

# Family Limited Partnerships

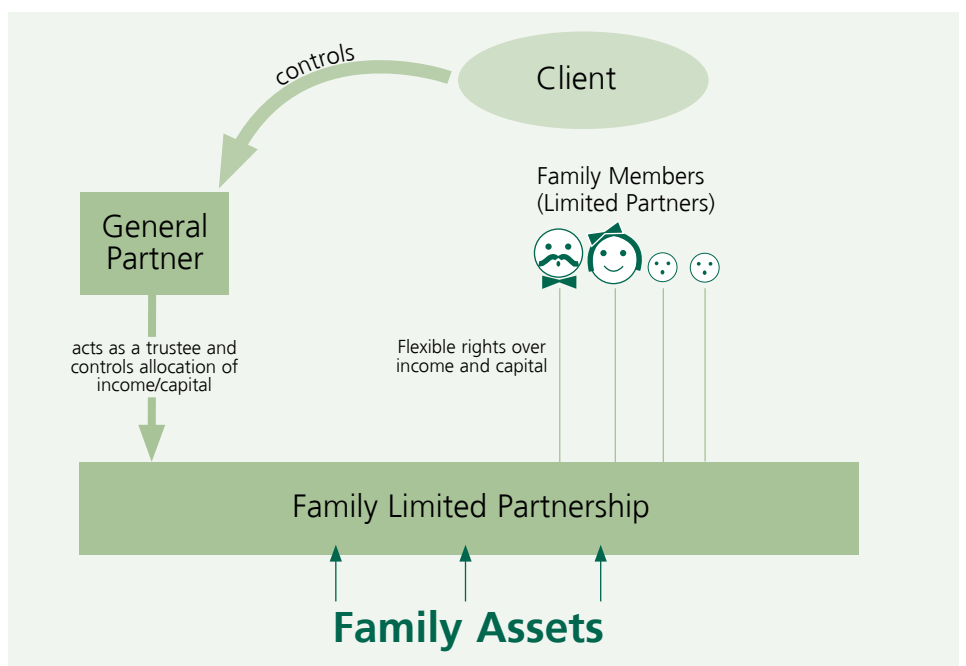
A modern day alternative to trusts

UK taxpayers are now liable to an upfront inheritance tax charge on assets contributed into most new trusts and the trusts suffer ongoing inheritance tax charges. However, many wealthy families still want the non-tax benefits offered by trusts, such as asset protection, flexibility and control. A Family Limited Partnership ("FLP") is a valuable alternative to trusts: offering "trust-like" benefits without the inheritance tax cost.

## Structure

The FLP is managed by a general partner ("GP"), who manages the assets and whose role is similar to a trustee. The GP does not have any right to benefit from partnership assets.

The family members are limited partners. The limited partners have rights to capital and income of the FLP, in a similar way to beneficiaries of a trust.



## Advantages

- Provides enhanced asset protection against creditors, divorcing spouses and other claims against family members.
- Protects against dissipation by family members by restricting their access to capital.
- Can include extensive discretion and flexibility over the rights of family members to receive income or capital – in effect, similar to a discretionary trust.
- Can be used to hold assets (e.g. a family business or high-risk assets) that a professional trustee may be reluctant to hold in a trust.
- Can be used to aggregate family assets, e.g. to maintain a controlling voting block of shares.
- Can include minor children or grandchildren as partners (through a "bare trust" layer).
- Can be used to "offshore" UK assets by changing their situs for inheritance tax.
- The GP is usually a company controlled by the client. Thus the client can have a much higher level of control than is possible under a trust – in effect, similar to a private trust company, at much lower cost.
- Allows the client's children to be involved, e.g. as directors of the GP company, to gain experience and learn responsibility, while still having restricted rights to the assets.

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