

Restricted Property Trust (RPT)

Stable, conservative vehicle for tax mitigation and asset appreciation

What It Is

The restricted property trust (RPT) is an employer-sponsored plan that provides tax-favored long-term cash accumulation and income distribution.

The RPT is an attractive alternative to deferred compensation plans for successful business owners who wish to mitigate income taxes and appreciate assets.

How It Works

1. The corporate entity establishes two irrevocable trusts, known as the Death Benefit Trust and the Restricted Property Trust.
2. The Taxpayer agrees to make contributions to the Death Benefit Trust in accordance with a Death Benefit Agreement entered into between the Taxpayer and employee.
3. Fully tax-deductible contributions are made by the business to the RPT for a select group of participants. Of this, a portion is considered current taxable income to the participant. The remaining contribution funds a life insurance policy.
4. Participant recognizes income on policy cash value in excess of value created by 83(b) election and Economic Benefit costs. Tax due is paid from Policy Values.
5. After the policy is distributed, the participant can maintain it for the death benefit, use it to generate non-taxable cash flow, exchange it for a larger income stream (annuity) or potentially exchange it for a larger, guaranteed death benefit

Benefits

- 100% tax-deductible to the business or partnership
- 70% tax-deductible to the participant
- Reduced taxable income
- Complete participant flexibility
- Plan assets fully protected from creditors
- Zero interference with any current qualified plan assets or contributions
- Business continuity is insured through death benefit
- May be used for any personnel selected by trustee

Ideal Candidates

- Medical Groups
- Financial Services Firms
- High Profit Partnerships
- Privately Held Companies – Owners & Executives
- C-Corps, S-Corps, LLC's, Partnerships

For more information:

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