

Precious Gems of Real Estate Asset Protection

An Overview of Invaluable Strategies to Protect Your Family Wealth

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The referenced sections are from ***The Renaissance Goldmine of Goldmine of Brilliant Tax Strategies Real Estate Investor's***, A Tax Reduction Software System, and The LLC Master Machine, by Albert Aiello & Bill Noll. For more info go to <https://TractionREIA.com/al>

Contents

Welcome!

For My Real Estate, Which Entity Do I Select – LLC, LP, FLP, Corporation, Trust

Single-Member LLC's > Beware of Legal & Tax Pitfalls

Why Is the LLC the “Beethoven” of Real Estate Entities?

What's the Single Best Protection Against Lawsuits – An LLC? A Trust? Insurance?
No, it's *DEBT*!

Using Your Own Management Company > It Could Cost You!

More Asset Protection Tips

For My Real Estate, Which Entity Do I Select – LLC, LP, FLP, Corporation, Trust?

This is a proverbial (and important) question for the real estate investor. To accomplish the essential task of selecting the right entity, first, you have to look at both the legal and tax side of entities as follows.

The three main types of state-registered entities are (1) Limited Liability Companies (LLC'S), (2) Limited Partnerships (LP'S) and (3) Corporations (C or S).

Essentially there are two sides to these entities: (1) The LEGAL side and (2) The TAX side.

The legal side is governed by state statute. On the legal side, with the proper entity formalities, these entities all accomplish essentially the same thing – they give the entity owners *limited liability* and thus protect their personal assets outside of the entity. So, the legal is the legal and does not vary that much.

The tax side is governed by a much wider more complex body of federal & state *tax* law. Accordingly, on the tax side, these entities could vary greatly as to

their tax consequences with dollar-saving benefits or costly detriments, depending on which entity is selected. Many times, much of the money is made or lost much more on the tax side of entity structuring than the legal side. Plus, the tax side has subcategories such as *IRS Audit Proofing* where certain entities are audited less than others. Here, you need to stay updated on which entities are on the IRS hit list (discussed in other articles). Armed with this information, if you use the high-audit-profile entity, you do the entity structuring correctly along with IRS audit proofing; or you use another entity if this other entity is just as effective but a low-audit profile.

You have to look at the *total* picture and look at both sides (with generally more emphasis on the tax side). This two-sided approach is fundamentally important to understanding entity selection & structuring.

Based on this two-sided approach, here are some general rules of entity selection for the real estate investor:

1. LLC's – LLC-Partnerships are ideal for real estate investments. On the legal side, you form the LLC for limited liability protection. On the tax side, you elect

the LLC to be taxed as a partnership giving you the favorable benefits of partnership tax law including a low IRS audit profile. This equals an LLC-Partnership.

Note: For more privacy, you could use land trusts in conjunction with an LLC with the land trust holding legal title to each property and the LLC as the beneficial owner of each land trust.

Limited partnerships (LP's) are another possible choice for real estate. But, legally, LP's are more complex than LLC's, and on the tax, side are subject to passive loss limitations whereby the limited partners cannot currently deduct property losses against their other ordinary income such as W-2 income, business income, etc. Managing members of an LLC can avoid such limitations. One of the few times to consider an LP is in states that tax LLC's but not LP's. However, these states are very few plus generally the state tax is based on a Net amount. Consequently, rental property with low net income or tax losses are often hardly affected. This would lead us back to the LLC.

Family limited partnerships (FLP's) are LP's but with family members. They therefore have the same drawbacks as LP's and are on the IRS hit list.

2. Corporations (C or S) – Are for businesses not involving the ownership of real estate.

Note: Real estate investors should only use corporations in a secondary role, not as a primary entity for real estate. For example, to take advantage of certain C-corp fringe benefit deductions, instead of making the C-corp the primary entity owner of the real estate, or a management company; make the C-corp a minority non-voting partner of a real estate LLC.

Rarely (if ever) use S-corporations for real estate. The “S” stands for small business and that's what S-corporations are for small businesses, not real estate.

3. Trusts - Estate planning trusts (such as revocable living trusts*) are used to hold title to personal property such as your ownership shares in an LLC; for personal-use property such as your home; for paper\financial assets such as stocks. Trusts should be

used in *conjunction* with state-registered entities such as LLC's; not in lieu of an LLC.

*Note that revocable living trusts do not give asset protection. However, there are other types of estate planning trusts that also give privacy and asset protection, such as the Life Estate Trust or Intentionally Defective Grantor Trust. These will be discussed in future articles.

Consequently, the ideal set up for most real estate investors is one* LLC-partnership with each property in a land trust, and the members' LLC ownership shares in an estate planning trust. (*Note: In a later track I will discuss how you can protect all of your properties' equity in just one LLC).

In the meantime, choose your entities carefully and it will save you substantially from both a legal and especially tax perspective.

Single-Member LLC's > Beware of Legal & Tax Pitfalls!

Single-member LLC's for real estate ownership are what I call one of *The Landmines of Wealth Protection*

which are touted asset protection devices that may not be all that beneficial. A Single-Member LLC has little value because, as opposed to a multi-member LLC, it is much more susceptible to having its veil pieced and deemed that it legally does not exist. This would subject the company's owner to unlimited personal liability for debts or torts of the company. Claimants in cases against single-member entities, in efforts to pierce the corporate veil, often assert that the company is merely the alter-ego of the owner. While there may be a degree of asset protection, with the single-member arrangement, the creditor will find it considerably easier to successfully pursue a veil-piercing claim.

The other legal drawback is in most states single-member LLC's do not get charging order protection. A charging order is an in-built shield because it's what's needed by a claimant in order to attach a member's interest in an LLC. First off, a charging order is a judicial process, which will require the services of a knowledgeable attorney (probably high priced). Secondly, even with the charging order, the judgment creditor does not have the right to force the sale of the assets of the LLC because they cannot make management decisions for the LLC. For the

creditor it could even cause income tax liabilities (without getting any cash). Accordingly, most charging orders are never even initiated in the first place. What great protection! In most states a charging order only pertains to a two or more member LLC, namely an LLC-partnership, not a single member LLC.

On the tax side, single member LLC's file Schedule C or Schedule E, which are very IRS audit-prone schedules. On the other hand, a two or member LLC files a partnership return (form 1065) which is less audit prone than Schedule C or E.

Consequently, two (or more) member LLC's avoid the legal and tax drawbacks of single member LLC's.

If you operate as one person and not as a partnership, finding other persons or entities to be additional owners is not difficult. Another member (or other members) could be your spouse, other family members or even better, another entity that you own such as a corporation, trust and/or another LLC. So, you can maintain control, these other partners can have small percentages of ownership and/or be non-voting members with no say in management.

While the existence of other owners may not totally defeat a creditor's claim it certainly can weaken it, and with LLC charging order protection it can do so considerably. Plus, there are the excellent tax advantages of partnerships for real estate including a lower IRS audit profile.

So, in summary, for your properties you want an “*LLC-Partnership*”. On the legal side, you form the LLC for corporate limited liability protection. You elect the two or more member LLC to be a partnership giving you charging order protection along with the favorable benefits of partnership tax law.

Why Is the LLC the “Beethoven” of Real Estate Entities?

LLC's (limited liability companies) originated in the United States in 1977; but worldwide they were first formed in Germany way back in 1892.

Ludwig Van Beethoven, considered the greatest classical composer (a musical genius), was also born in Germany (122 years before the LLC). Thus, the background for the title and theme of this article.

So why do I believe LLC's have this ingenious-like standing among entities.

In a nutshell, LLC's have all of the legal benefits of a corporation; yet all of the excellent tax advantages of a general partnership; yet avoid the legal disadvantages of a general partnership, yet avoid the tax disadvantages of C corps, S corps and limited partnerships (LP's) including avoiding the legal complications of LP's and legal constraints of S-corps. More specifically there is the following:

On the Legal Side:

- ❖ LLC's have the corporate characteristic of limited liability for *all* of the owners (members). An LLC does not need an individual or entity (such as a general partner) who is personally liable for debts. NO LLC member is personally liable. This is unlike a limited partnership, where there must be at least one general partner personally liable for all debts. This causes the necessity of additional cost and paperwork to incorporate the general partner. This is not necessary with an LLC.

- ❖ Unlike a limited partner, any LLC member can exercise control over daily management decisions without the fear or actuality of losing their protected, limited liability status.
- ❖ LLC's are free from the qualification constraints imposed on S-corps. The members can be corporations, partnerships, estates, pension plans, IRA's, and non-resident aliens. An LLC can have more than one class of "membership interest" (similar to stock).

On the Tax Side:

Because an LLC can (and should) elect to file as a partnership it has the tax advantages of a *pure flow-through* partnership as follows:

- ❖ Lower IRS audit risk than other forms of ownership such as corporations;
- ❖ There is no IRS controversy on corporate tax-prone issues of "reasonable compensation" or "constructive dividends"; there are no issues of

loans to partners as taxable dividends or salaries (as with corporations).

- ❖ Unlike corporations, LLC-partnerships do not have to pay salaries to partners and thus avoid payroll recordkeeping, withholdings and filings. Optionally and without the bookkeeping of W-2 salaries, simple guaranteed payments could be paid to create earned income for valuable retirement plan contributions.
- ❖ There are no corporation limits for deducting property tax losses. Even S-corps have limits do deducting losses with leveraged real estate.
- ❖ Unlike limited partners, because LLC members can participate in management, they can sidestep passive loss limits and fully deducts property tax losses against other ordinary income by actively or materially participating in property management under IRS Code Section 469.
- ❖ Unlike corporations, distribution of funds (including borrowed money) from an LLC will not result in current tax (single or double); there

is no gain recognized to a member upon the distribution of property to the member, even if it is appreciated property (with built-in gains) where the value is higher than its adjusted basis.

- ❖ Unlike corporations, LLC's, splitting up, can much better accomplish a 1031 tax-free exchange to defer capital gains taxes on property sales.
- ❖ LLC's can allocate income and losses to the members in a manner that best suits the members' tax needs. For example, a member in a high tax bracket may want allocated to them less of any net income or more of any net losses; or vice versa for a low bracketed member. These special allocations can be done in compliance with special *partnership* provisions. They do not at all apply to corporations and are more restricted with limited partnerships.

A criticism of LLC's is that because they are relatively new in the US, they have not been as tested with actual legal disputes as corporations or limited partnerships. However, it was determined by one of the IRS's own

attorneys that even the IRS could not force the liquidation of an LLC.

Understand that the LLC statutes of all 50 states and the District of Columbia all recognize LLC's as legal entities separate and distinct from its member-owners. These statutes also grant the *corporate* shield of limited liability for its member-owners. This limited liability shield of LLC's is based primarily on corporation law, which has many decades of long-standing precedent in the United States. Properly structured along with the appropriate entity formalities, LLC's give limited liability.

In a nutshell, the intended benefits of LLC's offer the best of several worlds:

- The corporate shield of **limited liability** for *all* of the owners
- **Charging order protection** to help shield the assets of the LLC
- **Control** over management decisions for *all* of the owners and

- All of the **optimum tax advantages** of a partnership.

Hopefully you will agree that they truly are the “Beethoven” of real estate entities.

What’s the Single Best Protection Against Lawsuits – An LLC? A Trust? Insurance? No, it’s *DEBT*!

I want to begin by clarifying that I do not want the title to mislead you in two ways. First, when I say “debt” I do not mean getting yourself in hock or using phony liens just to protect your assets. Instead I will be discussing your own valid controlled debt which is still your equity but in a separate entity apart from your real estate; but more on this later. Secondly, I do not want you thinking that you should not use an LLC, a trust, and insurance. This is because there is an important fundamental of asset protection, which I call *The Roman Shield Strategy*. The ingenious ancient Romans had a military formation where their entire army was covered by numerous shields protecting the soldiers on every side. It would look like one gigantic shield defending against the enemy. No one shield, by

itself, would totally protect them; but collectively all of the shields together were virtually impenetrable, like an enormous wall. You need to do the same with your asset protection because no one shield will totally protect you. You therefore need *multiple* shields of colossal protection – an LLC entity, trusts, insurance as well as other shields including what I believe to be the most powerful shield of using controlled debt (*Equity Stripping*) to deter wrongful actions which is the central topic of this module. But while these shields are powerful, they also must be cost effective without the expense and administrative burden of a lot of unnecessary entities. This too will be a focal point of discussion.

It's no secret that the equity in our investment real estate is generally our most valuable asset, but also very prone to legal attacks. This is because real estate is a physical appreciating asset subject to many regulations (such as landlord-tenant laws); exposed to potential hazards (such as environmental); and which interacts with many individuals or entities (such as tenants, buyers, sellers, real estate agents, contractors, suppliers, etc.) All of the above (regulations, environmental, tenants, buyers, sellers, contractors, etc.) could very well be the origin of legal actions.

I mentioned three shields of protection – an LLC, a trust and insurance. Let's discuss what these shields protect, as well as what they do *not* protect (which is an important question that you should ask of all asset protection vehicles).

Let's start with *insurance*, which essentially protects against slip & fall and personal injury. However, liability insurance does not protect from environmental hazards, fair housing violations, tenants' disputes, buyer disputes, seller disputes, contractor disputes, in fact any disputes which all could lead to lawsuits.

Also, insurance does not cover judgments that exceed insurance coverage limits from slip & fall (including intentional self-inflicted injuries), personal injuries or death. Such judgments exceeding insurance limits are becoming more and more common even if you're not at fault. And sometimes-insurance companies even try to wiggle out of claims that should be covered. (The "fine print")

How about *trusts*? There are many different types. The one most associated with real estate is a land trust, which gives you important financial privacy by

masking ownership of your properties. However, land trusts do not give you the statutory corporate limited liability of an LLC. If the trust is unmasked, and you, personally, are the beneficiary, your assets are exposed. (In accord with *The Roman Shield Strategy*, you should use land trusts in *combination* with insurance; and with an LLC, which, as a statutory entity, would then be the beneficiary of the trust instead of you personally).

And how about an *LLC*? With the proper formalities, an LLC gives you corporate limited liability by protecting your assets *outside* of the entity, such as your home, second home, stocks, personal savings, expensive jewelry, art collection and other personal valuables. However, while it protects your personal assets outside the entity, an LLC does not protect the property equities *within* the entity. Such equity essentially comes from appreciation, upgrading and mortgage amortization. So, before you know it, you can have significant equity that you need to preserve. Also remember that with multiple properties, we are talking about *each* property's equity that we need to protect from not just a legal action on that property, but from a legal action of another property in the same LLC.

An example of unprotected equity (and a target for claimants) is six properties below in a real estate LLC.

Total Value	\$1,000,000 (6 properties)
- Mortgage loan	- 400,000 (first mortgage; bank's equity)
= Your RE equity	\$ 600,000 (target for claimants)

Now in reviewing the above, the bank loan of \$400,000, is that a target for claimants? NO! Because who wants to sue for debt. Lawyers want blood, not stone; they want deep pockets, not empty ones. However, the bank loan of \$400,000 is equity, not your equity, but the bank's equity in a separate company not reachable by a potential claimant of you. So, why not do the same with your \$600,000 equity – make that debt which would be equity in a separate company not reachable by a potential claimant of you. Only here the bank, with the \$600,000 of equity, is you're separately owned lender LLC which is a non-risk entity because it only would own the mortgage, a paper asset that is not the cause of legal actions.

This is known as *Equity Stripping*. The end result is that the real estate LLC will have publicly recorded debt completely stripping out the property equity, along with avoiding a lawsuit target and avoiding the

courtroom. In the above example this debt would be the bank's first mortgage of \$400,000; your lender LLC's second blanket mortgage of \$600,000 (plus accrued interest every year) or a total of \$1,000,000+ recorded debt against the \$1,000,000 value, with NO or even negative equity as seen in the public records. Believe me, this will ward off claimants along with their *money-hungry lawyers*, the way a cat scares off *rats* (no pun intended).

How does equity stripping work? While a detailed discussion is beyond our scope, here is an overview: For *Equity Stripping* to effectively work you must use two separate companies as two separate entities which will be two separate LLC's. Even though these two LLC's will be brother-sister entities owned by the same members (such as you and your spouse, or another member), they will be entities that are separate, distinct and apart from you as an individual. This separation between the entity and you will be accomplished by each company adhering to entity formalities, such as keeping minutes, corporate resolutions, separate bank accounts, etc. One LLC will be your real estate LLC holding all of your properties. The other LLC will be your lender LLC which will make the secured loan to the real

estate LLC stripping out its equity. The lender LLC will not own any real estate and thus will not be a target for claimants. Taxwise, you want both LLC's (real estate and lender) to file as a partnership flow-through entity and not as a corporation because of their significant tax pitfalls (as discussed in a prior track of this CD, track 4).

The lender LLC will make an actual cash loan to the real estate LLC. In our example, the amount of this money is \$600,000, which is your equity that we want to take out of the real estate LLC. (The \$600,000 can come from you personally as a capital contribution to the lender LLC.

If you do not have the \$600,000 you can personally borrow it from an outside source). With the \$600,000 the lender LLC makes the loan to the real estate LLC by actually transferring the funds from its business accounts to the real estate LLC's business account. (At this point, the real estate LLC can distribute these loan funds out of the LLC to the individual members so they can have the money to recirculate for the next mortgage or pay back any funds that they personally borrowed to make the initial \$600,000 capital contribution to the lender LLC.) Because each LLC files as a partnership flow-through tax entity, instead

as corporations, all of these transactions are completely tax-free under IRS partnership provisions.

The loan will be evidenced by a promissory note and secured by a blanket mortgage (or deed of trust) against all of the properties which mortgage will be properly recorded in the public records of the appropriate government office. All required arm's length loan documents will be used and will be properly signed and executed. Accordingly, these will not be fake unenforceable mortgages. They will not be phony liens. They will be *real, valid* mortgages because they will have real debt where real money (valuable consideration) actually changed hands in the form of a real cash loan from the lender LLC to the real estate LLC.

This will be a *demand* loan where there will be no loan payments but a high amount of interest will accrue and be added to the principal loan balance, further increasing the debt and further stripping out the property equity (and still removing any future equity growth via appreciation, upgrading, amortization, etc.) Even though there is the advantage of not having to make loan payments, this is still a valid loan because both principal and interest is owed and all of the necessary loan formalities have been done as per the

above. (The loan could ultimately be paid off typically when property is sold or exchanged.)

Both LLC's will file federal and any state or local tax returns (IRS Form 1065 and K-1 schedules) with reporting of the loan imputed interest. "Impute" means the interest does not actually have to be paid and received by the LLC's. It's really a "paper" entry where the LLC-lender must report the interest as ordinary income; but the real estate LLC deducts the interest. So essentially it's a wash on the member's 1040's because each LLC will be a pure flow-through partnership entity. But such a bottom-line wash will not adversely affect the above proper entity reporting.

Now let's discuss the overwhelming advantages of equity stripping and why I believe it to be the Herculean shield of asset protection.

- ❖ First off, you only need two LLC's to protect all of your properties instead of a separate LLC for every one of your properties. This will save you thousands upfront and every year. And I mean thousands! I have my "\$1000/\$1000 LLC rule" - a \$1,000 to set it up and a \$1,000 every year to maintain it.

Yes, you can get it cheaper; but doing it *right* with all of the proper documents and formalities plus legal, accounting, bookkeeping and state franchise fees, it will cost you at least this much.

Plus, with less entities to deal with, equity stripping is much less burdensome and time-consuming. And furthermore, with equity stripping, you *totally* remove the equity. On the other hand, using separate LLC's still does not totally protect your property's equity because it's only segmenting the equity into smaller sizes, which could grow more because of property upgrading and appreciation.

- ❖ You do not need another entity to act as a management company to decoy tenants and contractors (I discuss the legal and tax disadvantages of this in the next **Track**).
- ❖ Because you are in essence the bank, equity stripping will not adversely affect your cash flow or your equity. It will not appear on your credit report.

❖ You can still refinance your property with an outside lender by subordinating the equity stripping loan to a junior position.

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❖ Using the same lender LLC, you can equity strip all of your assets – your home, second home, savings, stocks, vehicles, art collection, antiques, expensive jewelry, furniture, etc. (All of these are subject to being attached.)

❖ Equity stripping (done the way I tell you) is perfectly legal. You did every step right, dotting your i's, crossing your t's.

You used state-sanctioned entities (LLC's); adhered to entity formalities so that the entities are legally separate and distinct from you and from each other. All loan documents were executed in an arm's length manner with real cash actually being transferred in the same manner as with an outside lender. And if there is anything that makes this legal and ironclad, is that you properly reported the transaction to the **IRS** – a well known, perhaps infamous, but one of the most authoritative, powerful federal agencies in the country, which in essence, said OK to your intercompany loan transaction. (Try to crack that!)

- ❖ Plus, the *burden-of-proof* is on the claimant and their attorneys for them to prove that this well documented intercompany loan (reported to the IRS) is illegal? This would be extremely difficult, if not almost impossible!
- ❖ Most of all, there is NO authority by statute or case law in any state that any court has ever denied a valid mortgage created by a controlled company. Inter-Company loans are a long-standing practice (decades) acceptable for both legal and accounting purposes.

That's right! None of the thousands of valid inter-company loans in this country's history (including equity stripping) have ever been dismantled. Compare that to FLP's which are being thrown out of tax courts; or the many instances of "piercing" the corporate veil; or undoing a revocable trust exposing personal assets; or insurance not covering everything.

Right now, my students (including me) are using equity stripping and sleeping a lot better at night. Not only because of its powerful shield of protection, but because it is so inexpensive and less complicated. It has never been collapsed and virtually has no disadvantages.

Everything you need to do Equity Stripping right can be found in Equity Stripping Excel, available at <https://TractionREIA.com/al>

Using Your Own Management Company > It Could Cost You!

Investors are often advised to use another separate corporate entity to manage the properties. The legal reason for this is that the separate entity will act as your rental property management company as a decoy in dealing with tenants, contractors, vendors, etc. In the event of a legal dispute or action from one of these (tenants, contractors, vendors, etc.), the management company (acting as a decoy) is a separate and distinct entity apart from you. Presumably, any legal action will be brought against this managing corporation and

not against you, or not against whatever entity owns the property (such as an LLC). This management corporation will have little assets to attach in the event of the legal action. This is why it may give you additional asset protection. But, on the legal side, for this asset protection strategy to work effectively, the management corporation must do all of the managing. If you, in your capacity as an individual or as a real estate LLC member, do any management at all, then claimants could bring a legal action against you or your real estate LLC, instead of the management corporation. A smart attorney may be able to prove that you or your real estate LLC did at least some management (or were somehow responsible) and therefore liable to the claimant (tenant, contractor, vendor, etc.) and thus not even bother suing the decoy (limited asset) management corporation. So, legally, this asset protection device could be flawed and is potentially collapsible.

On the tax side, there too is a potential significant pitiful. One of the most expensive tax traps for the uninformed real estate investor is the passive loss limitations depriving investors the ability to currently deduct their property loss deductions against their other ordinary income (W-2, business income, etc.),

with the resultant loss of tax savings and decrease in after-tax cash flow. If this separate rental management entity does too much management (when legally it's suppose to do all managing), then you may be too passive and thus may not be able to currently deduct rental property losses because of the passive loss limitations of IRC 469. *Reason:* In order to bypass these limits and deduct losses you or your spouse must perform a certain amount of *management* functions, especially landlord-tenant activities. These functions must be performed by *you* or *your spouse* (individually or as a manager-member of an LLC that owns the properties), *not* another entity, even if it's your entity. Understand that the management company (corporation or another LLC) is a *separate, distinct* entity apart from you and your spouse. Thus, the management company's performance of these activities is not attributable to you. Because of this, there are several tax courts cases where real estate owners, using separate management entities, were denied current property deductions costing them thousands of dollars in current savings. Moreover, top tax experts throughout the country agree with these conclusions of the courts based on IRC 469.

You do not need your own management corporation, along with its legal and tax disadvantages because there is an excellent cost-effective solution where you can protect multiple property equities in one entity called *Equity Stripping*, which is discussed, in the last strategy.

If you want to benefit from certain C-corporation deductions (such as fringe benefits), instead of making the C-corporation the primary entity owner of the real estate or a management company, make the C-corp a minority non-voting member of your real estate LLC, with a low ownership percentage. In this scenario, besides the tax benefits, having the C-corp as an LLC member augments asset protection via another state-registered entity as a corporate member enhancing the LLC-partnership as an *entity*, separate and distinct from its member-owners with the shield of limited liability.

More Asset Protection Tips

Beware of FLP's! Family limited partnerships remain a favorite IRS target. Many estate planners recommend placing business assets and investments in partnerships and giving interests to family members. When the donor dies, the estate claims big estate tax

valuation discounts for a minority interest in the partnership and for lack of marketability. IRS will keep a sharp eye on large discounts, especially in cases where FLP's are full of cash. It will scrutinize asset transfers made after family members receive gifts of partnership interests, denying discounts in such cases. And IRS will look for cases where donors retain too much control of a partnership's affairs, taxing the entire partnership to the estate.

TIP: Either have a qualified professional do the FLP right in accord with IRS requirements; or look to certain estate planning trusts as an alternative to an FLP.

Use Entity Resolutions. *Resolutions* are entity records of the official acts of the members of an entity such as an LLC. They can be used instead of formal meetings and simplify entity management. Resolutions authorize many important legal matters and are an effective formality in enabling the LLC to be recognized as an entity separate from its owners for purposes of limited liability protection. Resolutions also help to support tax-reduction strategies, such as avoiding dealer status.

Use Land Trusts, But Correctly. Having each one of your properties in a land trust gives you important financial privacy by masking ownership of your properties. However, land trusts do not give you the corporate limited liability of an LLC. If the trust is unmasked, and you, personally, are the beneficiary, your assets are exposed. You therefore should use land trusts in *combination* with an LLC, which, as a statutory entity, would then be the beneficiary of the trust, instead of you personally.

As we come to the conclusion, I first want to thank you for reading the report. Understand this was an overview of a much more comprehensive, important topic that I do cover more extensively in my live or on-line presentations throughout the country.

The referenced sections are from *The Renaissance Goldmine of Goldmine of Brilliant Tax Strategies Real Estate Investor's*, A Tax Reduction Software System, The LLC Master Machine, and Equity Stripping Excel, all by Albert Aiello & Bill Noll. For more info go to <https://TractionREIA.com/al>

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