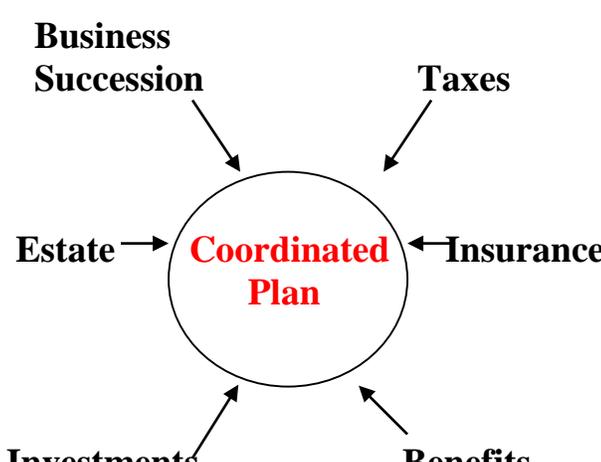
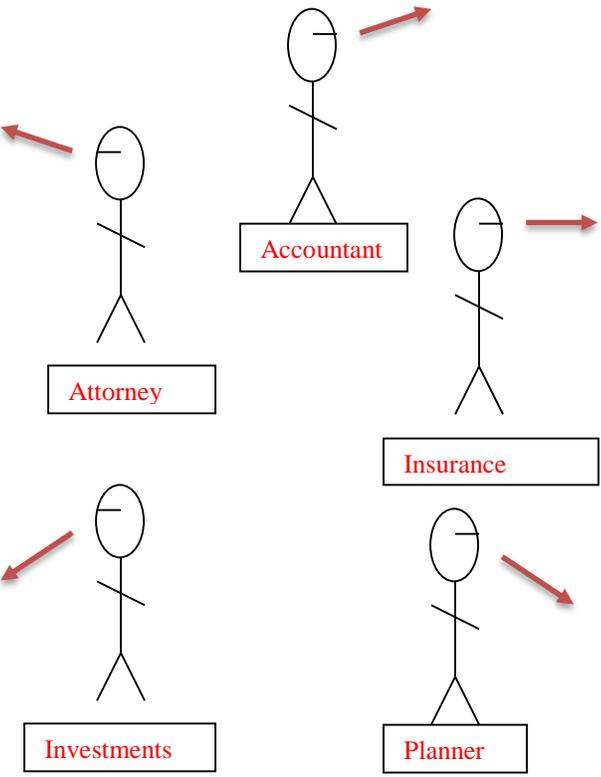
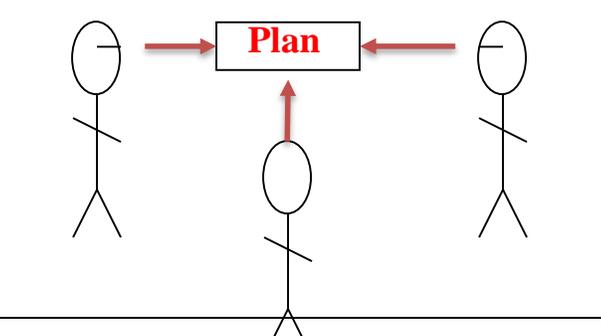


# Planning For Business Owners



# Planning for Business Owners

<p><b>Business planning is an extension of the work done by an attorney, accountant and other advisors.</b></p> <p><b>This planning requires coordination in the areas of Business Succession, Taxes, Estates, Insurance, Investments and Fringe Benefits.</b></p>	
<p><b>Most business owners use different advisors to solve problems as they come up.</b></p> <p><b>Advisors often do not talk with each other. As a result, ideas from different advisors usually contain conflicts that are undiscovered and unresolved.</b></p> <p><b>The consequence may be lost opportunities and excessive taxes.</b></p> <p><b>This leads to additional rounds of short term problem solving.</b></p>	
<p><b>A team approach enables advisors to break this cycle and develop a plan that anticipates future problems as well as coordinating solutions to current issues.</b></p>	

# Business Succession Planning

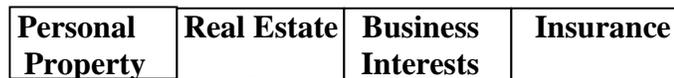
<b>Successful Closely Held Businesses</b>	<b>Less than:</b>  <b>*30% Transfer to 2<sup>nd</sup> Owner</b> <b>*10% Transfer to 3<sup>rd</sup> Owner</b>  <b>*Only 26% have a written plan!</b>  <i>*Source: LIMRA Affluent Small Business Owners, 2009</i>
<b>Business Succession includes any event that can lead to a change in ownership or management of the business – whether voluntary or involuntary!</b>	<b>Death</b>  <b>Disability</b>  <b>Retirement</b>  <b>Walkaway</b>  <b>Alienation</b>
<b>An effective plan must address potential changes in:</b>	<b>*Ownership</b>  <b>*Management</b>  <b>*Family</b>  <b>*Money</b>
<b>Potential Results of Poor Planning:</b>	<b>*Liquidation of the Business</b> <b>*Unnecessary Taxes</b> <b>*Poor Sales Price</b> <b>*Family Conflict</b> <b>*Large Debt Burdens</b> <b>*Inability to “Slow Down”</b>

# Estate Planning

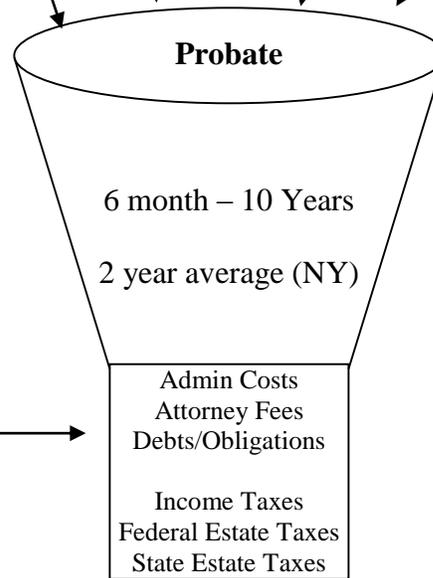
Estate Planning has three objectives:

1. Reduce taxes and expenses associated with death
2. Distribute assets and business according to your objectives
3. Insure appropriate liquidity for expenses and family income

The Internal Revenue Code breaks property down into four basic categories



When a person dies, some or all of these assets must pass through what is called the funnel of probate.



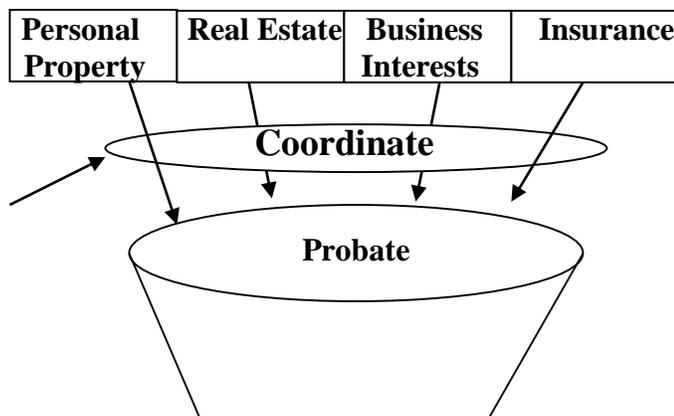
Probate must continue until a person's executor pays certain basic expenses that are going to occur.

Only after all expenses have been paid in cash will the balance of the property filter through probate to the people you care most about – your family

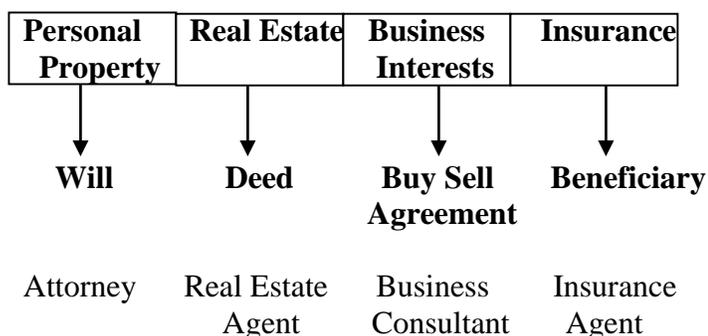
Family

The size of these expenses and therefore the amount the family will eventually receive is entirely dependent on the care taken and the methods used to coordinate all these various assets into one effective plan of distribution

Unnecessary shrinkage – as much as 30% of the estate is due to lack of coordination



## Estate Distribution Conflicts



It is very likely that these arrangements were prepared and executed at a different time and by different people

The net result is that instead of one coordinated plan of distribution, a person actually has four separate plans of distribution. This has to create a certain amount of conflict.

A person can have excellent advisors in each category yet still have a disaster. The more sophisticated the plan – the more likely these conflicts exist.

## Important Estate Questions

What type of will do you have?

When was it executed?

When was it last reviewed?

Who is the beneficiary of your life insurance, IRA's and retirement accounts?

Who are the contingent beneficiaries of your life insurance, IRA's and retirement accounts?

Who is the owner of your life insurance policies?

## BUSINESS DATA

Let's talk about your business. What do you do for a living?

### Background

How did you get started?

When did you get started?

Who else is involved with this business?

Are there any family members or other key employees?

How many employees are there?

What form of business is it?      Prop      Partnership      C Corp      S Corp      LLC

Dates:      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_

Why did you choose this form?

### Current

How are things going?

What would you say the business is worth today?

What would you estimate your current income from the business to be?

What benefits do you have in the business?

What other benefits have you considered?

What do you most want to accomplish with your benefit program?

To what do you attribute your success?

### Summarize:

## **FUTURE**

**What do you plan to do over the next several years?**

### **Ownership**

**What are your thoughts about future ownership of the business?**

**How about when you reach retirement age?**

**Do you have a specific plan?**

**Do you have a buy-sell agreement?**

**What concerns are there about the future plans of the other owners?**

### **Management**

**Who will run the business?**

**Which employees would be important to retain?**

**Under what circumstances would they stay?**

**What would be your role after the transition?**

### **Family**

**What family issues will affect this transition?**

**What are your thoughts concerning family members who are not active in the business?**

### **Capital**

**What will be your sources of income?**

**What sources of income outside of the business will be available?**

**How secure will that income be without your role in the business?**

**How will those payments affect business cash flow?**

**Can the business support the salaries of the family members who will be active in the business as well as payments to you?**

### **Summarize:**

## **DEATH**

**What would happen to the business if you die now?  
What do you want to happen?**

### **Ownership**

**Who will; receive the business?  
How will they get it?  
Is there a buy-sell agreement?  
Is it mandatory?  
If optional, what incentives are there to complete the purchase?  
Does it address disability or retirement?  
What would be the effect of the death of one of your partners?**

### **Management**

**Who would run the business?  
What is his/her ability?  
What impact will this have on the business?  
What effect will this have on continuity of credit?  
How will your employees respond to the change of leadership?  
Which key employees would be important to keep?  
Under what circumstances would they stay?  
What steps have you taken to retain them long term?  
How will the ability of the new management affect the security of a buy-out payment?  
What impact would your death have on the ability of your family to receive income?  
What effect would the loss of the business have on your family?**

### **Family**

**What family issues will affect this transition?  
What are your thoughts concerning family members who are not active in the business?**

### **Capital**

#### **Pass by will**

**What impact would the inheritance taxes have on your business?  
How will they be paid?  
What steps, if any, have you taken to control the taxable value of your business.**

#### **Sell or Liquidate?**

**What could you expect to receive for your business?  
What will be the sources and methods of payment?  
What other sources of income would be available for your family?  
How will the sale proceeds be used and invested?**

### **Summarize:**

## NON BUSINESS OBJECTIVES

What is the approximate value of your assets outside of the business?

Home	\$ _____
Real Estate	\$ _____
Retirement Plans	\$ _____
Investment/Savings	\$ _____

For what future concerns will you need funds outside of the business?

Children's Education	\$ _____
Retirement	\$ _____
Other: _____	\$ _____

Outside of the business, what are your biggest concerns?

Savings/Liquidity:

Investments:

Tax Concerns:

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We have covered a lot of territory today, what I'd like to do is summarize my understanding of your objectives and what could be problems for you:

It sounds like what you want to accomplish is:

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### OBJECTIVES

Future

Estate

Business

Is this correct?

**The difficulties I see are:**

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**ESTATE ISSUES**

- \_\_\_\_\_ Last Will Review:
  - \_\_\_\_\_ Lack of trusts for minor children:
  - \_\_\_\_\_ Beneficiaries are not coordinated with will/trusts or plan:
  - \_\_\_\_\_ Lack of liquidity for estate costs, debt or family income:
  - \_\_\_\_\_ Estate Tax Analysis:
  - \_\_\_\_\_ Other:
- 

**BUSINESS SUCCESSION ISSUES**

Your current plan needs attention in the following areas:

	Death	Disability	Retirement	Walkaway	Alienation
Ownership					
Management					
Family					
Financial					

Other: (Sick Pay, Retirement, Group, Key People)

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**FINANCIAL ISSUES**

- Savings
  - Investments
  - Taxes
  - Education
  - Retirement
- 

**Next Appointment:** \_\_\_\_\_ **at** \_\_\_\_\_

**Documents Needed:** \_\_\_\_\_

**Persons Attending:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_