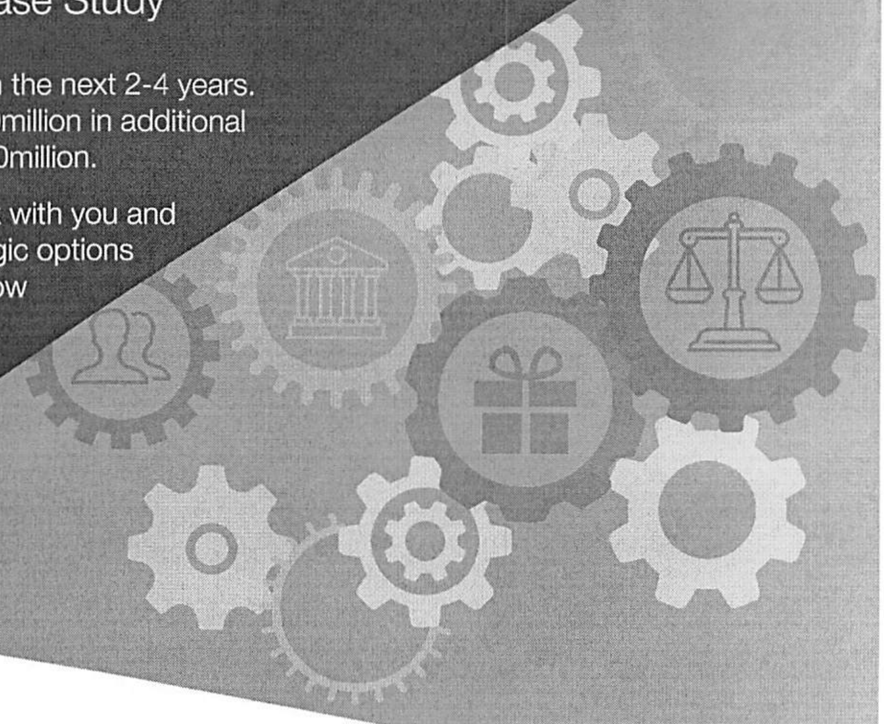
Turning Complexity into Confidence

Business Liquidations Happen Case Study

Client: Jane is looking to sell her business in the next 2-4 years. It is worth about $40million and she has $10million in additional assets; making her total net worth about $50million.

Our Wealth Management Alliances can work with you and your Financial Professional to discuss strategic options in selling your business and how planning now can save you some money down the road.



Learn more about our Wealth Management Alliances

Legal Planning - *Avelino Law, LLC*

The first step is to make sure Jane has her foundational documents in place in the event of disability or death, such as a Will, Trust, Power of Attorney, etc. This should all be organized before she sells the business. She should also review her corporate documents. There are both income tax and estate tax planning strategies Jane can utilize to maximize her legacy.

Executive Benefits, Succession Planning, and High Net Worth Insurance Planning - *Aon Executive Benefits Consulting*

There are a lot of strategies involved in selling a business of her size and net worth, and life insurance is an integral part of creating a successful plan. Jane might decide to stay on as a Key Person after she sells the business because of her specialized knowledge and subject matter expertise. In this case Key Person insurance can be a critical component.

Trust Planning - *Oppenheimer Trust Company of Delaware*

Why should Jane have her affairs in Delaware? Oppenheimer Trust Company of Delaware brings two things to the table. They provide the infrastructure of a large company with the nimbleness of a small company. Money may be safer in Delaware than anywhere else. Why? Jane can do things in Delaware such as put money in trust in perpetuity. She would have her trust in a safe and dependable court system. Oppenheimer can be a trustee or she can have a co-trustee with Oppenheimer.

Philanthropic Planning - *Foundation Source*

Why does Jane need a philanthropic plan? By planning in advance, Jane may be able to maximize the tax benefits of creating a private foundation before the sale. She can help her community today and provide for her legacy down the road. As an advisor, you will benefit from offering your clients the complete range of popular giving vehicles (not simply donor advised funds and charitable trusts). Given that about 70% of private foundations have less than $1 million in assets, a private foundation may be a fit for your client.

Oppenheimer Life Agency, Ltd. has Strategic Alliances that specialize in specific wealth management areas to meet all of your lifetime planning objectives.

Whether you are looking to sell your business or have already signed the LOI, we are here to help you through the planning process.

OPPENHEIMER
LIFE AGENCY LTD.

Legal Planning

There are two income tax planning strategies:

A DING - Delaware Incomplete Non Grantor Trust. The reason you would use Delaware is because they do not have state income tax. If Jane is planning to sell her company for 40 million, 25% of the shares can go into the DING. ($10million). That will have 0 impact on her day to day life. The shares sit in the DING and when the company gets sold, she takes her $30 million (75% in her name) and 25% will go into the DING. Therefore she will not owe state income tax on the $10million. Her savings would be around $1million. This strategy can save her real money on income taxes if done properly.

A second strategy for Jane could be funding a charitable trust. Jane can take a certain percentage of shares of the business and put them into a charitable trust. Charities do not pay taxes so she would be avoiding a capital gains tax.

The third strategy to consider is an estate tax planning strategy: Utilizing a SLAT or ILIT will bring her assets outside of her taxable estate.

Insurance Planning

Key Person Insurance can:

Protect the company and provide liquidity to protect the business in the event of Joan's death/disability. Jane's family can reap the benefits of XYZ Corporation's success. The company owns the policy, funds, and is beneficiary of policy. The proceeds are received tax free by the company to help stabilize the loss of Jane.

Another component of insurance needed is for Succession Planning. Jane needs liquidity to plan in the event of her death. Having life insurance policies in place can provide liquidity on an income tax free basis, giving the successor the funds to buy out her share.

They will provide liquidity for ownership transfer at death (i.e. buy out Joan's $40M). It can also fund buy/sell agreements or be used as a retention tool for the next generation of leadership.

The last insurance component to consider is Estate Tax Planning. Life Insurance will protect her heirs from income tax, and funding life insurance inside a trust can help avoid federal and state estate taxes. About 50% of her estate will be subject to estate taxes.