



# Estate Planning for Physicians and Other Professionals

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**E**state planning clients who are physicians or other professionals (dentists, lawyers, accountants, veterinarians, etc.) are different from the average client. Not only are these individuals typically better educated, but they are in a different life situation and have very different concerns. Professionals earn more money, pay more taxes, and have more exposure to liability. Therefore, not only do they need different advice, they need better advice pertaining to wealth protection.



The first key ingredient for success is the establishment of a collaborative, professional, and focused team of advisors. The team necessarily involves a estate and business planning attorney, investment advisor, and a certified public accountant. The team focuses on asset protection for business and personal assets, while establishing strategies to minimize estate and income taxes, developing practice exit strategies, and creating significant retirement benefits.

Team meetings are mandatory. The client must set the agenda and insist upon a regular schedule. The discourse amongst talented advisors in front of the professional client results in an unparalleled degree of honest advice coupled with the opportunity to analyze strategies under a multidisciplinary lens. This almost always produces a far better economic and legal result. At a minimum, it keeps the client and team on the “same page.”

The second key ingredient for success is keeping the team’s number one priority focused on asset protection. It is not about hiding or concealing assets. It is about maintaining control while discouraging lawsuits from the outset. For the professional client, there is significant value in shielding assets while achieving other goals. The cardinal rule is that wealth protection has to be tied to wealth creation. Like all tax planning, asset protection should have economic substance.

It must be understood that asset protection has a “Sliding Scale.” See the “Asset Protection: ‘Sliding Scale’” chart at the end of this chapter. By understanding “no shield” strategies such as general partnerships to “ultimate shields” such as state and federal exemptions, the team will help the professional client protect wealth while building wealth professionally and personally, all without doing any more work!

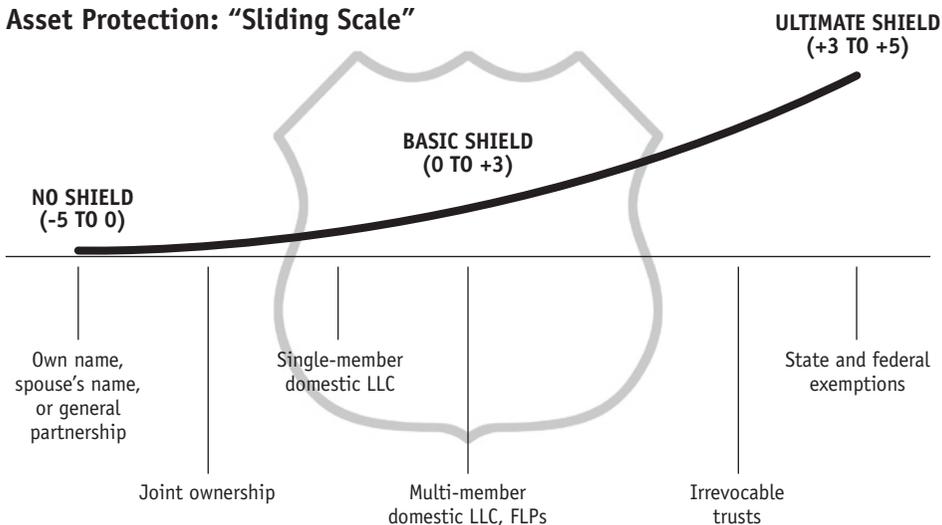
Professional clients often have large homes and significant brokerage accounts, or other real estate investments. Designing plans to protect these personal assets is essential. The advice may be as simple yet unconventional as to “never pay off your mortgage” to as complicated as combining a domestic asset protection trust with the charging order protection of a Wyoming or Delaware limited liability company. See the “What a ‘Charging Order’ Means” chart at the end of this chapter.

Estate tax planning is the third key ingredient to success. Every client should assist in the design of a customized revocable living trust which incorporates legacy trusts for their children. Further, for the most part, all life insurance should be owned by an irrevocable life insurance trust. Finally, valuation discount planning, utilizing a Wyoming or Delaware limited liability company in conjunction with an irrevocable grantor trust, will enable the client to minimize, if not eliminate, state and federal estate taxes. See the “Using the FLP or LLC” chart at the end of this chapter.

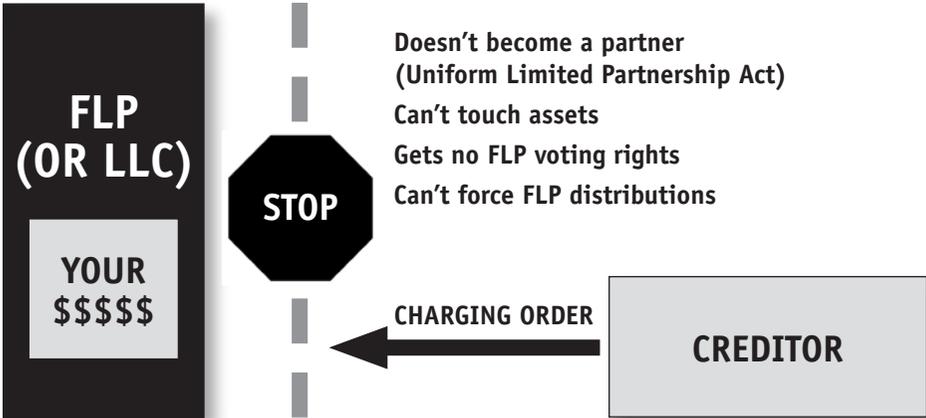
Benefits planning for the professional is the fourth and final ingredient for success, and often involves unconventional wisdom. For instance, most professionals are familiar with qualified plans. However, many do not realize these can be a tax trap with funds left in the estate at death taxed up to 75% or more. Alternatives such as Section 79 plans or the establishment of a captive insurance company are possibilities that should be explored. These strategies, when combined with sound asset protection and exit strategy planning, will enable the professional client to sleep well at night. Further, if a catastrophic event occurs, such as the disability or the death of a partner or a lawsuit against the client or partner, everyone involved will be protected.

There are many aspects of planning for the physician and other professional clients that are beyond the scope of this article. However the steps outlined in this article provide the basis for the implementation of a sound comprehensive plan.

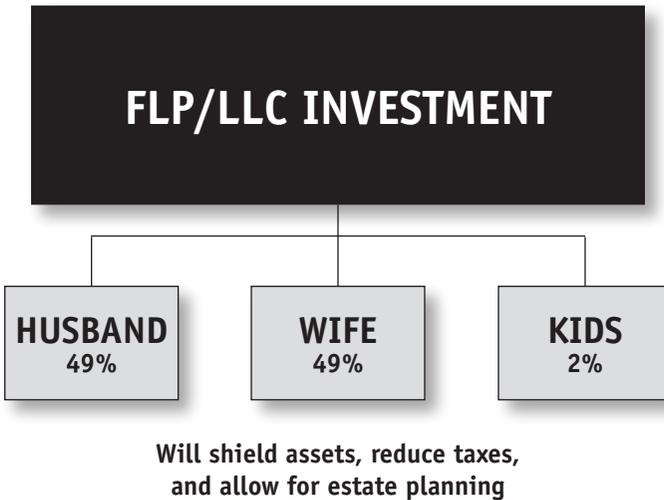
## Asset Protection: “Sliding Scale”



### What a “Charging Order” Means



### Using the FLP or LLC



*Our law firm represents professionals such as physicians, dentists, accountants, engineers, lawyers, farmers, and business owners. We focus on asset protection planning in the context of comprehensive estate planning.*

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