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## **What To Do Before You Win the Powerball Jackpot**

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Powerball Mania has gripped the nation. This week's jackpot is estimated to be \$1.4 billion. You have purchased your lottery tickets; aside from dreaming what to do with the winnings, is there anything else you should do before Wednesday's drawing?

Often when someone wins the lottery, the winner's entire family will attempt to claim the prize. This strategy helps reduce income taxes but with a jackpot this size, the savings might seem de minimis. However, the potential estate and gift tax savings could be meaningful.

The key is to have a written family partnership agreement in place before the winning ticket is drawn. A well drafted partnership agreement will allow the income tax burden to be spread among the family members thereby utilizing lower marginal income tax brackets. The agreement would facilitate a tax efficient multi-generational transfer of significant wealth. Also, trust provisions could be incorporated within the partnership agreement to protect young lottery winners.

For those families that do not have a written agreement prepared in advance, they can attempt to rely on the Estate v. Winkler v. Comr decision in which the Winkler family successfully established the existence of an oral partnership prior to the drawing of the jackpot.

In Winkler, the family entered into a written partnership agreement memorializing the oral agreement which was signed after the winning lottery ticket was drawn. Of course, the Winkler family demonstrated strong facts. Mr. Winkler was in poor health which required frequent trips to and from his doctors. His children visited weekly and all family members contributed to a lottery ticket pool and the tickets were purchased on trips to the various doctors' offices.

While the Winkler case is very helpful, getting a written agreement in place before Wednesday night's drawing would be solid planning.

Now is the time to do the planning. After all, you do have the winning ticket! We have represented several large lottery winners. Contact our Business Group if you should have any questions.

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