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Deloitte Private Wealth

Sustain, enhance
and protect your wealth

“Commitment to thoughtful tax planning mitigates the risks of an uncertain political climate, increases the chances for long-term family harmony, and continues to assist in the preservation of wealth.”

How to get started

Wealth planning is personal. Your goals reflect who you are and what you want for yourself, your family and the world around you.

However, without the right guidance, achieving these goals in the complex tax and regulatory landscape can be challenging. From annual income tax planning to long-term strategies for accomplishing your business, investment, wealth transfer planning, and philanthropic objectives, Deloitte can help you successfully sustain, enhance and protect what is most important to you.

Find out more about the following topics below, then contact us to start the conversation:



Income tax planning and unique investments

4

The importance of tax planning
Planning for the private business
Managing unique investments
Succeeding in tax controversies
International private wealth



Establishing a family office and investment vehicles

10

First-in-class family offices
Family investment partnerships



Philanthropy

12

Charitable planning
Setting up a private foundation



Estate, gift, and trust planning

14

Wealth transfer planning
Forming a trust
Post-mortem estate administration



Technology

17

Technology matters



How Deloitte can help

19



The importance of tax planning

Securing your future

Income tax rules and regulations are constantly changing, and often represent the most complex area of business and personal financial planning. It affects virtually every aspect of an individual's financial situation. Therefore, it is important that you conduct informed tax planning year-round and often on a multi-year basis. Each business and personal wealth decision should be evaluated with an eye on the tax consequences of each alternative under consideration.

Moreover, affluent individuals and families frequently face greater tax complexity as a result of evolving rules and regulations, which will impact diverse global wealth portfolios. This can have a ripple effect across multiple areas of your business and personal financial planning.

Obtaining an advisor who is knowledgeable about changes in the tax and economic climate, and one who is experienced in proactively addressing the complex issues of affluent individuals, is key. Furthermore, given the increased demand across the world for greater transparency, individuals and families should work closely with their advisors to understand how their investments will impact their tax positions, as well as any ongoing reporting requirements throughout the world.

How can intensive federal and state tax planning help you sustain, protect and grow your wealth?

Year-round and multi-year tax planning can help you:

- Leverage real-time data to make tax decisions and manage cash flow
- Understand the tax consequences of accelerating or deferring income and deductions
- Track time spent in multiple states to manage tax and audit exposure
- Stay abreast of tax changes debated or adopted by Congress
- Identify federal, state, and foreign tax consequences of complex investments



Planning for the private business

At the root of the matter

At the root of almost every individual and family fortune is (or was at one time) a successful business. Effective tax planning may contribute to the business' success as the business moves through its life cycle from start-up through growth, maturity, sale or ownership transition by gift or inheritance. Ultimately, the fruits of business success lie in compensation, equity distributions (including to pay related estate taxes) and other economic benefits to owners and others holding a stake in the business. Tax planning can enhance the relative benefit of these business and stakeholder interactions. Our professionals build trusted relationships that serve both the business and the owners.

Integrated tax planning is particularly important when the business is structured as a passthrough entity. Individuals can gain significant value when they work with an advisor who can understand the entire picture, from the entity to the owners. Any tax planning you undertake at the business level needs to take into account the implications to the owners.



Managing unique investments

Changing tastes in art and collectibles

Art is often a passion purchase, but even the most ardent collectors must think strategically about the meaning of their collections and the implications to their personal income tax and estate planning. More recently, investors are viewing art as a valuable financial asset with appreciation potential and as a possible diversifier to an investment portfolio. In addition, art funds are being developed to offer investors the opportunity to invest in a portfolio of art work and collectibles without the hassle of direct investment.

Art and other collectibles — wine, stamps, coins, collectible cars, etc. — are unique in that they can provide both financial value and personal enjoyment, but that also leaves room for interpretation in the eyes of taxing authorities. What does this mean for an avid collector or new entrant? Like any other financial investment, proper planning and structure is critical.

Individuals who hold art and collectibles should be aware of the income, sales, gift, and estate tax planning implications of holding and transferring such assets.

Some key considerations include:

- Do you qualify as an investor or a collector for income tax purposes?
- What are the tax implications of investing in or creating an art fund?
- What are the multistate and global tax implications of buying, selling and moving art between jurisdictions?
- What gift and estate planning opportunities exist to reduce transfer taxes on appreciated property?
- If you die with an art collection, what additional administration is required by your estate?
- Are there charitable planning opportunities associated with transferring artwork to public institutions or private foundations during your life or through your estate?
- Have you considered what role your art plays in your overall investment strategy?
- Can you monetize your art through financing?



Managing unique investments

Private aircraft and yachts



Private aircraft provide increased comfort and convenience, and offer increased productivity, scheduling flexibility and added security and privacy. Similarly, yachts capable of navigating the world's waterways offer leisure and bonding time with the luxury of continuous service.

On the flip side, ownership of private aircraft and luxury yachts introduce tax complications. You might need assistance with potentially serious, expensive, and complex decisions regarding:

- The advantages and disadvantages of the traditional methods of accessing private aircraft
- Structuring ownership of an aircraft or yacht
- Understanding and addressing the tax implications of private aircraft and yacht usage
- Considerations for traveling abroad in private aircraft and yachts



Tip

- Before purchasing an aircraft or yacht, determine the sales and use tax liabilities due at the time of the acquisition and also during the period in which the asset is used.
- Each individual passenger's reason for using the aircraft or yacht is the primary tax treatment driver.
- Preserve documentation to support the determined business use.

Tips for flying private

How often you'll use a private aircraft is an important consideration	In situations where it is difficult to predict usage, it usually makes sense to start out by chartering an aircraft or purchasing a flight card until you have a better understanding of how often, how far, and how many people will be flying.
Tax deductibility of passengers	Costs related to business passengers are fully deductible. Costs related to personal entertainment passengers are generally non-deductible (except to the extent of fringe benefit imputation or reimbursement).
Flying for both business and personal purposes	When flying for more than business use, consideration must be given to each passenger's primary purpose for the trip. To the extent there is mixed use by any one passenger, tax rules allocate multi-leg flight miles between business and, say, personal entertainment.
Types of personal non-entertainment flights	Personal non-entertainment flights can include commuting, traveling for a funeral, visiting a sick relative, receiving medical treatment, or seeing an advisor. Such classifications may give rise to full tax deductibility to the extent income is imputed (or reimbursed) for such passengers.
Types of personal entertainment flights	Examples of personal entertainment flights include flying to vacation locations, flying to visit friends or relatives, or flying to any other place that has a significant "fun factor" to it.

Succeeding in tax controversies

Understanding the IRS and state taxing authorities

If the Internal Revenue Service or state authorities come knocking on your door, do you know what to expect, how the process will play out, and what the likely outcomes will be?

In 2009, the IRS formed a special group called the Global High Wealth (“GHW”) industry group to increase focus on high-income taxpayers and their related entities. This goes beyond the normal examinations by the Small Business and Self-Employed division, which also examines this segment, and includes estate and gift tax filings and many employment tax issues.

IRS statistics indicate that taxpayers with higher adjusted gross incomes (AGI) are more likely to be examined (for \$10M AGI, the chance of annual examination could be as high as 25 percent in recent years). Private wealth taxpayers should be fully prepared for tax examinations and understand the process surrounding a tax controversy, including:

- Examination readiness
- Examination
- Fast track appeal
- Appeals
- Post appeals mediation
- Tax litigation

Key questions:

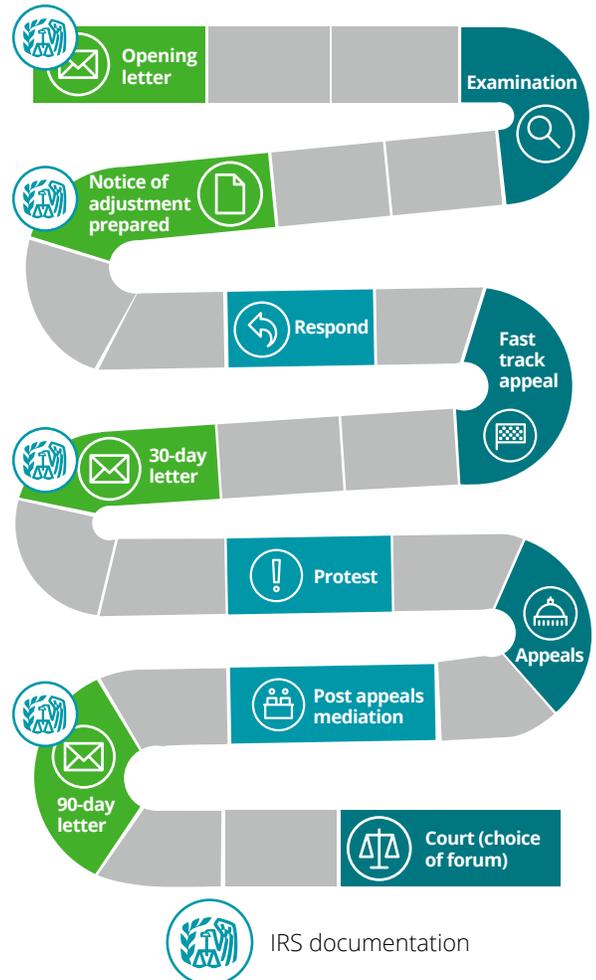
- How is the IRS examination approach changing?
- What information should you be prepared to provide to the IRS during an examination?
- What common tax issues arise in GHW exams?
- What leading practices help effectively manage an examination?
- What else should an individual, trustee or family office be aware of?



Tip

Periodically review your readiness for an IRS examination, including whether you have filed necessary tax forms, tax elections and foreign information returns.

Exam readiness



International private wealth

Cross-border considerations

Income tax consequences of international investments depend upon:

- The nationality and residency of family members
- The nature and location of the investment
- The form of investment vehicle

Key cross-border issues

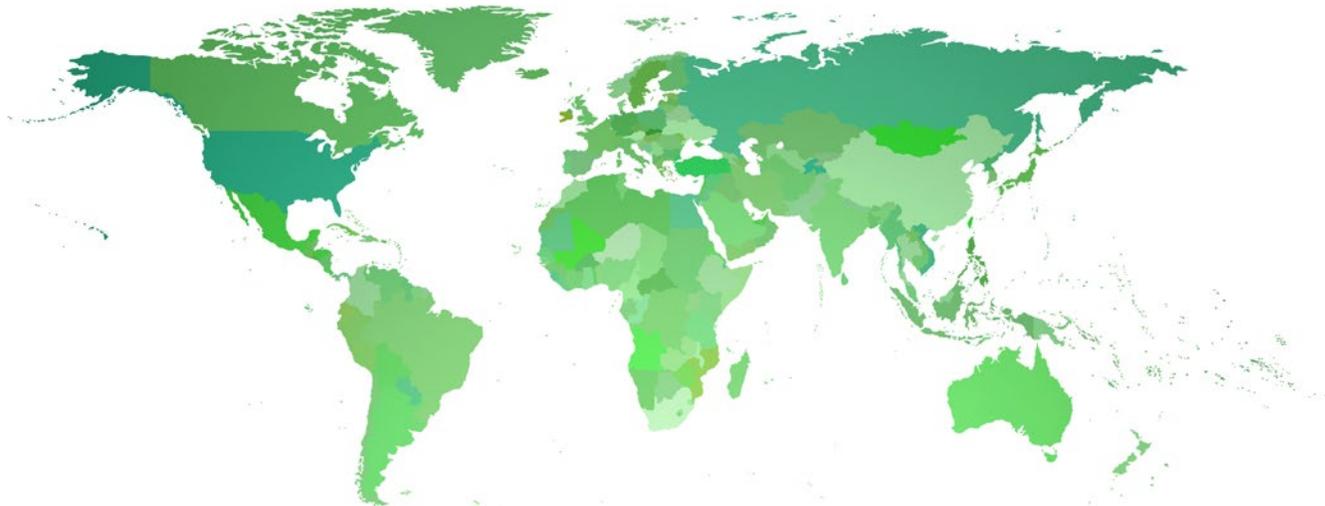
- How does a family with international connections begin to manage investment, legal, tax, and accounting issues?
- What types of investment vehicles should families consider in structuring international investments?
- Do estate taxes or inheritance taxes affect the structuring of international investments?
- What are some of the tax considerations for non-US families making US investments?
- What effect does family mobility have on investment planning and taxation?
- What is the importance of post-mortem planning upon the death of a key member of an international family?

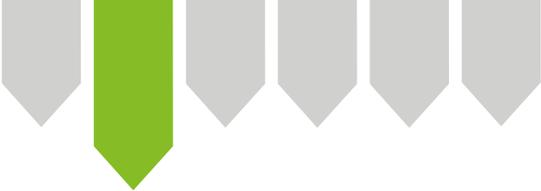
We live in an increasingly borderless world. Individuals, families and family businesses face foreign tax considerations that can be difficult to navigate and expensive to manage.

The modern family can count on two forms of mobility: mobility of family members and mobility of investments and assets. International mobility can lead to a diversification of nationalities, tax residencies, marital regimes, property rights, inheritance laws, and income and estate taxes.

Families require diligent planning in order to adhere to information reporting, disclosure and compliance requirements both at home and abroad, and to manage their global tax cost.

Foreign nationals may choose to spend significant periods of time in the US as a result of family ties, business investments, or job opportunities. These individuals should proactively work with advisors to assess the income, gift and estate tax planning consequences of increasing their presence in the US. Whether you are a US citizen or a foreign national, proactive planning prior to crossing international borders or acquiring new investments in another country is essential to planning for your income tax and potential estate tax obligations.





First in-class family offices

What you need to know

A family office is an organization established to oversee, either directly or indirectly, the financial affairs of the family. Family offices often naturally form within a family's operating business, as the senior family members begin to require more personal tax and investment planning support. Alternatively, family members may choose to create a family office after a liquidity event to aggregate family assets for co-investment, centralize decision-making, provide economies of scale, and establish a platform for family succession. In either case, the fundamental aspects of the family office, from ownership and governance to entity selection and taxation, should be continually evaluated and altered if needed.

Regardless of whether you are at the point at which you are creating a family office or one has been in existence for decades, it is important to continue to assess the services provided to family members and how the family office is compensated for such services. At some point, it might make sense to employ individuals to perform responsibilities in-house.

However, as the family's needs evolve and new technologies become available to provide these services, it could impact whether the family office or a third party can most effectively and efficiently deliver such services. Furthermore, evaluating the infrastructure that exists within the family office to provide such services, and assessing any risks that could impair the family office's ability to effectively serve the family members, should be undertaken on an ongoing basis.

Considerations	Relevant questions
Ownership and governance	<ul style="list-style-type: none">• Who should own and/or manage the family office?• How do we cultivate the junior generation?• How do we implement a family office succession plan?
Capital structure and funding	<ul style="list-style-type: none">• What is the family office "burn rate"?• How will the family office be funded?• How should the family office charge for services?
Scope of services	<ul style="list-style-type: none">• Whom does the family office serve?• What services should it provide?• Should services be in-house or outsourced?
Entity selection and taxation	<ul style="list-style-type: none">• What is the appropriate entity type?• Is the family office a trade or business?

Family investment partnerships

Structuring your investments

Individuals and families often choose to pool their assets through family investment partnerships. Families may create separate investment partnerships to segregate the following investments:

- Marketable securities portfolios
- Hedge funds
- Private equity funds
- Venture capital investments
- Real estate investments

When forming investment partnerships, family members should consider their investment goals and liquidity needs, while balancing the tax implications associated with the underlying investments and the income to be generated from the investments. Each partnership's allocations can be tailored to meet the partners' economic arrangements. However, balancing the partners' needs for flexibility while increasing the complexity of partnership allocations should be top of mind. In addition, when a family office is involved, decisions must be made about how the family office will be compensated if the family office is providing investment advisory and accounting services to the investment partnerships.

Finally, it is important to evaluate which technology tools can best assist the partnership with data aggregation, partnership allocations, and capital account maintenance. There are technology tools available to efficiently transfer Schedule K-1 information from the partnerships to the partners' tax returns. Automating the process to transfer Schedule K-1 information can address the challenges of completing significant amounts of returns in a compressed period. While there may not be one technology that can meet all of these needs, taking time to assess and identify the right tools for an investment partnership can improve the investor calculations and reporting processes in the long run.

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Tip

"Run the numbers" before finalizing a partnership agreement to confirm that the agreement's terms produce the intended outcome. Customized tax modeling can help you understand both the economic and tax implications of the partnership allocations.

Economies of scale	Flexibility	Tax efficiency	Administrative efficiency
<ul style="list-style-type: none"> • Ability to meet investment threshold minimums • Access to world class managers and broad investment categories • Reduced cost of custodial administration 	<ul style="list-style-type: none"> • Tailored asset allocations • Relaxed contribution, distribution, and redemption provisions • Easier withdrawals/ contributions promotes participation 	<ul style="list-style-type: none"> • Efficient distributions and portfolio rebalancing • Can reward investment managers tax efficiently • May facilitate estate planning 	<ul style="list-style-type: none"> • Centralized control with family office • Disciplined approach for accurate record-keeping and portfolio maintenance • Coordination with custodian and investment manager

Charitable planning

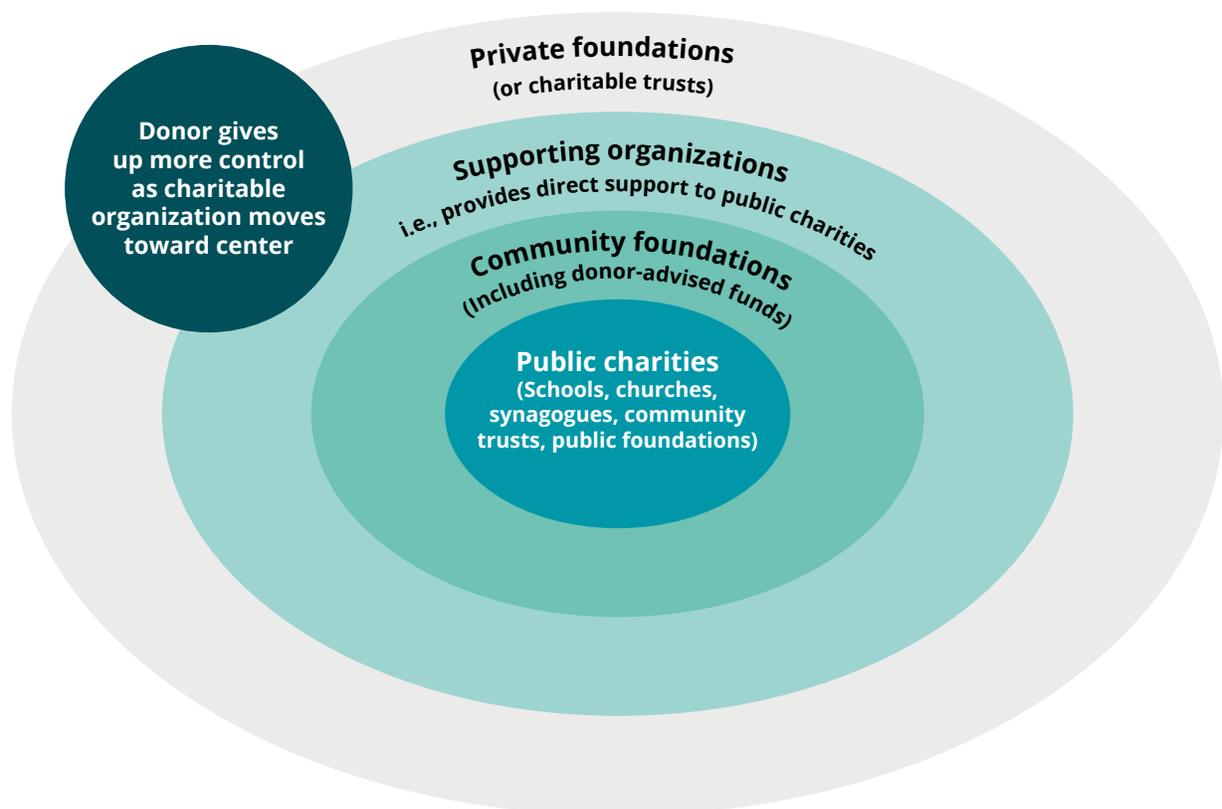
Give giving a chance

Before starting charitable giving, ask yourself:

- How much wealth am I willing to part with?
- What type of assets do I have to work with?
- How much control do I want?
- What is the desired income stream for me, my family and my charity?
- What percentage of my income do I want to spend on philanthropy?
- Do I anticipate an income event that will enhance or limit the benefit I receive from a charitable donation?
- When does the charity need the funds to meet both my goals and the charity's need for the funds?
- What is my desired timing for receiving an income tax deduction for the charitable gift?

Contributions to charities are a means to give back to the community and promote causes—all while receiving tax benefits. There are many options to accomplish charitable objectives, most involving organizational, financial, legal, and family issues. Do not underestimate the importance of understanding the different charitable planning vehicles and finding the right alternative to meet your needs such as:

- Making direct donations to existing public charities
- Giving to a donor-advised fund
- Creating a private foundation
- Using split-interest trusts or similar types of transfers



Setting up a private foundation

What you need to know

Private foundations can help individuals and families reach their philanthropic goals while offering multiple benefits along the way. There are several important decisions that need to be made before committing to establish a private foundation.

Knowing what questions to ask and obtaining sound advice can assist you with the complexities of creating and maintaining a private foundation.

Is a private foundation right for you? Do you or your family:

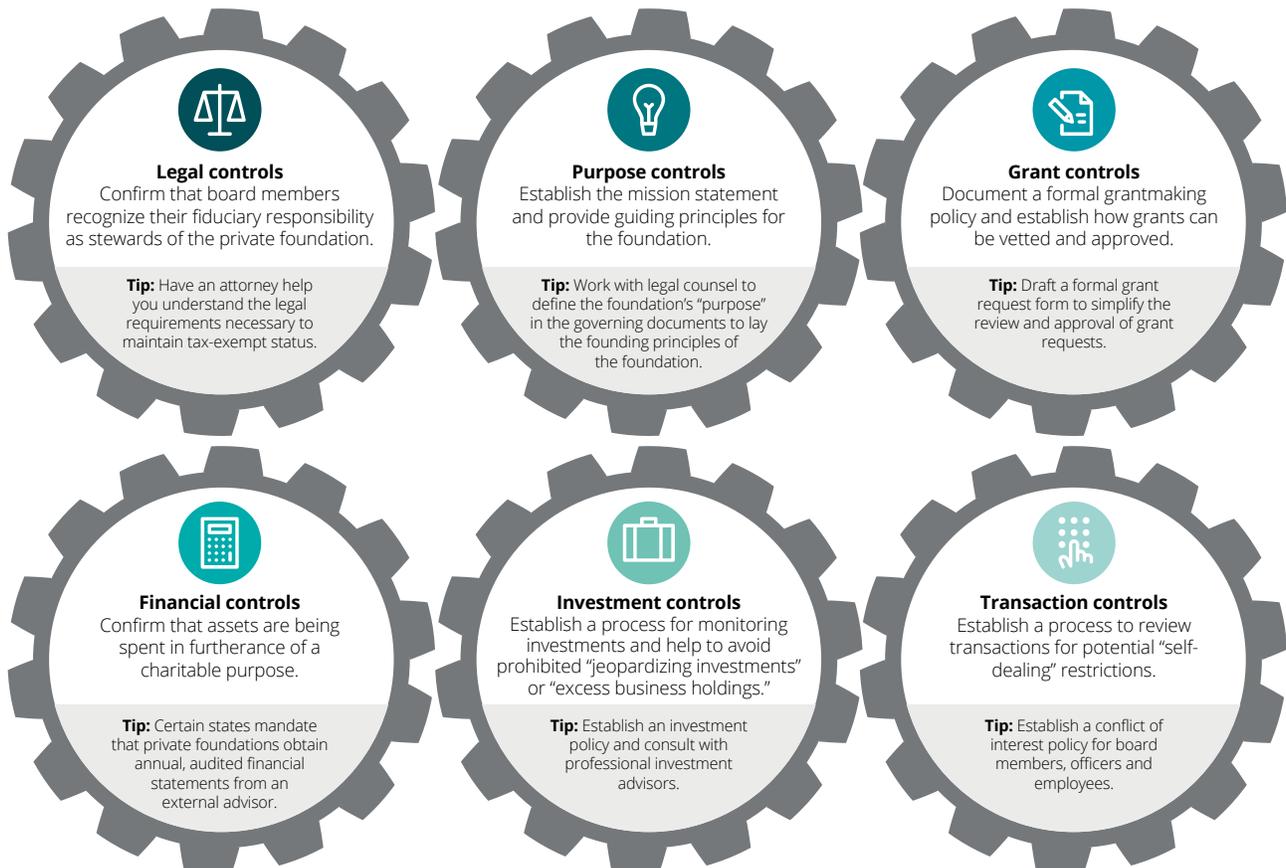
- Have a charitable vision?
- Want to control the timing and use of your charitable funds?
- Want to introduce children and grandchildren to philanthropy?
- Want to create a charitable legacy?

Your private foundation must have the critical mass to support the reporting and regulatory requirements, as well as the diligence to create and maintain effective controls to operate.

What is a private foundation?

- A formal vehicle for charitable giving
- A non-governmental, non-profit organization
- A principal fund managed by its own trustees or directors
- An entity that maintains or aids charitable, educational, religious, or other activities
- An entity that serves the public good, primarily through the making of grants to other non-profit organizations
- A separate legal entity that provides a formal structure to carry out a donor's or family's charitable intentions

A foundation's board should consider implementing and establishing a process to monitor the following controls:



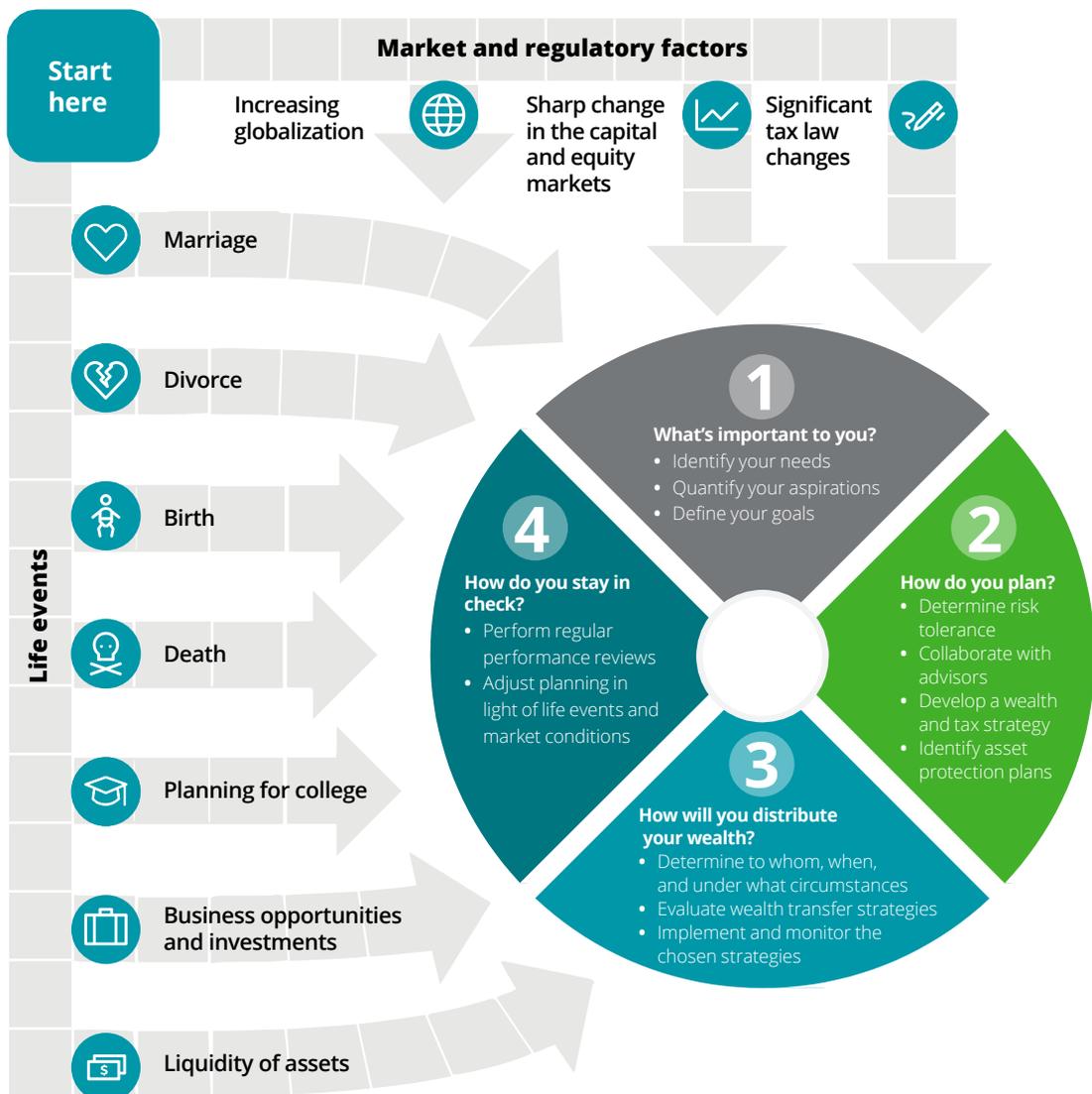
Wealth transfer planning

Where will your wealth go?

While creating and preserving wealth are usually top of mind, planning for the transfer of wealth can sometimes be a lower priority. Proactive planning helps determine that property transfers (and the related tax issues) won't adversely impact your wealth distribution goals.

Upon one's passing, communication among all of your advisors (e.g., tax, legal, and investment) is vital for proper planning and implementation, and it is vital to effect the proper monitoring of your implemented plans.

Wealth transfer planning: A critical yet often overlooked element of wealth planning is keeping plans and procedures up to date, particularly as assets grow or relationships change. With each significant life event or market change, it's important to review your plans and procedures.





Forming a trust

Putting your faith (and money) in trusts

Trusts function to protect wealth, passing it from one generation to the next. Trusts regulate access to assets by younger family members (or those without the legal capacity to own assets outright), and they provide long-term asset oversight and investment management.

Almost any dispositive scheme imaginable can be accomplished with a trust. This requires a skilled draftsman since once the trust is irrevocable, changes, while possible, are problematic. Moreover, trusts follow state law which often limits both the trust's duration and a trustee's conduct. Thus, choosing the governing state law is an important consideration.

Whether a trust is regarded for income and transfer tax purposes depends upon, among other things, the participation of the grantor of the trust. Complications may arise if the grantor retains either an economic interest in or broad powers over trust assets, or when the grantor's spouse is a beneficiary of the trust. Care must be exercised in these situations to support the intended result. For example, a revocable trust, while legally binding, has no tax significance at all. In contrast, an irrevocable grantor trust is legally binding, and may be regarded for estate tax purposes, but due to the grantor's retained powers, may be disregarded for income tax purposes. Accordingly, care must be exercised in these situations to support the intended result.



The right trust for your circumstances

- Determine who you will name as trust beneficiaries, the nature of the benefit they will receive, and when they will receive it.
 - Tax considerations are driven by the identities of the beneficiaries. For example, a grandchild or more remote beneficiaries will require attention to the generation-skipping transfer tax.
 - Charitable beneficiaries often invoke special tax considerations.
- Decide who to appoint as trustee(s) and successor trustee(s) of the trust. The use of a private trust company may be a consideration.
- Determine what assets will fund the trust and, if appropriate, provide specific instructions to the trustee(s) with respect to the management of those assets.

Post-mortem estate administration

What happens when you die?

Settling the estate of an individual is complex. The time period that many families face in settling an estate will likely be years. This is due to the need of marshaling and valuing assets, paying debts and taxes, and then distributing the remaining assets or their proceeds. The period in between death and the final disposition of the estate's assets is often referred to as the post-mortem administrative period.

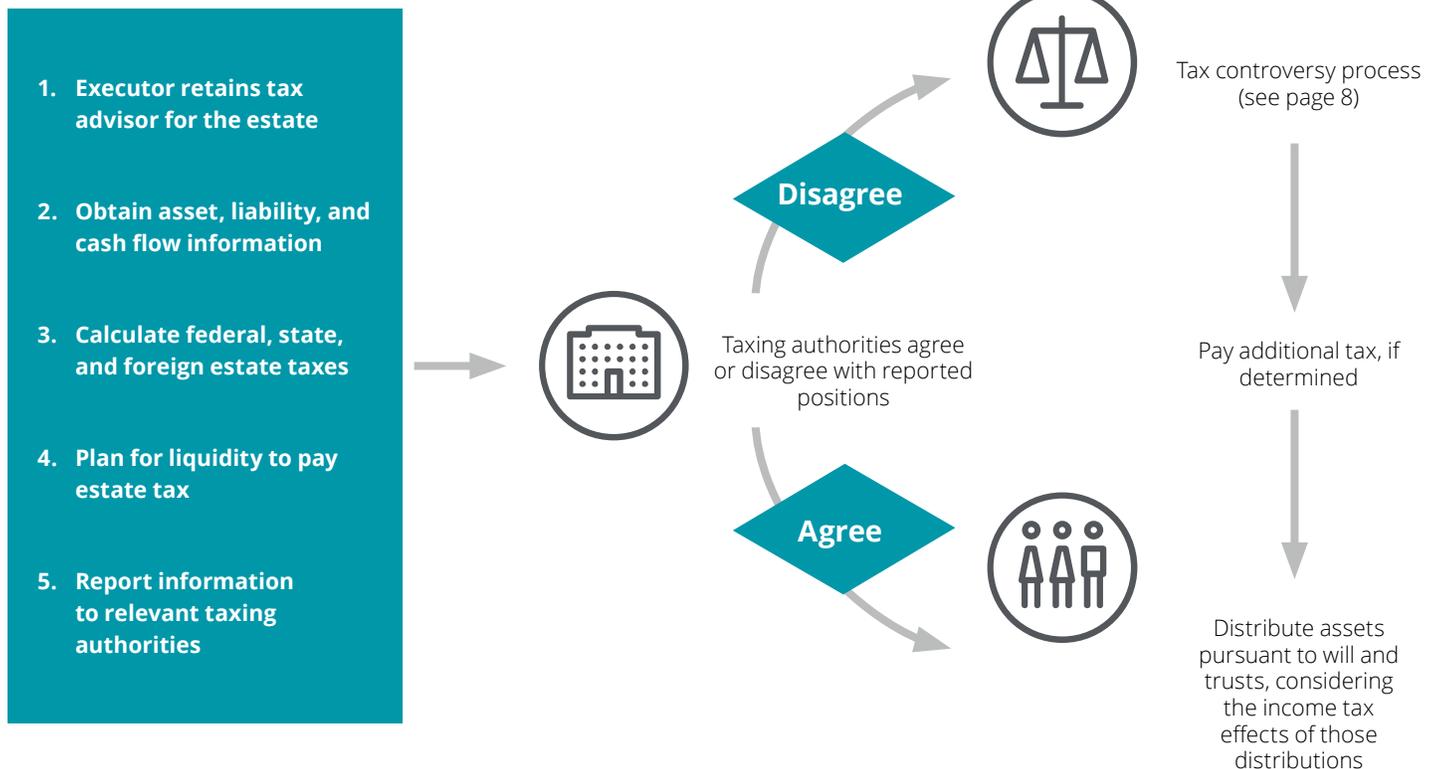
This period of time often gives rise to intricate tax, financial, legal and other considerations. Effective post-mortem administration must consider the estate's unique mix of assets, liabilities, liquidity, and family considerations.

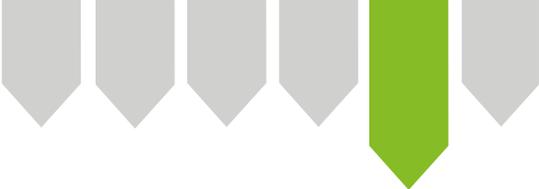


The right trust for your circumstances

As part of a pre-mortem assessment, prepare a mock estate tax return to better understand the current estate tax liability, how the estate tax, debts and expenses will be paid, and verify that assets are distributed in the manner in which you intend.

Steps from death to distribution





Technology matters

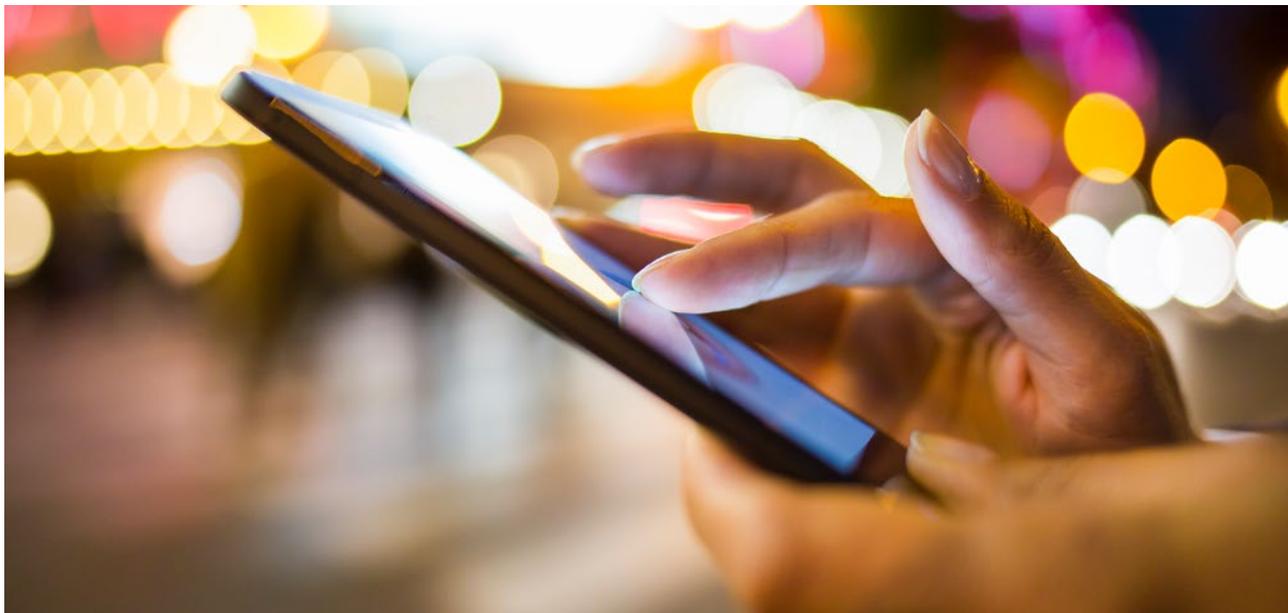
Technology is the backbone of your private wealth operations

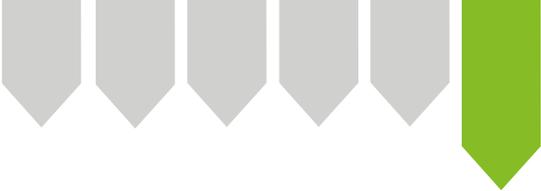
Technology influences all areas of your life, including business and personal finances. The question is: How do you apply technology to keep your operations running smoothly? The ability to access, analyze, manipulate, and report data can make virtually every part of managing your finances, running your business, home office and family office operations more efficient.

Implementing the right technology with the right partner is key. Family offices, in particular, must review legacy technology platforms to identify what should be upgraded and when—a significant and long-term effort. To better integrate with your tax professionals, you must move away from scanning and cataloging paper and toward electronic information exchanges.

The time to begin is now, as the risks are too great and technology challenges compound with the passage of time. When addressing technology infrastructure, you should include:

- **Network security:** Security, firewalls, virus and malware protection, data integrity, backups. How do you move money between accounts? What processes are in place to protect your assets?
- **Disaster recovery:** Do you have the right processes and systems in place to recover your books and records? What will it take to get up and running without losing time and cost?
- **Communication with employees, family members and advisors:** Secure emails, protocols, web portals, VPNs. Simply put, how do you interact with each other and with your custodian and administrator and do so safely?
- **Security of smartphones/tablets:** What happens if they are lost or stolen? Who can access what data? What contingencies are in place?
- **Online web presence and social media:** Management of online web presence and related social media accounts is crucial to protecting family information.





How Deloitte can help

Deloitte has been discreetly serving high net worth individuals, families, and their enterprises for more than 100 years. As a trusted advisor to many of the world's most affluent families, family offices and private trust companies, we bring significant experience and integrated service capabilities to our clients. We deliver a global network of resources and a world-class level of knowledge and experience tailored to each family's unique and personal circumstances.

Our experience in this specialized field informs us that clients like you expect service providers to bring to the table a team of professionals with relevant experiences and perspective. One of the valuable benefits we can bring to you is our experience working with clients of similar stature, complexity, and issues. Our goal is to leverage the deep experiences of our professionals to advise you and your family for generations to come.

Whether you are growing or selling your business, considering what assets you want to pass to future generations and charities, or evaluating the creation of a family office, we will share our knowledge and experiences so that you can feel educated and confident in the decisions you make to secure the legacy of your family.





Deloitte Private Wealth

Deloitte's committed team builds client service relationships that span decades and generations by providing innovative solutions to address our clients' ever-evolving needs and circumstances. We are highly valued as trusted private wealth advisers with deep knowledge, broad experience, and a large domestic and global network of professionals to leverage as our clients' goals change.

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