

# Plan, Protect and Preserve Your Business & Personal Assets

We appreciate you taking the time to attend our presentation. And in an effort to make sure we address topics that are important to you, please answer these three questions:

What is your greatest concern for the next 24 months?

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Is there a specific question you want answered today?

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What is the #1 priority for your business?

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We will collect these before we begin. Thank you!

1. Does your Buy/Sell Agreement properly protect the business from being forced to accept new partners in the event of death, disability, retirement or divorce?
2. If one of your partners died, became disabled or retired would the business be able to continue to operate and pay the departing partner for their share?
  - ◆ Did you know that a 50 year old is 3 times more likely to be permanently disabled than die before age 65?
  - ◆ Did you know that payments to buy out your partner are not tax deductible?
3. Does the Buy/Sell Agreement provide adequate protection for a deceased Partner/Shareholder's heirs since they will be at a disadvantage if he or she dies?
4. Are the ownership and beneficiaries of the insurance properly documented in the Buy/Sell Agreement?
  - ◆ Did you know that having the ownership and beneficiaries of the insurance funding your Buy/Sell Agreement properly documented can save up to thirty-five percent (35%) of the Death Benefit in taxes?
5. Does your Buy/Sell Agreement bind the IRS as to value of the business for Estate Tax purposes?
6. Is the life insurance and disability insurance being treated properly on your tax return?
7. Do your Attorney, Accountant and Financial Planner work together as a team, or are they simply uncoordinated and/or at odds with respect to your Business Succession Plan?

# Business Succession A Ten Step Checklist

## I. Establishing Goals & Objectives

- Identify the need for a succession plan. \_\_\_\_\_
- Develop the vision, goals, and objectives of the business. \_\_\_\_\_
- Determine the importance of family involvement in leadership and ownership of the company. \_\_\_\_\_
- Establish personal retirement goals and cash flow needs. \_\_\_\_\_
- Identify family members' goals. \_\_\_\_\_
- Determine the need for an outside facilitator. \_\_\_\_\_
- Establish team of professional advisors (attorney, CPA, bankers, financial advisors, insurance specialist). \_\_\_\_\_

## II. Decision Making

- Involve Family Members in the decision making process. \_\_\_\_\_
- Establish a method for dispute resolution. \_\_\_\_\_
- Document the succession plan in writing. \_\_\_\_\_
- Communicate your succession plan to family / stakeholders. \_\_\_\_\_

## III. Successors

- Identify your successors – both managers of the company and owners of the business. \_\_\_\_\_
- Identify active and non-active roles for all family members. \_\_\_\_\_
- Identify required training for the successor(s). \_\_\_\_\_
- Provide necessary training to the successor to ensure the future of the business. \_\_\_\_\_
- Will the retiring owner remain involved in the business? If so, define the role. \_\_\_\_\_
- Provide counsel and support to successors. \_\_\_\_\_

## IV. Estate Planning

- Address taxation implications to the owner / business upon sale or transfer of ownership. \_\_\_\_\_
- Does your estate have enough liquidity to pay for estate taxes? \_\_\_\_\_
- Have you considered a buy sell agreement? \_\_\_\_\_
- Develop estate and personal financial plan for owner, spouse and succeeding generation. \_\_\_\_\_
- Provide for active and non-active family members (consider providing non-dealer related assets to non-active family members). Will non-active family members receive an equitable share of assets? \_\_\_\_\_

## V. Consider the Transfer Methods and Corporate Structure

- Various options should be generated and considered to address as many family and business needs as possible. At a minimum, one needs to consider the following and document your conclusion:
- Method of transfer may include outright purchase, gift / bequest, or a combination thereon. \_\_\_\_\_
  - If the business is to be purchased, financing options need to be considered, including financing from an external party or will the previous owner hold \_\_\_\_\_

- If the business will be purchased, ensure the business can generate adequate after-tax cash flows to support debt and interest payments. \_\_\_\_\_
- Tax strategies and implications \_\_\_\_\_
- Legal implications \_\_\_\_\_
- Business structure options (e.g. sole proprietorship, partnership, corporation, etc.) \_\_\_\_\_
- Business agreements \_\_\_\_\_
- Insurance needs (health, life, disability, etc.) have been considered \_\_\_\_\_

**VI. Contingency Planning**

Identify potential problem areas. \_\_\_\_\_  
Dispute / conflict resolution mechanisms have been considered and addressed in business agreements. \_\_\_\_\_  
Develop "What If" scenarios including action plans (including possible disability of yourself and your successor). \_\_\_\_\_  
Do you have a plan in case you become permanently disabled? \_\_\_\_\_

**VII. Business valuation**

Obtain appraisal to determine fair market value of business and real estate. \_\_\_\_\_

**VIII. Exit Strategy**

Determine method of transfer. \_\_\_\_\_  
Establish a timeline for implementation of the succession plan. \_\_\_\_\_  
Publish the plan so that affected individuals are aware. \_\_\_\_\_  
Communicate regularly with all affected parties. \_\_\_\_\_

**IX. Implementation / Follow-Up**

A timetable has been established and is being followed. \_\_\_\_\_  
Review the plan on a regular basis and update as necessary. \_\_\_\_\_

**X. Document maintenance**

At a minimum, the all the following current documents are maintained in a file:

- Legal will \_\_\_\_\_
- Power of attorney(s) \_\_\_\_\_
- Property deeds / titles, leases, rental agreements etc \_\_\_\_\_
- Mortgages and notes payable \_\_\_\_\_
- Tax returns, financial records and financial statements for last five years \_\_\_\_\_
- Bank, brokerage, savings and retirement account information \_\_\_\_\_
- Contact listing of all professional service advisors \_\_\_\_\_

# Why Owners Decide To Exit Their Business

- ◇ Fatigue
- ◇ Boredom: ready to start a new chapter in life
- ◇ No fire in the belly
- ◇ Decreasing tolerance for risk
- ◇ Desire to remove financial chips from the table
- ◇ Spousal pressure
- ◇ Divorce
- ◇ Taking the company to the next level will require a new level of debt or equity
- ◇ Unable or unwilling to keep up or catch up with technology
- ◇ Unwillingness to fight another economic down cycle
- ◇ Unwillingness to fight the neighborhood's newest 600 pound gorilla
- ◇ Recognition that valuation multiples may represent a temporary window of opportunity
- ◇ Company may have been struggling
- ◇ Children or employees can't or won't run the business
- ◇ Children insist, or employees insist, on ownership
- ◇ Health problems

# Typical Seller Profile

- ◇ Is between 45 and 65 years old
- ◇ Started company with help of spouse who may still play a role
- ◇ Has owned company 15 to 30 years
- ◇ Controls all or nearly all ownership interest
- ◇ Personal net worth tied primarily to the value of the company
- ◇ Enjoys good company reputation
- ◇ Has received inquiries from buyers
- ◇ Knows company is marketable but typically undervalues it
- ◇ Takes one to two years to reach decision to sell
- ◇ Knows very little about the process used to sell a business
- ◇ Does not have a team of transaction advisors in place
- ◇ Wants a quality buyer with whom he or she is comfortable

# Questions Owners Should Ask Before Selling or Transferring Their Businesses

1. What is the Exit Planning Process?
2. What role do I play in preparing my business for transfer in the Exit Planning Process?
3. How much will it cost to sell or otherwise transfer my business? What do the various transaction advisors charge?
4. How much is my business worth?
5. Is my business saleable?
6. Will I be cashed out when I sell my business or will I have to carry most of the purchase price?
7. When should I sell my business?
8. How much money do I need from the sale of the business to attain financial security, independence and freedom?
9. How long will I have to work for new owners if I sell my business?
10. What risks are inherent – both to my business and to me – to the Exit Planning Process?
11. I don't want my employees to be harmed by my exit. What is likely to happen to them?
12. Will the business be moved to a different location?
13. How will the business culture be maintained after I leave?
14. Can my successor run the business?
15. I hate paying taxes. How can I avoid paying them when I sell my business?
16. How can I transfer ownership to my children without losing control?
17. How can I transfer ownership to my employees without losing control?
18. What happens to my business if I die before I leave it?
19. What happens to my family if I die or become disabled before I exit the business?
20. Does the condition of the M&A market indicate that I should sell now? What happens if I wait?
21. Other?

# Owner-Based Planning Checklist

	YES	NO
1. Do you know your exact retirement goals and what it will take-in-cash-to reach them?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you know how much your business is worth today?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you know the best way to maximize the income stream generated by your ownership interest?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you know how to sell your middle market business to a third party and pay the least possible taxes?	<input type="checkbox"/>	<input type="checkbox"/>
- OR -		
5. Do you know how to transfer your business to insiders (family, employees or co-owners) while paying the least possible taxes and enjoying maximum financial security?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you have a plan for your business if the unexpected happens to you?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have you taken steps to protect your family's wealth?	<input type="checkbox"/>	<input type="checkbox"/>



# Business Continuity Instructions

The following people can be given responsibility to continue and to supervise these activities:

Business Operations: \_\_\_\_\_

Financial Decisions: \_\_\_\_\_

Internal Administration: \_\_\_\_\_

Upon my death or permanent incapacity, the company should be:

Sold to an outside third party.

\_\_\_\_\_  
 Sold to employees, specifically:

\_\_\_\_\_  
 Transferred to family members; specifically:

\_\_\_\_\_  
 Continued

Liquidated

As guidance, I suggest that:

An acceptable price range would be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_

A minimum price range would be \$ \_\_\_\_\_

You secure a valuation from: \_\_\_\_\_

You ask \_\_\_\_\_ to recommend a valuation specialist

In the scenario I have chosen above, please consult the following professional advisors:

Name	Type of Advisor	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

Name	Type of Advisor	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

Name	Type of Advisor	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

If I have indicated that a sale is appropriate, below are names of people/companies that I have expressed interest or who I believe would be interested in acquiring the company:

Has expressed interest

I think may be interested

Name	Company Name
_____	_____
_____	_____
_____	_____

Has expressed interest

I think may be interested

Name	Company Name
_____	_____
_____	_____
_____	_____

Signature \_\_\_\_\_ Date signed \_\_\_\_\_