

The Great Wealth Transfer: Strategies to Transfer ‘Superfluous’ Assets Without Taking an Estate Tax Hit

First, let’s address the obvious question: What exactly are “superfluous” assets? While it might seem like an oxymoron, the answer is fairly straightforward. Superfluous assets are those assets that you do not need to supplement your lifestyle income needs.

Common examples include a second or third home, highly appreciated investment property, artwork, and concentrated stock positions. Sure, they may be valuable. They may be appreciated. They may even be family heirlooms. But if they are not essential to maintaining your financial security, they may be candidates for transfer planning.

The trick is determining which assets are truly superfluous. It can be more difficult than one might imagine deciding which assets are no longer wanted or are not needed for the income they produce, especially if they have sentimental value and multiple family members are involved in the decision making. Even when family aligns on what qualifies as a superfluous asset, there is often a reluctance to sell outright as doing so could trigger large capital gains tax consequences.

Fortunately, there are strategies to avoid that fate. The bottom line is that gifting or transferring these assets during life (rather than holding them until death) can reduce estate tax exposure while keeping wealth within the family.

Below are several strategies commonly used to do just that:

Closely Held Business Interests

Family LLCs, partnerships, and operating companies can be powerful candidates for efficient wealth transfer. While these types of closely held business interests are not typically considered superfluous, as they can have future appreciation potential, they are also usually not publicly traded (which means minority positions may qualify for valuation discounts, such as for lack of control or lack of marketability). Those discounts can reduce the taxable value of a gift and allow families to gradually gift minority interests over time, contribute interests to irrevocable trusts, or sell interests to trusts to shift future appreciation. Vehicles such as a Grantor Retained Annuity Trust (GRAT) can be particularly effective. With a GRAT, growth above the IRS “hurdle rate” passes to heirs with minimal gift tax cost. This strategy is often ideal when significant appreciation is expected.

Marketable Securities

Publicly traded stocks and investment portfolios are among the easiest assets to transfer because they are relatively simple to value. These assets are often well-suited for funding GRATs, funding multi-generational trusts, and leveraging the generation-skipping transfer (GST) tax exemption.

For families holding concentrated stock positions, transferring shares to trusts can shift future appreciation outside the taxable estate while maintaining investment exposure within the family.

Real Estate

Real estate historically appreciates over long periods, and certain markets may experience significant short-term growth. That dynamic can result in real estate holdings having significant value, even if they are no longer needed to support income needs.





Qualified Personal Residence Trust (QPRT), such as for primary or vacation residences, can reduce the taxable value of real estate and allow the grantor to continue using the property for a set period, while ultimately transferring future appreciation outside the estate. This strategy works particularly well for families who intend to keep property in the family long-term.

Charitable Planning

Philanthropy can be one of the most tax-efficient ways to remove highly appreciated assets from an estate. This is particularly effective for assets with large, unrealized gains, such as highly appreciated stock, investment real estate, and business interests.

With a **Charitable Remainder Unitrust (CRUT)**, beneficiaries receive income during lifetime, with the remainder of the asset's value going to charity. The end result is the removal of the asset from the taxable estate.

For families seeking simplicity, **charitable bequests at death** also reduce estate tax exposure while supporting meaningful causes. When thoughtfully structured, philanthropic planning can align legacy goals with tax efficiency.

Spousal Lifetime Access Trusts (SLATs)

For families who are not ready to permanently part with transferred assets, a Spousal Lifetime Access Trust (SLAT) can be an attractive option. A SLAT allows one spouse to transfer assets to an irrevocable trust, which removes those assets from the estate while still providing indirect access through distributions to the other spouse. This strategy can preserve lifestyle flexibility while reducing estate tax exposure.

However, care must be taken to avoid the "reciprocal trust doctrine," which can invalidate tax benefits if two trusts are too similar. Proper structuring is essential, particularly in community property states where separate property planning requires careful coordination.

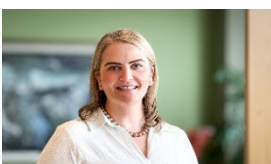
Start with Security

When it comes to transferring superfluous assets, the most important step is not choosing a strategy, it's determining how much income your family truly needs to maintain your desired lifestyle and achieve long-term security. In most situations, the overarching goal is not simply tax reduction, but rather to preserve family harmony and protect and support future generations.

With thoughtful planning, families can shift future appreciation out of taxable estates, maintain control where needed, and align wealth with long-term legacy goals. The earlier planning begins, the more options are available. **Contact us to explore the right solution for your family.**

 [Contact us to learn more. \(800\) 475-9159 | LNWadvisors.com](https://lnwadvisors.com)

ABOUT THE AUTHOR



Diana Shiner, JD, CTFA is passionate about developing and implementing comprehensive strategies for wealth management that align with the goals of each client and their family, including administration of trusts at LNW. Diana utilizes her wide-ranging experience in private banking, estate planning/settlement, business formation/governance, real estate and family law to tailor sophisticated solutions for high-net-worth individuals and families with complex finances and asset holdings.



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