

To: Melanie Spinella[REDACTED]
From: Jeffrey Epstein
Sent: Wed 4/17/2013 10:38:51 AM

The key is to have a legitimate business interest — beyond the discounts — for setting up the family limited partnership. One example might be jointly managing the collective wealth of a family to gain access to better managers. Another might be operating an illiquid asset like a family business or a portfolio of buildings. A family can also use a partnership as a stealth prenuptial agreement since all the assets are wrapped up in the partnership and not easily dividable.

“They still work, but there has been a lot of I.R.S. scrutiny over the past few years, particularly over abusive partnerships,” said Dan Schrauth, a wealth adviser at J. P. Morgan Private Bank. “Clients need to be very careful about how they’re setting up partnerships. The devil is really in the details.”

WHEN DID YOU SET IT UP? Setting up a partnership on a parent’s deathbed will certainly draw scrutiny. The most cited case involves the \$10 million estate of Albert Strangi, a Texan who made his money in manufacturing and was in declining health when his son-in-law moved nearly all his assets into a family limited partnership. After seven years of litigation, the federal courts ruled that the partnership had been set up solely to avoid estate taxes.

“If you want to maximize the amount you can put into a partnership, you want to hold back enough assets that you have access to them,” said David Berek, a director in Credit Suisse’s Family Wealth Management. “You don’t want to reach into the partnership, as they did in Strangi, to make nursing home payments.”

This is the extreme example, but it makes the point that timing as well as intent count.

Joel Yudenfreund, a wealth adviser at Citi Private Bank, said it was important to let time lapse between putting assets into the partnership, giving the interests to your children and taking the discount. Otherwise, the I.R.S. could rule the whole amount was a taxable gift.

“There’s no magic bullet to it, but if you could wait 30 days, it would be good,” he said.

Still, there are no guarantees. “Even if you do all the right things, you can’t ever say to a client that you’re O.K.,” he said. “Any court can say, ‘We don’t buy off on your nontax purpose.’ ”

HOW DO YOU MAINTAIN IT? For a family limited partnership to be seen as legitimate, it needs to be run as a true business. This means regular meetings and audits.

--

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein

Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to jeevacation@gmail.com, and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved