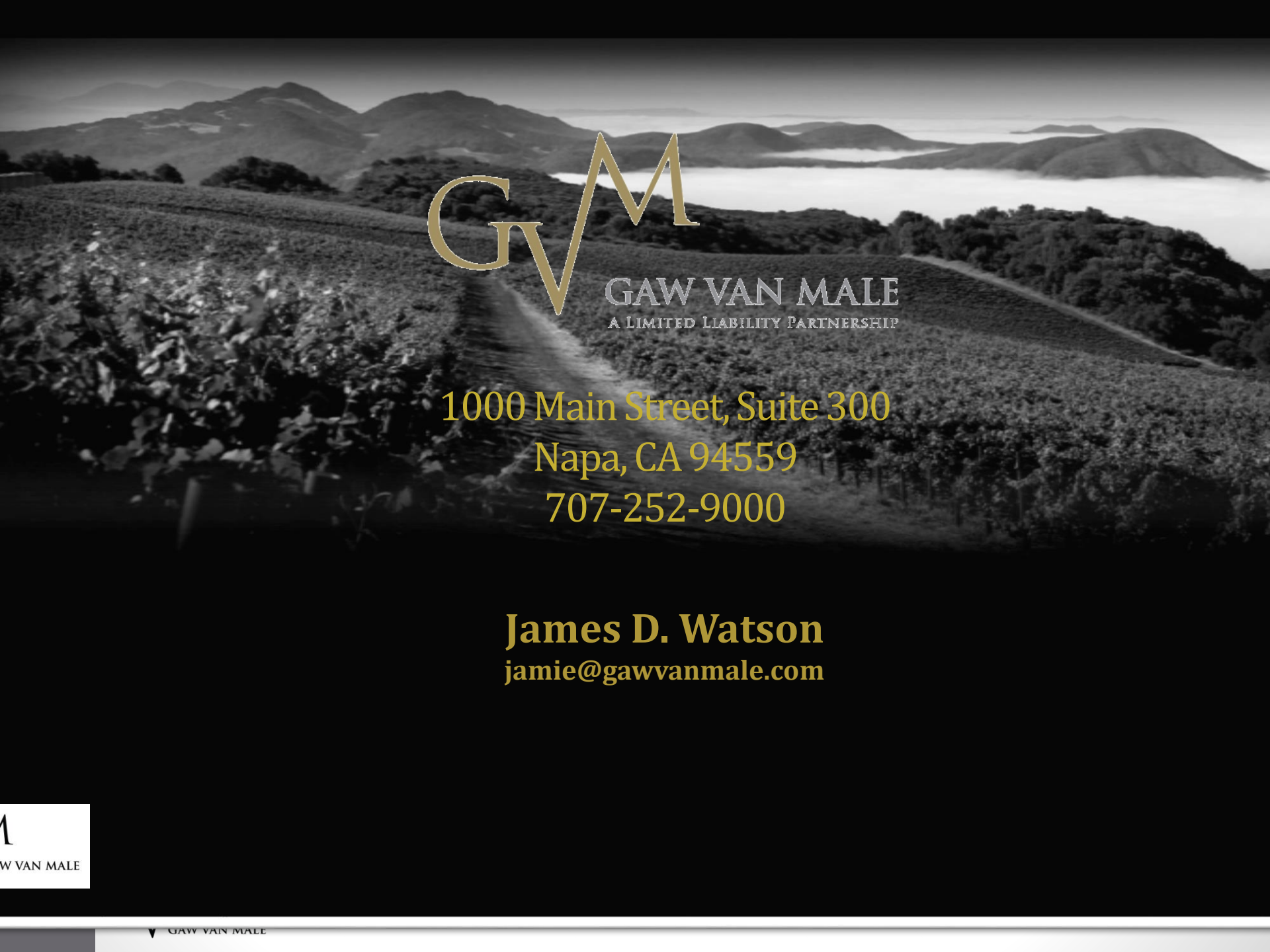
Why IDGTs are so Valuable

- **Addresses Major Planning Concerns:**
  - CAS*H FLOW:* Maximum control of cash flow through modeling
    - Incredible flexibility, can adjust cash flow during operation
    - Through modeling we can insure that the you receive identical cash flow to meet your personal financial needs
  - *CONTROL:* There is a level of control over the business and assets possible through careful drafting of the IDGT

Why IDGTs are so Valuable (cont'd)

- Freeze value of estate
  - All appreciation occurs outside estate
  - The sale to an IDGT moves appreciating assets from the grantor's estate and replaces it with a depreciating promissory note.
- Only tool that allows you to pass assets outside of the estate tax system for 3-4 generations sometimes longer
- Payment of the exact same income taxes you would pay otherwise to the extent it pays down principal will reduce your estate.



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