Gifting assets with substantial appreciation potential before the appreciation occurs can result in significant transfer tax savings for the family.

Different interests in special purpose acquisition companies (SPACs), such as founder shares, target shares, public shares, public investment in private equity (PIPEs) and private equity (PE) funds that own founder shares (“SPAC assets”), are ideal candidates for planning due to the potential for significant future growth.

Families should consider wealth transfer planning while the gift tax exemption is at its historically highest level.

**Wealth transfer opportunity to shift SPAC asset and future appreciation out of owner’s taxable estate**

- A gift of different SPAC assets will remove future growth from owner’s taxable estate.

**SPAC assets**

- Pre-gift value and growth subject to gift and estate tax
- Gift tax imposed on value when gift made
- Gift tax (40%) based upon asset’s fair market value when gift is made (applied first against available gift tax exemption).
- A completed gift will allow post-gift growth to not be subject to gift or potential estate tax.
- In contrast, if owner does nothing, the asset and any future appreciation will be subject to estate tax at death (at the then rate).

**Different types of SPAC assets provide opportunities for wealth transfer planning**

**Navigating the tax complexities**

Critical to navigate tax pitfalls in gift planning with SPAC assets (e.g., gift tax valuation of interests, specialty “vertical slice” issues).

Our Wealth Transition Advisory team can guide you through the minefield.
Planning with target shares
- Pre-SPAC asset valuation of $50,000,000
- SPAC letter of intent valuation of $200,000,000
- Goal to capture the accretive amount of $150,000,000 in estate tax-free vehicle

<table>
<thead>
<tr>
<th>Without planning</th>
<th>With planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate value</td>
<td>Estate value</td>
</tr>
<tr>
<td>$200,000,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>Estate tax (40%)</td>
<td>Estate tax (40%)</td>
</tr>
<tr>
<td>$80,000,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Net estate for beneficiary</td>
<td>Net estate for beneficiary</td>
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<tr>
<td>$120,000,000</td>
<td>$30,000,000</td>
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<tr>
<td></td>
<td>GST exempt trust for beneficiary</td>
</tr>
<tr>
<td></td>
<td>$150,000,000</td>
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<tr>
<td></td>
<td>Net estate for beneficiary (aggregate)</td>
</tr>
<tr>
<td></td>
<td>$180,000,000</td>
</tr>
</tbody>
</table>

Planning with founder shares
- Small (e.g., $25,000) capital contribution by founder vehicle into SPAC in exchange for founder shares, entitled to allocation of 20% of the shares upon De SPAC:
  - Potential for explosive growth of founder shares
  - Gifts of interests to a multigenerational trust removed from taxable estate of owner of founder vehicle and allows transfer tax-free shift of growth for spouse and multiple generations of family members
  - Careful consideration of valuation issues and, in certain circumstance, specialty gift tax issues require proper coordination

Preserving the family assets for generations
- Gift of SPAC assets
  - Founder shares
  - PE fund owning founder vehicle ("vertical slice")
  - Target shares
  - Public shares/PIPS

Multigenerational family trust
- Preserves and provides for family for multiple generations without 40% tax haircut at each generation

How can Ernst & Young LLP support your wealth transition planning?
Wealth transition planning with SPAC assets is just one of the opportunities to preserve wealth for generations to come. It’s important that this planning be well-aligned with your overall wealth transition plan for your family to protect your legacy across generations. Our Wealth Transition Advisory team can support you.

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2103-3718713
US SCORE no. 12132-211US

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