

# Your Business Plan Is Your Life Plan...

© Buckley Law

1277 Kelly Johnson Boulevard, Ste. 250

Colorado Springs Colorado 80920

Telephone (719) 447-8797

Facsimile (719) 447-8796

A Founding Member, WealthCounsel LLC

*For the things that matter.*

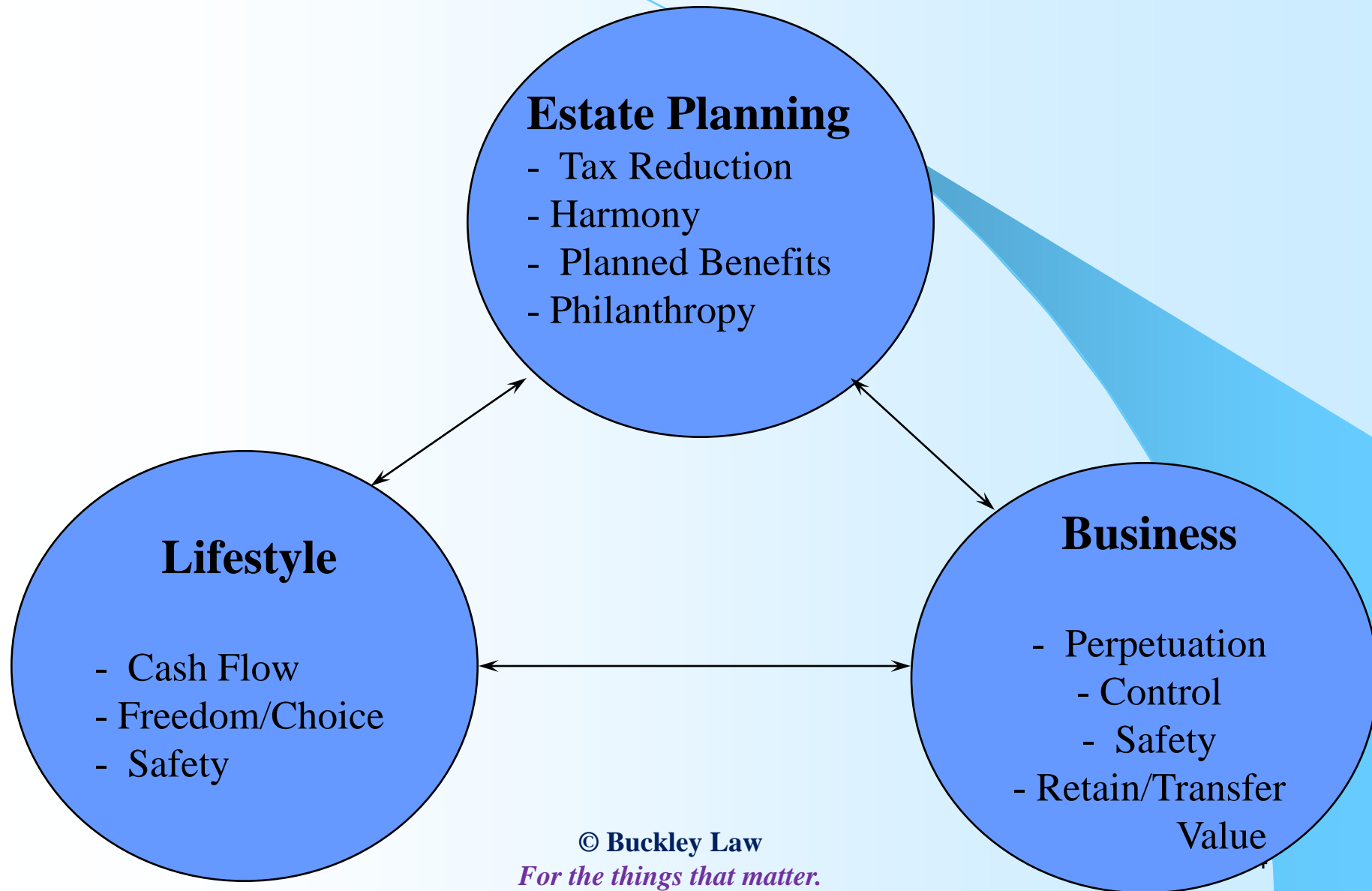
# Objective

- Background on Business Planning And The IRS
- Show How Three Competing Goals Make Up The Life Plan:
  - Lifestyle Goals,
  - Business Objectives And
  - Estate Planning Objective

# Life's Key Goals

- To Live (Maslow's Hierarchy)
- To Love (We All Want Someone to Share It with)
- To Leave A Legacy (We All Want to  
Make A Difference with Our Lives)

# Life Plan Goals And Objectives



# The Founding Entrepreneur:

- Strong dominating personality; tends to make other people dependent.
- Not comfortable delegating; makes most decisions, large and small.
- Charismatic leader who commands absolute loyalty and obedience.
- Workaholic, stubborn and egotistical.
- Makes intuitive business decisions, from the gut.
- Mind works differently; may be a poor teacher and communicator.
- Secretive, especially about business financial information.
- Personal identity is tied inexorably to the business.
- Loves the business like a child; work is life, retirement is death.

# The Facts of Small Business in America

- 80% of all U.S. businesses are “family owned”, whether large or small.
- Of those businesses, 80% have no succession plan.
- Family businesses generate millions of jobs
- Only 1/3 of family businesses make it to the second generation
- Only 10% make it to the third generation.
- Few make it to the fourth generation and beyond.

*Researchers at Pacific Lutheran University, Tacoma WA*

# The Facts of Family Business in America

- 25% of key shareholders have not completed any estate planning.
- Only 32% of such companies have written succession plans.
- 80% of the entrepreneurs want the business to stay in the family.
- 81% of the entrepreneurs are optimistic about their company's prospects.
- Women are more likely than ever to be heading family businesses.

# The Facts of The IRS

The IRS wants half of what they say a business is worth...and they often think it is worth twice what it really is; in other words, the IRS wants more than ALL of it!!

NOTE: The average settlement for business valuations that go to trial is less than half the IRS's valuation figure.

# The Facts of The IRS

Death taxes can easily be 55% of the gross value of the estate (post-2010).

NOTE: For successful business owners, the business is often the bulk of the estate. Since estate taxes are best paid in a lump sum for business reasons, you are actually **planning for the buy-out of a 55% shareholder, all cash, short notice, at an unknown future date**, in the middle of what will probably be a management crisis.

# The Facts of The IRS

If the estate cannot pay all the death taxes at one time, well...the law's the law...

NOTE: Ordinarily, taxes are due nine months to the day after the owner's death. Since estate taxes are best paid in a lump sum for business reasons, you are, again, **planning for the buy-out of a 55% shareholder, all cash, short notice, at an unknown future date**, in the middle of what will probably be a management crisis.

# Life Style Planning Is The Key...

- ❖ Define Expectation...Where Do You Want To Be in Ten Years?
  - Working...or retired? Still in the business...or bought out by your partners or a Fortune 100 company (“Mary”)...or transferred to your children?
  - A \$10 million company, or a \$100 million company?
- ❖ Body Language Says It All...Or The Unsaid Is The Key to A Good Entrepreneur’s Lifeplan. (WHAT’S REALLY IMPORTANT TO YOU?)

# Business Planning Is A Process

- ❖ **THE KEY: MAXIMIZE NET CASH OUT!**
- ❖ Pick Your “Team”...Attorney, CPA, Financial Advisor, Insurance Professional
- ❖ It Is Not About Paying \$ to Advisers...It Is About Optimizing Your Exit Strategy by Planning at The Beginning...Before There Is A Lot of \$\$ at Stake
- ❖ Techniques:
  - A Good Buy/Sell Agreement!
  - Non-Qualified Deferred Compensation Plan

# Business Planning Is A Process

- ❖ Choose Your Entity Carefully...But Be Sure To Form An Entity (C, S, LLC)
- ❖ **KNOW THE RULES** of The Entity...  
If You Ever Face A Vindictive Ex-,  
Or A Disillusioned Partner, You Will Be GLAD  
You Know The Rules (Articles, By-Laws)
- ❖ Talk Out Goals & Objectives with Partners,  
Spouses, Children, Employees...
- ❖ **IN SHORT...HAVE A PLAN**

# Key Benefits of A Good Life Plan

- Establishes Certainty for All Owners before The \$\$ Start to Flow!
- Work to Live...Or Live to Work? Establish Quality of Life Planning before Your Exploding Company Becomes A Gilded Cage.
- Takes Care of Me...My Family...My Partners...My Employees...
- Insures The Dream of Successful Entrepreneurship And Making A Difference.

# Action Steps

- Concretely frame your personal lifestyle, business planning and estate planning goals and objectives now, while you begin building your business.
- Determine your exit strategy, but...death is not a good exit strategy - it leaves uncertainty, and worst case, it destroys families, livelihoods, and businesses.
- Remember: the goal is to maximize the net when you sell the business...not the gross.
- Identify your legacy...and make it happen!