

# Overview for Transferring Assets to a Family Limited Partnership

There is a difference between what assets your limited partnership can own, and what assets it should own. The limited partnership is not an ideal entity to hold certain assets, although legally permissible. There are many considerations when you select which assets to transfer to your limited partnership. If the limited partnership has a specific business purpose, then the limited partnership should own only those assets necessary to fulfill that function. For example, a limited partnership organized to develop real estate should not own unrelated assets, such as personal investments. Obviously, you wouldn't use a limited partnership with a number of unrelated partners to own your own assets. Here you would invest only in proportion to your other partners - usually enough cash or other assets to further the business or investment interests of the partnership.

Your limited partnership can protect all, or a significant share, of your wealth:

- Cash
- Stocks, bonds and other investments
- Vehicles
- Real estate
- Antiques, art, and collectibles
- LLC memberships
- Intangible assets (copyrights, patents, etc.)
- Claims against others
- Notes/mortgages or other obligations due you
- Beneficial interests in trusts
- C corporation shares
- Other limited partnership interests

Your limited partnership should only own income-producing or appreciating assets. This is ostensibly the reason for setting up your limited partnership. Under S corporation rules, the limited partnership cannot own S corporation shares. It also should not own annuities, because you may then lose their tax deferral status.

Your limited partnership also cannot own IRAs or other retirement accounts; however, your retirement account can invest its funds in your limited partnership. This then protects your IRA funds.

Don't use a limited partnership to operate a business unless its general partner(s) are LLCs or corporations, since the general partners would be liable for the partnership debts. Use a corporation or limited liability company to operate a business.

Also, don't title your home to a limited partnership. Your home is not an investment or business related asset, and this could persuade a court to disregard your limited partnership. You also lose two tax benefits that are yours when you personally own your home; the deduction on mortgage interest and the capital gains rollover. Still, some limited partnership promoters recommend titling the home

to a limited partnership. Generally, that's poor advice. There are better alternatives for protecting your home - equity stripping, or in certain circumstances, a single member LLC or personal residence trust.