

## Family Limited Partnership



**Cash Investments**



**Real Estate**



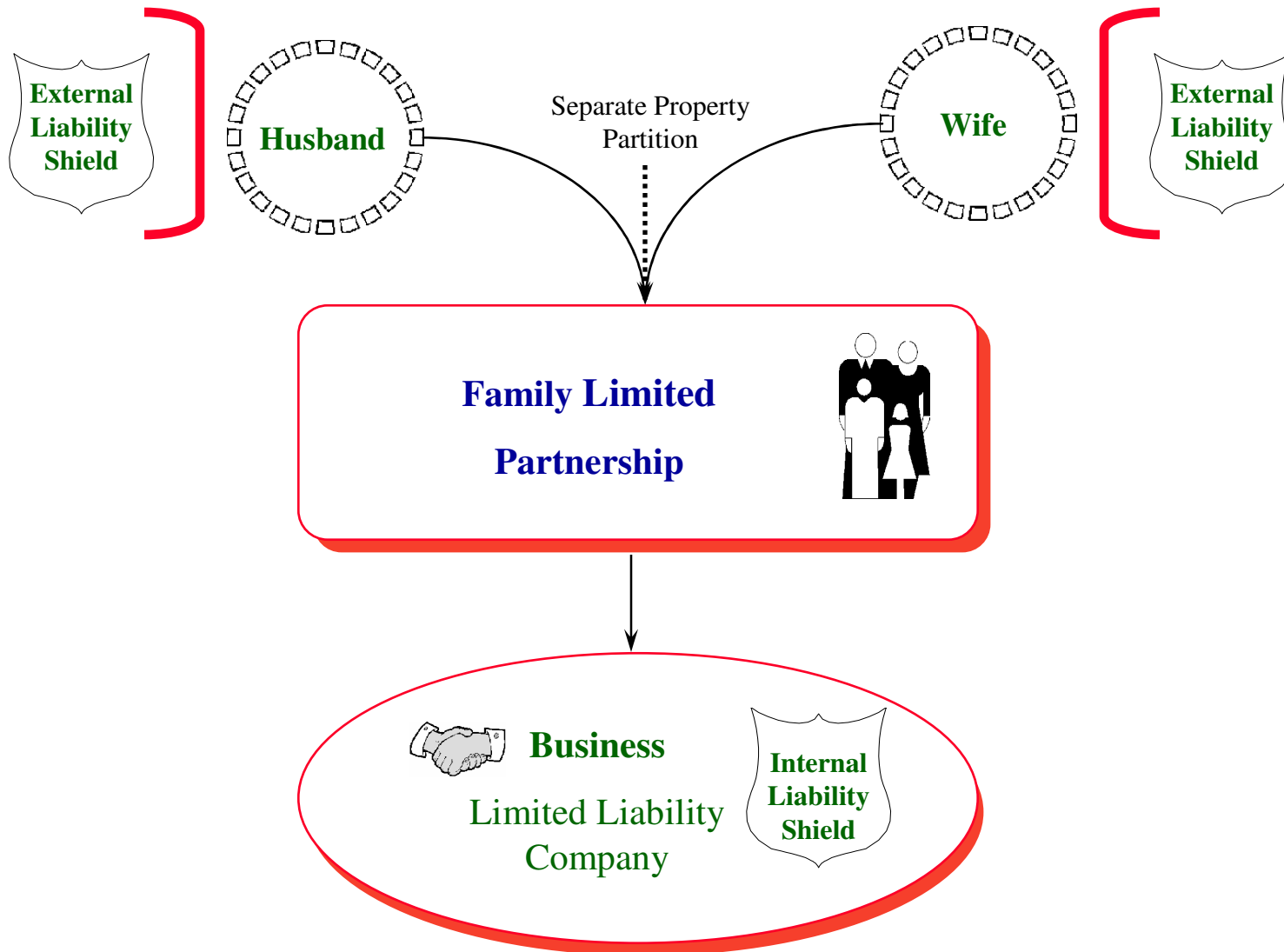
**Oil & Gas Interests**



**Business**



- **Potential Estate and Gift Tax Discounts**
- **Maintain Control**
- **Create Family Money**
- **Potential External Asset Protection**
- **Other Benefits**



**For potential additional asset protection, hold valuable businesses through business entity/FLP structure**

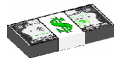
# GP Unit



OR

**Revocable Trust**

(Estate Tax Benefit)

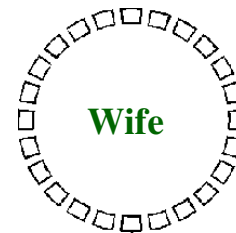


OR

**Entity General Partner  
Limited Liability Company**



A large rounded rectangle containing icons for a stack of money, a house, an oil pumpjack, a handshake, and a family silhouette, with the text "Family Limited Partnership" in the center.



100% withdrawal  
without sharing  
with children

Lifetime gifting  
of LP Units to  
children

**Nest Egg Partnership**

Cash Investments

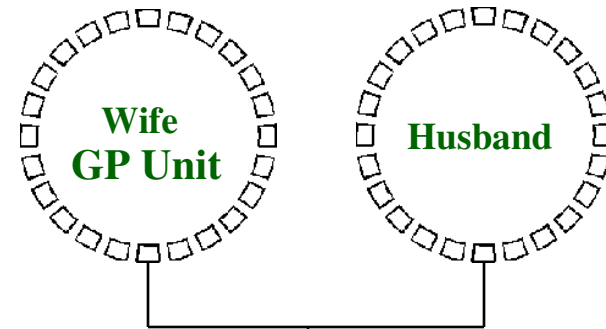
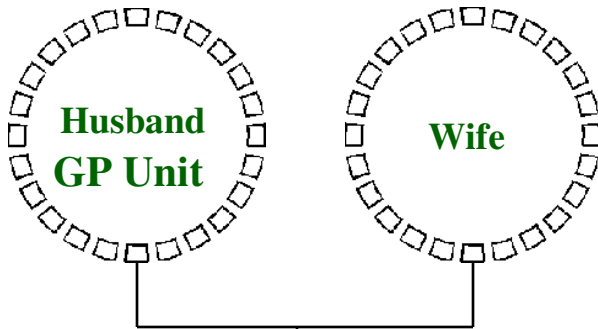
The diagram shows a red-bordered rounded rectangle. On the left, there is an icon of a nest with two birds and a stack of cash. To the right of these icons, the text "Nest Egg Partnership" is written in bold, with "Partnership" on a new line. Below that, "Cash Investments" is written in a regular font.

**Gift Giving Partnership**

Real Estate  
Oil & Gas Interests  
Business

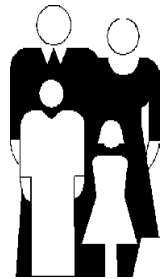
The diagram shows a red-bordered rounded rectangle. On the left, there are three icons: a house, an oil pumpjack, and two hands shaking. To the right of these icons, the text "Real Estate", "Oil & Gas Interests", and "Business" is listed vertically. On the far right, there is an illustration of a family (a man, a woman, and two children).

- **Each Partnership must be “Straight Up”**
- **Separates assets Husband and Wife will need during lifetime from assets available for current gifting**
- **Avoids “Too Much, Too Soon”**
- **Maintains Control**
- **Protects Against Failed Marriages of Children**



**FLP 1**

Separate Property of  
Husband  
  
Assets in Husband's  
Management Domain

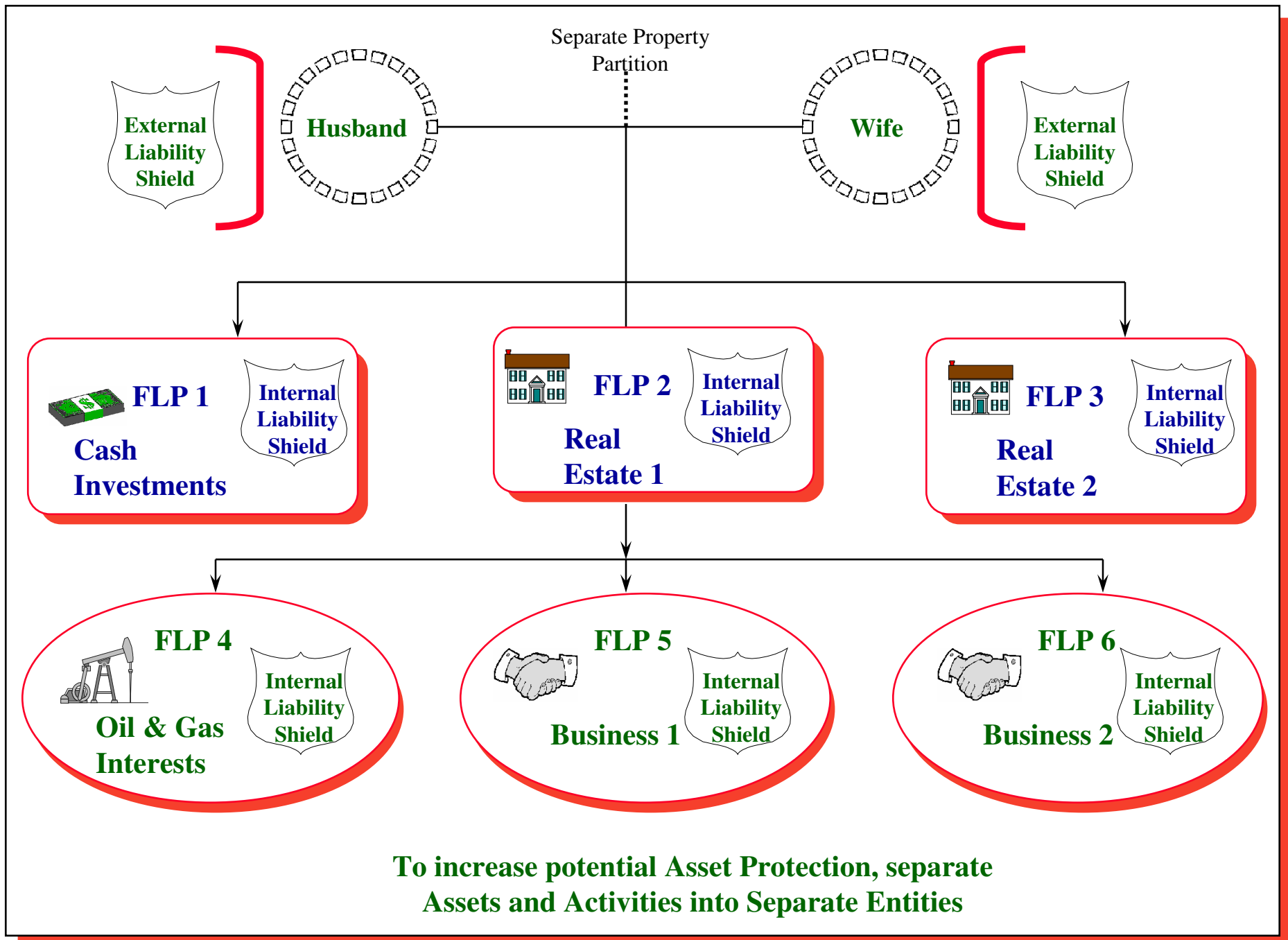


**FLP 2**

Separate Property of  
Wife  
  
Assets in Wife's  
Management Domain



**To provide spouses with management control over substantial separate property assets or assets over which they historically have had control, create two FLP's.**



## **POTENTIAL BENEFITS OF THE FAMILY LIMITED PARTNERSHIP STRUCTURE**

- **SUBSTANTIAL ESTATE AND GIFT TAX SAVINGS**
- **PROTECTION OF ASSETS FROM FUTURE CREDITORS**
- **SIMPLIFIED FAMILY GIFTING**
- **PROTECTION OF ASSETS AGAINST FAILED MARRIAGES**
- **RETENTION OF YOUNGER GENERATION INITIATIVE**
- **MAINTENANCE OF FULL MANAGEMENT CONTROL**
- **REVOCABILITY**

The preceding Diagrams are for demonstration purposes only. No rendering of legal advice can be assumed based solely on the contents hereof. The use of family limited partnerships have under past and current law provided substantial benefits. For example, significant estate tax discounts have often been obtained using closely held family entities. Legal precedent supporting the availability of such discounts include (1) *Estate of Elizabeth M. Lee v. Commissioner of Internal Revenue Service*, 69 TC 60 (1978); (2) *Estate of William T. Piper v. Commissioner of Internal Revenue Service*, 72 TC 1062 (1979); (3) *Estate of Mary Frances Smith Bright v. United States of America*, 658 F.2d 999 (1981); (4) *John A. Propstra, personal representative of the Estate of Arthur E. Price v. United States of America*, 680 F.2d 1248 (1982); (5) *Estate of Woodbury G. Andrews v. Commissioner of Internal Revenue Service*, 79 TC 938 (1982); (6) *Virginia Z. Harwood v. Commissioner of Internal Revenue Service*, 82 TC 239 (1984); (7) *Charles W. Ward v. Commissioner of Internal Revenue Service*, 87 TC 78 (1984); (8) *Roy O. Martin, Jr. v. Commissioner of Internal Revenue Service*, 50 TCM 768 (1985); (9) *The Northern Trust Company, Transferee and Trustee v. Commissioner of Internal Revenue Service*, 87 TC 349 (1986); (10) *Estate of Daniel J. Harrison, Jr. v. Commissioner of Internal Revenue Service*, ¶ 87,007 P-H Memo TC (1987); (11) *Estate of Ruben Rodriguez v. Commissioner of Internal Revenue Service*, 56 TCM 1033 (1989); (12) *Estate of Samuel I. Newhouse v. Commissioner*, 94 TC 193 (1990); (13) *Nancy N. Mooneyham*, 61 TCM 2445 (1991); (14) *Estate of Edgar A. Berg v. Commissioner of Internal Revenue Service*, 976 F.2d 1163 (1992); (15) Rev. Rul. 93-12, 1993-1 C.B. 202 (1993); (16) *Estate of Ray A. Ford v. Commissioner*, 53 F.3d 924 (1995); (17) *Bernard Mandelbaum v. Commissioner*, T.C. Memo 1995-255 (1995); (18) *Knight v. Commissioner*, 115 TC No. 36 (2000); (19) *Church v. United States*, 85 A.F.T.R.2d 804 (W.D. Tex. 2000); (20) *Estate of Stone v. Commissioner*, 86 T.C.M. 551 (2003); (21) *Kimbell v. United States*, 371 F.3d 257 (5<sup>th</sup> Cir. 2004); (22) *Estate of Schutt v. Commissioner*, T.C. Memo 2005-126 (5/26/05). On the other hand, the Internal Revenue Service has had some recent success in a string of cases using IRC §2036(a) to defeat transfer tax discounts, particularly in cases where the integrity of the partnership structuring was not respected by the taxpayer. Asset protection is another advantage sometimes associated with the family limited partnership structure primarily due to the “exclusive remedy” provisions of §§7.03 and 7.02 of The Texas Revised Limited Partnership Act (“TRLPA”), Tex. Rev. Civ. Ann. Art. 6132a-1 and §153.256 of the Texas Business Organizations Code. However, notwithstanding prior and current legal authorities supporting benefits attributable to the family limited partnership structure, the reader should be mindful that the Diagrams presented herewith involve highly sophisticated estate planning techniques, many of which have not been judicially proven or legislatively determined with total certainty or may be subject to change or modification by future legislative or judicial action. Accordingly, reliance thereon must be and is the individual decision and responsibility of the client.

## STRUCTURING

### A

## FAMILY LIMITED PARTNERSHIP

## ESTATE PLAN

Diagrams Created and Prepared by

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