

ESTATE PLANNING FOR HEDGE FUND AND PRIVATE EQUITY PRINCIPALS

Cummings & Lockwood attorneys have extensive experience providing sophisticated estate planning services to hedge fund and private equity principals. We understand how private equity and hedge funds are structured, as well as how the estate, gift and income tax rules apply to transfers of fund interests in order to develop a highly tax-efficient estate plan.

Our experience includes:

- Advising hedge fund and private equity principals about the rules for transferring a portion of their interests in a fund, whether these are capital interests, carried interests or synthetic capital, in order to avoid unexpected gift tax liabilities (the “Vertical Slice Rules”).
- Employing innovative techniques, such as synthetic derivatives, to enable fund principals to transfer a portion of their carried interest in a fund without having to transfer a corresponding portion of their capital interest.
- Developing special mechanisms to help clients avoid various income tax issues that emerge when transferring management company interests within an estate planning context.
- Working with appraisers on valuing fund interests, as well as reviewing appraisal reports to ensure that principals are in compliance with IRS rules and regulations.
- Developing transfer techniques that are appropriate for different types of investment funds, such as grantor retained annuity trusts for the transfer of hedge fund interests and installment notes for the transfer of private equity fund interests.
- Counseling principals who are restructuring their fund management arrangements and recommending alternatives that can be implemented in the estate planning process.

Cummings & Lockwood - *The Choice* for sophisticated legal counsel.