Case Study One

May 2008 farming Client with advanced stage ALS retained the services of Miller Legal. Client was in his 2nd marriage with a prenuptial agreement. He was farming as a sole proprietor. Client had one daughter who was married and they had three children. Both daughter and son-in-law helped in the farming operation. Client died May 2009.

Before Planning

Assets	Value
Savings Account	$ 10,317.34
Checking	$ 243,005.80
Stocks	$ 154,063.17
Vehicles	$ 3,000.00
SEP Plan	$ 254,461.19
Life Insurance	$ 50,000.00
Contracted Grain (Deferred Payment)	$ 273,259.72
Contracted Grain (Not Delivered)	$ 232,600.00
Grain in Bin	$ 180,602.50
Growing Crop	$ 808,871.00
Equipment	$ 817,250.00
Coop Patronage	$ 3,866.70
Hedging Account	$ 14,614.91
Prepaid Expenses	$ 5,658.00
Home site and Home	$ 163,821.00
Storage Buildings	$ 46,747.00
Grain Bins	$ 39,762.00
Grain Equipment	$ 118,080.00
Farm Land	$ 5,023,590.00
Gross Estate	**$ 8,443,570.33**

Estate Tax Liability

Deductions	
Contracted Grain (Not Delivered)	$ (232,600.00)
Debts	$ (395,663.51)
Expenses	$ (244,839.00)
Distribution to Spouse	$ (388,270.01)
Taxable Estate	**$ 7,182,197.81**
Estate Tax Liability	
Minnesota Estate Tax	$ 661,978.00
Federal Estate Tax	$ 1,359,099.00

Goals

- Create Estate Plan to control property while alive and well
- Provide some specific assets and income stream to spouse
- Reduce estate tax liability
- Gain stepped-up basis
- Avoid Probate
- Transition the farm operation and assets to daughter, son-in-law and grandchildren upon death
- Continuation of farming operation

The Plan

- Created Revocable Living Trust with Incapacity and Farm Succession Planning
    - Assets were funded to the revocable living trust
    - 2nd wife was listed as beneficiary to specific assets and distributed stated percentage of LLC to a Marital Trust that would pay her income for her life allowing for a QTIP election and upon her death distribute assets to grandchildren
- Created Wyoming Close LLC to own the real estate
    - Language in LLC dictated terms for rent to prevent conflict between daughter and 2nd wife
    - LLC allowed for 49.6% discount due to lack of marketability and lack of control to reduce estate tax liability
- Created rental agreements between Client's farming operation and the LLC in 2008 and 2009 and **rent was paid pursuant to the agreements**
- Annual exclusion gifts were done in 2008 and 2009 to daughter, son-in-law and grandchildren

After Death

Assets	Value
Savings Account	$ 10,317.34
Checking	$ 243,005.80
Stocks	$ 154,063.17
Vehicles	$ 3,000.00
SEP Plan	$ 254,461.19
Life Insurance	$ 50,000.00
Contracted Grain (Deferred Payment)	$ 273,259.72
Contracted Grain (Not Delivered)	$ 232,600.00
Grain in Bin	$ 180,602.50
Growing Crop	$ 808,871.00
Equipment	$ 817,250.00
Coop Patronage	$ 3,866.70
Hedging Account	$ 14,614.91
Prepaid Expenses	$ 5,658.00
Home site and Home	$ 163,821.00
Storage Buildings	$ 46,747.00
Grain Bins	$ 39,762.00
Grain Equipment	$ 118,080.00
Farm Land in LLC	$ 2,612,266.80
Gross Estate	**$ 6,032,247.13**
Deductions	
Contracted Grain (Not Delivered)	$ (232,600.00)
Debts	$ (395,663.51)
Expenses	$ (244,839.00)
Distribution to Spouse	$ (388,270.01)
Taxable Estate	**$ 4,366,874.61**
Estate Tax Liability	
Minnesota Estate Tax	$ 320,690.00
Federal Estate Tax	$ 245,783.00

Results

- Assets and income stream received by 2^{nd} wife
- LLC units from QTIP trust will be transferred to grandchildren upon death of wife
- Operation transferred to daughter and son-in-law
- Remaining LLC units transferred to daughter and son-in-law
- Federal Tax savings of $1,113,316 and Minnesota Estate Tax savings of $341,288
- Stepped up basis on all assets and crop to allow for future income tax savings