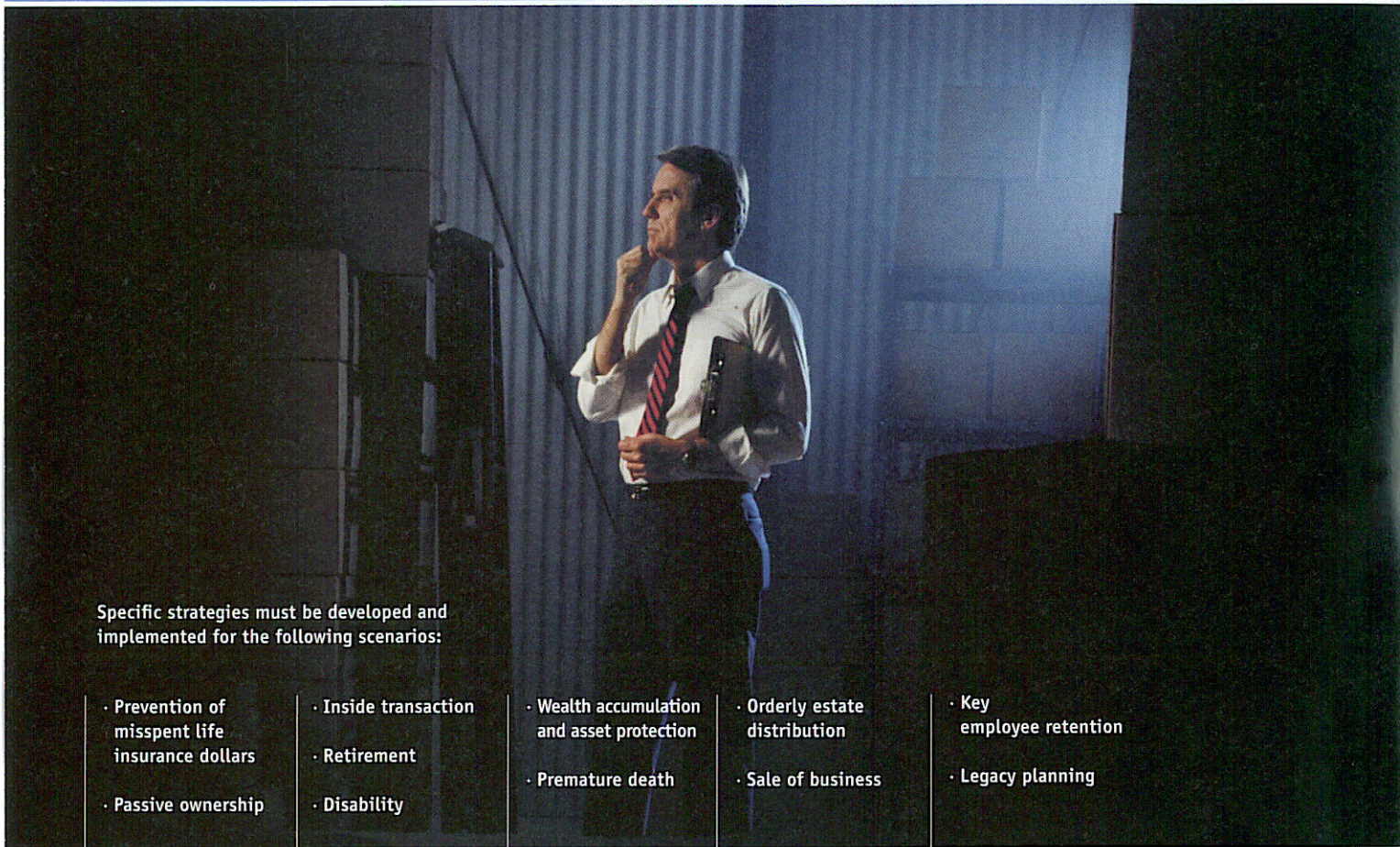


Taking Care of Business

Planning ahead provides peace of mind



Specific strategies must be developed and implemented for the following scenarios:

- Prevention of misspent life insurance dollars
- Passive ownership

- Inside transaction
- Retirement
- Disability

- Wealth accumulation and asset protection
- Premature death

- Orderly estate distribution
- Sale of business

- Key employee retention
- Legacy planning

Business owners who lie awake at night worrying about the “what-ifs” that could impact their business need to develop “blueprints” to address questions that weigh heavily on their minds. For example: What if I die? What if a key employee leaves? What if I want to sell my business? Unfortunately, most business owners haven’t planned for the future because they’re busy working in their business, instead of on their business. They are victims of the working-in-your-business-trap.

By falling into this trap, business owners don’t take the time to protect themselves from the dangers of operating a business in a volatile business climate. They don’t plan for what will happen to their business if they become disabled or die. They haven’t created a plan for getting their money out of their business or selling it. Most business owners, even the most successful, could be only 90 days from bankruptcy.

Many business owners don’t plan because

they feel invincible. They’re riding high, and then life happens. They get sick, a key employee leaves or they get sued. They’re at risk of losing everything they’ve worked so hard to create. That’s why it’s so important to devise business strategies that will protect the business owner, his family and his company. If an exit and succession plan is not created in advance of the need, it will be done by crisis with potentially disastrous results.

If an exit and succession plan is not created in advance of the need, it will be done by crisis with potentially disastrous results.

The following examples are indicative of successful outcomes achieved by business owners who created business plans to focus on some of these issues:

Sale of Business Blueprint

A completely hands-on engineering firm had an unfunded buy-sell agreement and problems with employee retention. When a privately-owned business is held by two or more owners, a buy-sell agreement creates an opportunity for an owner to sell his interest upon a triggering event, such as death, retirement, sale of the business or termination of the owner's employment with the business.

For a family-owned business, the buy-sell agreement can be an instrumental part of the family's overall estate plan. In particular, it provides a means for fair distribution of a parent's estate assets when there are children active in the business and other children who are not active in the business.

After a comprehensive review, the company provided funding for its buy-sell agreement and geared up into growth mode, locking in key employees. The "blueprints" enabled the principals to work less and increased the value of the company because they were no longer the indispensable rainmakers.

Inside Transaction Blueprint

The owner of a construction company was relieved he had developed business plans in the case of unforeseen events. His partner became sick, then disabled and ultimately died. Because the owner had planned for the future, he was able to make an internal transition to three key employees and sell his stock in the company. Now he spends time with his grandchildren and plays golf, while his company didn't miss a beat during the transition.

Key Employee Retention Blueprint

Owners must assess the financial impact of losing a key person, and devise strategies to keep that individual from leaving. Such a plan automatically lowers turnover and keeps the business operating at peak performance. Locking in key management and putting the business into growth mode will attract potential buyers and maximize the amount of cash from the sale.

For example, a business owner plagued by high turnover developed a very specific bonus plan that gave key employees an incentive to stay. Now they are locked in and turnover is almost nonexistent. The owner no longer worries about key employees leaving the company. And, best of all, the business is more profitable because it runs more smoothly and consistently. **AB**

Nathan S. Sachs, C.L.U., Ch.F.C., C.F.B.S., is owner and founder of Scottsdale-based Blueprints for Tomorrow™ (formerly The Sachs Group), a business advisory firm that has introduced a unique concept for helping business owners with exit and succession planning strategies.

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