



ASSET
PROTECTION
COUNCIL®



MAINTENANCE & TAX REPORTING INFORMATION FOR YOUR ASSET MANAGEMENT LIMITED PARTNERSHIP (AMLP)

Maintaining Your Asset Management Limited Partnership

Your Asset Management Limited Partnership is a legal business entity with its own tax ID number; its own assets and a business purpose (as stated in your documents). As such, it generates income and has business expenses that can reduce the amount of taxable income passing through to the partners. Therefore, there are things that must be done in order to treat it as a business entity and assist your accountant in preparing your annual returns.

Purpose

The Partnership is designed to own “liquid” or “safe” assets. These are typically assets that could not physically hurt someone. They include stocks, bonds, securities, notes, leases, or mortgages. It may also include “safe” collectibles such as art, stamp collections or jewelry.

Registered Agent

The Certificate of Limited Partnership identifies Lodmell and Lodmell, P.C. as the registered agent for the Partnership. The registered agent is the individual designated to receive service of process if the Partnership is sued. The registered agent also receives all correspondence from the Arizona Secretary of State concerning the partnership.

Partners and Management

There are General Partners and Limited Partners. Each Partner’s initial contributions will be described on the schedule attached to the Partnership Agreement. If any Partner contributes property to the Partnership at a later date, his or her partnership interest will be increased proportionately. Under the Agreement, the General Partners will be responsible for all decisions that will be made with respect to the operation of the Partnership.

Transfers

Except for gifts to family members, a Partner must, prior to transferring any partnership interest, obtain the unanimous consent of all partners.

Lodmell & Lodmell, P.C.

1631 E. Cheery Lynn Rd. Phoenix, Arizona 85016
Phone: 800.231.7112 Fax: 602.230.2855 Web: Lodmell.com

One of the significant benefits of your Partnership is the ability to discount the value (for federal estate tax purposes) of gifts to children and other family members within your Partnership. (Some of the regulations that verify the discount valuation provisions are Sec. 701 IRC, Rev Ruling 93-10-12, PS27-94 and tech. adv. memo 9403005.)

This allows a General Partner to make transfers to partners at amounts less than face value, approximately 30% less, or more. Example from 2005, every dollar in an estate in excess \$1.5 Million is exposed to a federal tax that ranges from 37% to 55%, depending on the dollar amount. This is all due and payable by your heirs within nine months after death of the establishing partners. *We recommend consulting with your accountant to determine how the tax would apply in your particular situation.*

Since a prudent estate plan will try to avoid or at least reduce the federal estate tax burden, the discount valuation provisions of a Partnership can be extremely valuable.

When you wish to make gifts of your partnership interest to your beneficiaries, you will do so by preparing a general transfer form (contained in your portfolio) for the appropriate person. This form will be a relatively simple document (one to two pages), which will identify the percentage interest in the Partnership that you wish to transfer to the beneficiary. Once it is signed, it will be delivered to the person to whom you make the gift, to be kept with his or her other important records.

When you transfer an interest in the Partnership, you will be reducing the size of your federal gross estate for estate tax purposes by the amount of the gifted property. Depending upon the size of the gift, you may be required to file a gift tax return for the year in which the gift is made. To determine the value of any gift, it will be important that you obtain an appraisal of the transferred partnership interests. You should obtain such an appraisal from a reputable business valuation firm. We would be happy to recommend such a firm at your request.

Dissolution and Liquidation

The Partnership will be dissolved and liquidated fifty years from the date of its organization. Setting a time limit to the duration of the Partnership is required by Arizona law. The Partnership can be dissolved and liquidated before that date by a vote of all partners. Once the Partnership is dissolved, it will be liquidated by selling its assets to satisfy its liabilities, and distributing the net proceeds to the Partners based on their percentage of ownership.

Obtaining a Federal Tax ID Number

The Partnership will be a separate taxable entity for federal tax purposes. As such, it will be assigned a federal taxpayer identification number. Like a social security number for an individual, this taxpayer identification number will identify the Partnership for tax purposes. The application for an EIN is called an IRS SS4 form and one is included with your documents. Please follow the instructions for filing this form with the Internal Revenue Service.

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Benefits of Partnership

The Partnership will benefit you and your descendants in a number of important ways. To a great extent you may protect, from potential personal liability, your personal investment accounts by transferring them to the Partnership. By transferring these accounts to the Partnership, you will consolidate the administration of them and hopefully minimize the expense associated with maintaining them. Furthermore, as you or the other Partners wish to transfer partial interests in the Partnership to your respective beneficiaries, you will be able to do so without the expense and trouble of executing multiple documents relating to the transfer of securities or accounts. Because the property will be owned by the Partnership rather than you, your heirs will avoid some of the expense and burdens associated with probate, and, to the extent that you give away interests in the Partnership, you will avoid probate altogether with respect to the gifted property.

Establishing a Checking or Money Market Account

You will need to open a checking account in the name of the Partnership. This checking account will provide the means by which the Partnership will pay its ongoing expenses (such as brokerage fees, legal fees, and other administrative expenses). These fees should be paid out of the Partnership account so that they may be properly accounted for on the tax return that will be prepared for the Partnership. The legal fees attributable to the organization of the Partnership may be deducted against the Partnership's income over the first five years of the Partnership's existence.

We strongly recommend using a national brokerage for this account, such as Charles Schwab or Merrill Lynch, etc. This allows for better access to more investment options. Additionally, we have found that many states, such as California, work with local banks to report company accounts for state franchise tax collection. Since your Asset Management Limited Partnership is registered in Arizona, and not typically doing business directly in your home state you would normally not be liable for any state franchise fees. By not establishing a local bank account you avoid the hassle of explaining to your state tax board why you are exempt from the fee.

Maintain A Record

Maintain a record of deductible business expenses for such things as: Legal and accounting fees; Broker's fees; Books, subscriptions, newsletters; Business supplies; Bank charges; Misc. business travel; Office or business equipment; Printing, postage, etc.; Travel and accommodation; Appraisal fees; Seminars or workshops that enhance the skills of General Partners and expenses for meetings that may benefit Asset Management Limited Partnership management and further the business purpose of the Asset Management Limited Partnership; as well as any other expenses that your accountant or tax preparer deems appropriate. It is important to note that if most of the Asset Management Limited Partnership income is generated by tax-free bonds or instruments, then limitations are placed on the deductibility of some expenses. These must be reviewed with your accountant.

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Hold an Annual Meeting

We generally conduct this with you via phone and then send you a copy of annual meeting minutes for your file. This letter and minutes should be kept in your file. If the Asset Management Limited Partnership also wholly owns Limited Liability Companies, you should complete meeting minutes for each LLC and retain these for your records.

Keep Minutes for your Limited Partnership

Minutes are required for most businesses and you should keep them for your Asset Management Limited Partnership. They consist of a review of your annual and any other business meetings, as well as a listing of the issues discussed regarding the business activities, and a record of the actions that the partners choose to take. For example, if you are considering diversifying your investments into rental real estate, and discussed setting up a Limited Liability Company (LLC) to hold such real estate, you would note that in your minutes. Once the annual meeting is concluded with our office, we will provide you with annual meeting minutes memorializing our Annual Review with you.

Summary

Your Asset Management Limited Partnership is both an asset preservation and asset transfer vehicle. It provides a high degree of insulation from lawsuits and spurious claims against your assets. The Partnership provides you with the most secure estate and asset protection plan available *domestically*, and is the *minimum* any professional with significant liquid assets should have when planning their estate.

The Partnership stands as the foundation of your Asset Preservation Plan. The concept is simple. Rather than owning any of your bank or brokerage accounts in your name directly, you now own them in the name of your Partnership. At no point does this mean forfeiting control or ownership of your assets. You can take money out. You can put money in. It's just as if the money is owned by you, but it's owned by the Partnership.

Tax Reporting Information for your Limited Partnership

A Limited Partnership must file a Form 1065 partnership return each year if there are expenses and income. A K-1 must also be filed for each partner, whether or not the client has a Bridge Trust®

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