

**By Matthew Crider, JD
Family Protection Attorney**

When people think of estate planning, the first ideas that typically come to mind are of wills, trusts, powers of attorney, and guardianship arrangements. Traditionally, those instruments have been closely associated with estate planning simply because they are legal tools exclusively dedicated to helping people pass on their assets or otherwise ensure that loved ones are cared for.

While the traditional tools work very well at accomplishing their designated tasks, you might be surprised to learn that they are not the only tools available for estate planning.

Business Entities

Certain types of business entities have features that make them very good estate planning tools. Consider limited partnerships, for example. A limited partnership has very interesting features that date back to the 16th or 17th century, when shipping companies needed to raise capital for expeditions to the New World and India. The shippers had a unique expertise in their maritime knowledge and ability to deliver cargo, but they lacked the capital needed to build new ships and undertake expeditions.

Governments recognized the value of shipping enterprises and developed an entity that allowed the ventures to proceed. Today the entity is known as the limited partnership. The shippers—the ones with the expertise—were the general partners of the ventures they promoted. They made all the decisions regarding the business, and they exerted complete control over the enterprise. They were also on the hook for all of the obligations incurred by the limited partnership. In other words, the general partners had no corporate veil to hide behind. They were “generally liable” for the full extent of the debts owed by the partnership.

The limited partners, on the other hand, were pure investors. They had no say in the operation of the business, but they were given protection from creditors of the business. The most a limited partner could lose in a venture was the amount he or she had invested.

So to recap, general partners had control and unlimited liability for debts. Limited partners had no control but only limited liability.

Limited partnerships work the same way today.

Making it a Family LP

Limited partnerships today can be treated by the IRS as Family Limited Partnerships, which is really just recognition by the IRS that a limited partnership is being used for estate planning purposes. In a typical case, parents serve as general partners and make their children and even their grandchildren limited partners. The parents then maintain control of the entity and manage the assets as they see fit, while the children (or other heirs) own only a beneficial interest. The good news is that by doing this you avoid the necessity of willing the assets held by the limited partnership. That's because you don't own them, even though you still exert control over them while alive!

The most beautiful aspect of this type of planning is that in many cases it provides a layer of asset protection for items owned by a limited partnership. The protection is often on par with that provided by sophisticated trusts but without the issues inherent in trusts (e.g. lack of control or protection for assets).

Let's Talk More About It

If you are thinking of forming an estate plan in 2012, maybe a limited partnership will be the way for you to go. Or you might be the perfect candidate for a more traditional plan. The bottom line is that we can help you formulate and implement a custom plan that fits your specific needs, regardless of whether you are an elderly person or a young entrepreneur on the rise. Contact our office and mention this article by name, and we'll provide you with a Family Wealth Planning Session™ valued at \$750 for absolutely no cost.

About Matthew Crider, J.D.

Matthew Crider formed [Crider Law PC](#) in 1999 so he could help individuals through the California divorce process by providing creative solutions as their trusted advisor and legal counselor. His divorce and family law practice focuses on assisting people in dissolution matters, including divorce, child custody and visitation, child and spousal support, spousal support and alimony, and parental rights.

