Wealth transfer planning opportunities with SPACs

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

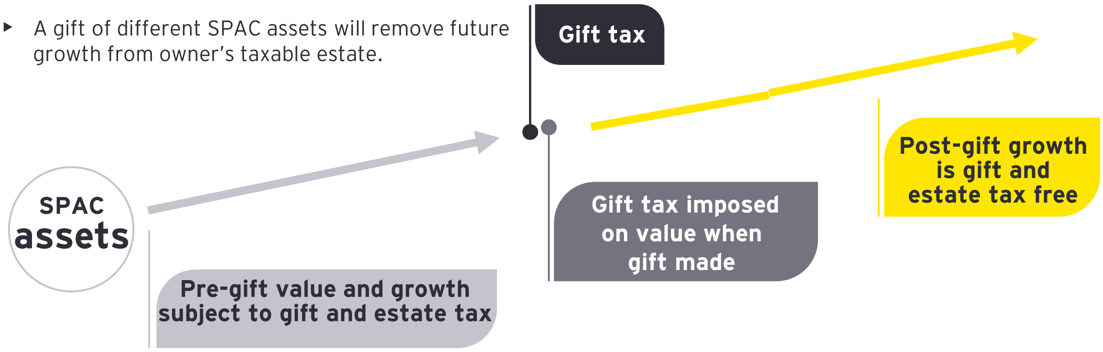
Different interests in special purpose acquisition companies (SPACs), such as founder shares, target shares, public shares, public investment in private equity (PIPEs) and private equity (PE) funds that own founder shares ("SPAC assets"), are ideal candidates for planning due to the potential for significant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

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

Building a better working world

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.



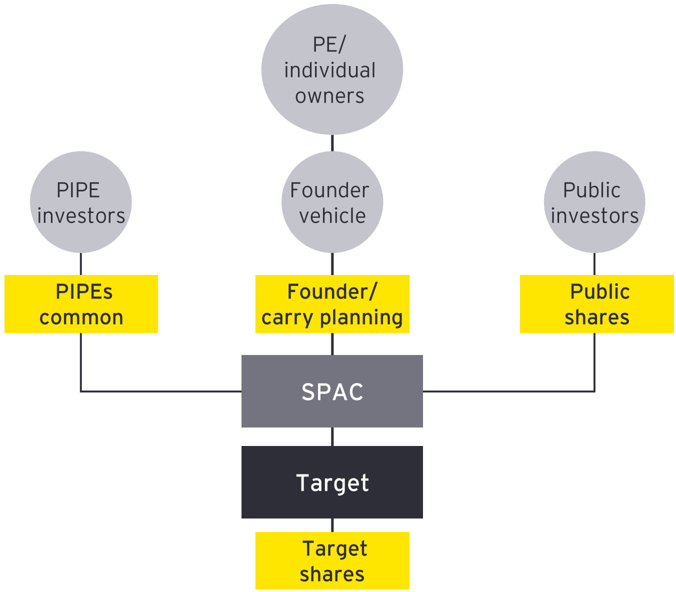
- Gift tax is imposed (at 40%) based upon asset's fair market value when gift is made (applied first against available gift tax exemption).
- A completed gift will allow post-gift growth to not be subject to gift or potential estate tax.
- In contrast, if owner does nothing, the asset and any future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

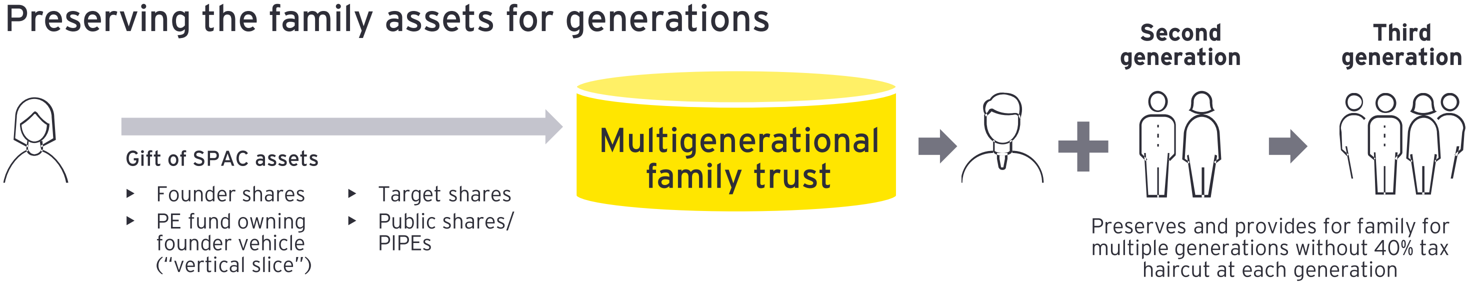
Without planning	
Estate value	$200,000,000
Estate tax (40%)	$80,000,000
Net estate for beneficiary	$120,000,000

With planning	
Estate value	$50,000,000
Estate tax (40%)	$20,000,000
Net estate for beneficiary	$30,000,000
GST exempt trust for beneficiary	$150,000,000
Net estate for beneficiary (aggregate)	$180,000,000

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



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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