

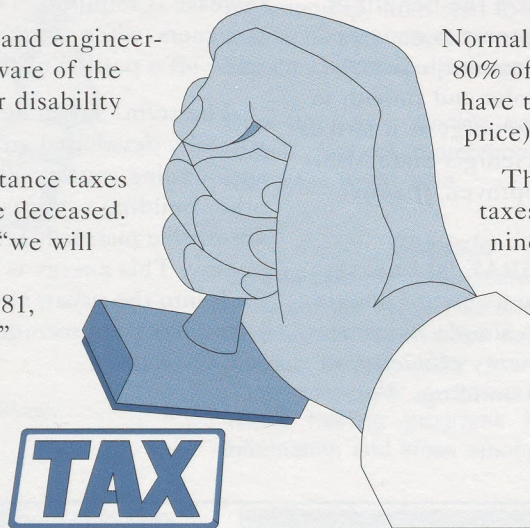
Keeping the Family Business in the Family

By Gary Pendleton, CFC, Safran Law Offices, Raleigh, NC

Many owners of architectural and engineering firms have not been made aware of the impact that a premature death or disability could have on their company.

The current estate and inheritance taxes only occur after both spouses are deceased. Many professional advisors say, "we will assume that Mr. Smith will live to age 75 and Mrs. Smith to age 81, which is normal life expectancy." But suppose both Mr. and Mrs. Smith die unexpectedly in an accident. At that point, there is a \$600,000 exemption on their estate (net worth plus all life insurance owned by them or their estates.) The portion of the estate in excess of \$600,000 incurs federal estate taxes running up to a rate of 55%.

This could be a big problem for anyone, but especially for the owner of an A/E firm who wants his or her child or children to own the company upon their death.



Normally, the business comprises 75% to 80% of the owner's total estate and would have to be sold (often at a "fire sale" price) to pay the death taxes.

The government demands that the taxes be paid in cash or check within nine months of the death(s). With some legal work, the \$600,000 exemption can be doubled to \$1.2 million. Usually for a successful business owner, there is still a serious shortfall in liquid cash to pay the government.

Second-to-die life or survivor life insurance is an inexpensive way to pre-purchase those needed dollars to pay Uncle Sam. A 50-year-old couple would pay 8 cents on the dollar.

Few people ever do any estate planning and fewer still do their planning sufficiently. Take a look at your business today to plan for the future!

Georgia Amends State Energy Codes

continued from page 21.

affecting not only cooling costs, but increasing problems associated with air quality.

According to Patrick Downey, (a member of the Atlanta Cool Community Steering Committee and a Registered Roof Consultant with RCI), high albedo roofs can be effective in areas where the air conditioning expense is greater than the cost of heating. (Cool Communities is a program of American Forests. It has chapters in eight cities and encourages the use of strategically-planted shade trees and light-colored building surfaces to reduce the urban heat island.) A combination of insulation and materials with high albedo appear to be the recommended treatment throughout the Sun Belt. Insulation materials slow the transfer of heat into and

out of the structure, particularly important during cloudy days and cool nights. High albedo treatments are better at reducing the heat island effect because they can reflect most of the sun's energy away from a material's surface before it is converted into heat. This benefits the building occupants by lowering air conditioning bills and the rest of the neighborhood by reducing the heat island effect.

Copies of the Georgia amendment are available from the Georgia Department of Community Affairs (DCA), Codes and Industrial Buildings Section, or the Southern Building Codes Congress International (SBCCI).

(See a related article, "Cool Construction Materials," by Patrick L. Downey in the September 1996 issue of Interface.)