

You currently have a child or children that are active in your business. Transferring the business to the children is your exit plan. If this is true, you face certain challenges that can actually become obstacles.

Can the business continue to grow without you? Can the children think like employers and not like employees? Where will the money come from to buy you out? Most likely, they do not have any. Can you minimize taxation? Will you have to come in and buy your own business back at half of the value by default? Will your family always be able to sit down and have Thanksgiving dinner together?

In Arizona, 95% of all transfers are what we refer to as inside transitions. These transitions are only successful 50% of the time. Money often is the problem. Rarely do children have any of their own money. The buyout will take place usually over a seven to 10 year period. As the parent/seller, you will receive a promissory note for your ownership. You will only get paid if the business continues to do well. Your children will in essence be buying you out of future cash flow. There are several techniques you can explore with your CPA not only to reduce your taxes, but also reduce the taxes for the children. Any time the children can use pretax dollars (i.e., rent payments to you), it is a good thing.

You can begin now to sell your children stock on a discounted basis. They can pay you for this stock out of their future dividends. This will reduce what they eventually will owe you.

About Our Company

Blueprints For Tomorrow is a nationally recognized company that specializes in contingency, succession, and transition planning with a focus on growing businesses and improving cash flow.

We work directly with closely held businesses to create customized strategies and solutions that ensure the future of their organizations. As a third-generation company with over 40 years in the industry, we have the pleasure of serving thousands of clients and their families across the country.

BlueprintsForTomorrow.com
9332 E. Raintree Dr., Suite 110
Scottsdale, Arizona 85260

info@blueprintsfortomorrow.com
Local: (480) 596 – 1525
Toll-free: (800) 845 – 9091

Once this stock is paid for, they can approach a financial institution and acquire financing by pledging this stock.

Parents often tell me that they just plan on giving the business to their children. This can trigger some very expensive gift taxes. You only have a limited amount of gifting you can do each year or at one time. Again, you need to consult with your accountant.

There are many esoteric issues that are involved. Do the children perceive the culture of the business the same way that you do? Do they have the same work ethic that you do? Do the children that are getting the business understand the stewardship that they are taking over, or is there a feeling of entitlement?

The most important objective is family harmony. You must never lose sight of the fact that you are family first and a business second.

We Prepare Business Owners for the Unexpected

It takes a lifetime to build a business and it takes a moment for it to fall apart. All it takes is an unexpected death, an unforeseen illness, or a key personnel departure. Business owners must understand the possibilities, prepare for the risks, and plan for their continuity and succession. Protecting the business means protecting the families that depend on it. The financial stability is interconnected. We understand this because we live it ourselves. **-Founder & CEO Nathan S. Sachs, CLU, ChFC, CFBS, CTP**