

Working Backwards Still Takes You Forward

Business owners are often caught in a seemingly never-ending cycle of decisions to make and things that need to get done. Jumping onto a rapidly spinning carousel can be daunting, so it is sometimes easier to busy ourselves with other things, off to the side. But planning for the future of your business and executing those plans is the only way to slow the carousel down and turn the never-ending circle into a direct path to your goals.

If you are uncertain about where to jump in, start at the end – with your estate plan. All business owners need an estate plan. Creating or updating your estate plan is a specific project with a beginning and an end. But it will take you one step closer to your successful future.

A successful estate plan achieves three important personal goals:

1. Financial Security (for the decedent's heirs).
2. The Right Person. The decedent (rather than the State) chooses who receives his or her estate.
3. Estate Tax Minimization reduces the Government's bite leaving more funds for one's heirs.

Next, a successful business Exit Plan achieves three important owner goals:

1. Financial Security. (The business sale or transfer provides the amount of income the owner, and owner's family, needs after the owner's exit.)
2. The Right Person. The owner chooses his or her successor (children, key employees, co-owners or a third party).
3. Income Tax Minimization maximizes the amount of cash in the departing owner's pocket.

Thinking of exit and estate planning in tandem brings a business owner's entire picture into focus:

For example, when you update your estate plan, you most likely revisit your expectations for your family, during your lifetime and beyond. You will review and update the value of your business to see if it will support your plans. In securing an estimate of value, you possess a piece of information that is critical to both your estate plan and your ultimate Exit Plan.



**Michael Wildeveld, CEPA, M&AMI,
CM&AP, CM&AA, CBI, CBB**
michaelw@veldma.com

Veld Mergers & Acquisitions
www.veldma.com
1 Park Plaza, 600
Irvine, CA 92614
[310-652-8066](tel:310-652-8066)

Estate planning gives you a valuable perspective on your future. So, start at the end and work backward.

- If something happens to you before your ideal business exit can occur, how will you provide your family with the same income stream they would have enjoyed if you had?
- If you hold onto your business until well into your golden years, does your current plan take the long-term issues into account? How will you make sure that your business retains and increases its previously determined value?
- If you plan to transition some or all of your ownership in the business to one or more children, does your estate plan adequately address your preferences for the business-active children as well as those who are not involved in the business, or will they fight it out after you are gone?
- If you die before you exit the business, are you certain your family will still receive the full value of the business? (This question is especially important to answer if you are the sole owner. Sole owners are unlikely to have a buy-sell agreement because there are no remaining co-owners to purchase and/or continue the business.)

Your estate plan can manage these issues, but does it?

It is worth repeating that you must devote the same energy and analysis to lifetime transfers (benefiting you) as you do to a transfer occurring at your death (benefiting your family). Since both planning your exit from your business and planning your exit from this life are based on the same premises it can be relatively easy to develop a consistent outcome.

There isn't one right answer to the "Estate or Exit Planning?" question. In the end, you must take action on both fronts since a failure to act in either creates lasting problems not just for you, but for your business and for your family. Start with the end (your "end"), by deciding what role your business will play when you are gone. Then work your way backward to where you are today and how that compares to where you need to be. Then work forward and your Exit Plan will start to take shape.

This newsletter is intended to be educational and informative. Past and future issues provide balanced and advertising-free information about all aspects of Exit Planning. We have articles and in-depth White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.

The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial professional. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial professional. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.

This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.

Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

©2022 Business Enterprise Institute, Inc. All rights reserved.