



"A CPA firm that understands dealership management, accounting, and tax issues"

Effective Estate Planning Needed to Preserve Dealership Assets

In spite of recent economic difficulties, many dealerships have enjoyed a significant increase in value. This is especially true for those dealers who also own the real estate on which the dealership is located. As important as it is to maintain such value, it is equally important to develop a plan to protect these and all personal assets with an effective estate planning strategy.

The combined federal and state effective tax rates for many car dealers can exceed fifty per cent. Without a proper plan in place, over one half of a dealer's hard earned assets would go to satisfy estate taxes. For many dealers, the dealership and related real estate comprise a significant portion of his personal assets. In numerous cases, satisfying the tax can be done only by selling the dealership and real estate, usually at a "fire sale" price.

Two common techniques to protect the assets are:

- Structure the purchase of life insurance through a trust so that the insurance would not be included in the estate, but would be available to satisfy estate taxes.
- Establish a gifting program to transfer assets to future generations. Each individual currently has a lifetime gifting opportunity of \$1 million. Married individuals would be able to transfer \$2 million in value. Gifting of minority interests in the dealership also allows for a substantial discount of the value for estate tax purposes. When properly structured, the dealer can retain control while removing the asset from his estate. Additionally, each individual is able to gift up to \$11,000 in assets annually without any estate tax consequence.

Recent tax law changes have created numerous planning opportunities and pitfalls. Dealers should meet to discuss and possibly revise their estate plans with their tax advisors to ensure that they minimize estate taxes and protect their assets.

If you are interested in a firm that has specialized its practice to service the dealership industry, and has an understanding of estate planning, please contact Paul McGovern at pmcgovern@downeycocpa.com or call **781.849.3100**.

Visit our web site at www.downeycocpa.com.

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