

PLANNING HELPS COUPLE REDUCE EXPOSURE TO CAPITAL GAINS TAX FROM REAL ESTATE SALE



SITUATION

A CPA firm had a client, Sarah and Jim Howell*, who were about to sell a large parcel of real estate in which they had almost zero basis and a potential capital gain of \$4 million. The Howells wanted to avoid the \$1 million in capital gain taxes, provide themselves an income for life, and pass their estate to their children with the least possible tax consequences.

SOLUTION

Working in tandem with the CPA firm, estate planning attorney, and real estate specialist, we demonstrated to the Howells that they could accomplish all of their goals through the combination of a **Charitable Remainder Trust and an Irrevocable Life Insurance Trust** funded with a \$4 million Variable Universal life insurance policy.

RESULT

The life insurance premium was funded through the income generated by their ability to avoid the \$1 million of capital gain taxes, using the income generated by the other \$3 million of sale proceeds to provide the Howells with an income for life.

TAKE AWAY

The key to this case was the ability to demonstrate to the client that their real estate consisted of two parts. The first part is “personal capital” that they get to keep. The second part is “social capital” gain that they either must give to the government in the form of taxes or to charities close to their hearts.

