

words, the rent need not relate to the actual fair market value of the property unless the lease also contains a purchase option agreement. Leases will form the most common type of income management device used in a tandem estate plan.

Sales - The second most common type of income management device is the sale of property. Sales may be made at any reasonable valuation. Sales may be made for outright cash and immediate transfer or on a time basis with installment credit buying allowed by the seller.

Care must be taken in accomplishing any sale between the entities to avoid what is known as depreciation recapture if the seller is a taxable entity. If you have any questions concerning this term, please ask your attorney. Sales should be evidenced by bills of sale or official title transfer documents. If land is being sold, then quit claim deeds or deed transfers should be executed.

Service Contracts - If any of the elements in your estate plan accomplish a service for another element, then compensation ought to be paid. Service contracts should be in writing to provide the best evidence of the proper transaction, but since contracts may also be oral, it would not be necessary to draft a contract for every