

Estate Planning for Business Owners — California

Why Business Ownership Makes Planning More Complex

Section 1 — Why Business Ownership Changes Estate Planning

A business interest is unlike any other asset in your estate. It is hard to value, it needs decisions made weekly, and its transfer is governed by documents your estate plan didn't write — operating agreements, buy-sell agreements, corporate records. In probate, a business gets appraised by a court referee on the court's timeline while the business itself waits for authority no one has. Succession is the second problem: ownership passing to heirs is not the same as management passing to someone capable.

Section 2 — Business Interests in a Trust

- **LLCs** — membership interests are assigned to the trust; check the operating agreement's transfer provisions first, and amend them if they block the assignment
- **S-corporations** — shares can be held by a revocable trust during your lifetime, but the trust must contain proper provisions to preserve the S election after death (QSST/ESBT planning)
- **Sole proprietorships** — business assets (equipment, accounts, receivables, the DBA) are assigned to the trust directly; consider whether an entity should be formed first

Section 3 — Buy-Sell Agreements and Your Personal Plan

If you have partners, your buy-sell agreement controls what happens to your interest at death or disability — who can buy it, at what price, funded how. Your trust and your buy-sell must point in the same direction. Reviewed separately, they have a way of quietly disagreeing: a trust that leaves your interest to your spouse while the buy-sell mandates a sale to your partner at a stale valuation is a dispute waiting for a funeral. Review both together, and confirm the funding (usually life insurance) still matches the price.

Section 4 — Federal Estate Tax Considerations

The federal estate tax exemption is currently approximately **\$13.61 million per person**. Successful businesses push estates toward that line faster than owners expect — and the exemption is a political number that Congress has changed before and may change again. For owners approaching the range, planning opportunities exist now that may not exist later: gifting programs, valuation strategies, and trust structures that move future appreciation out of the taxable estate. A plan built this year should anticipate the exemption's movement, not assume its permanence.

Section 5 — Why the CPA + JD Combination Matters Here

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Business estate planning is where legal and tax decisions are inseparable. Entity choice, basis step-up at death, S election preservation, buy-sell funding, gifting strategy — every one is simultaneously a legal document and a tax position. When your lawyer and your tax advisor are different people reading different halves of the file, the gaps are where problems live. I hold both credentials and read the whole file.

Section 6 — Common Mistakes Business Owners Make

- Leaving the business out of the trust entirely — the single most common failure
- A buy-sell agreement that contradicts the estate plan (or was never funded)
- No management succession — heirs own a business no one is authorized to run
- Stale valuations that guarantee a dispute among partners or heirs
- Ignoring the S election — a trust without proper provisions can terminate it after death
- Assuming the estate tax exemption will still be there at current levels

One conversation tells you where your gaps are. Call (818) 995-9432 or visit trustadvr.com/contact.