Guest,

Welcome to:

The Transaction of a Lifetime - Strategies for planning your sale or transfer

Presented by
Lighthouse Consulting Services, LLC

To print program slides, click here:

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In-depth Workstyle & Personality Assessments
Interpersonal Coaching
Workshops - Cracking The Personality Code
Career Guidance

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The Big Picture
Looking at your business in the context of your life

The Business Owner Checklist

- Business Needs Review
- Cash Management and Capital Needs Review
- Retirement and Benefits Assessment
- Risk Review
- Succession or Exit Plan Assessment
- Family Wealth Plan
- Key Documents Organization

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- In-depth Workstyle & Personality Assessments
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- Career Guidance
Our Agenda

- Pre-Planning
  - >2 years from your exit date
- Short-Term Planning
  - 2 years from your exit date
- Negotiations (Buyer Found)
- Strategies for What's Next (Business Exit)

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Pre-Planning

'If you don't know where you’re going, you may not get there.' - Yogi Berra

- What do you really want for yourself, your family and your business?
- What are the potential tax implications of various actions?
- What is your business realistically worth?

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In-depth Workstyle & Personality Assessments
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Workshops - Cracking The Personality Code
Career Guidance
Assembling your advisory team

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What else does pre-planning involve?

- Articulate your goals
- Anticipate what other stakeholders want
- Conduct a market analysis
- Evaluate multiple strategies
- Review your company’s 'curb appeal'
- Update your financial and estate plans
Short-term planning

- Review your market analysis
- Continue cleaning up your business
- Continue growing your company to increase its valuation
- Begin to implement transfer strategies

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Open Line

Negotiations

- How will the process work?
- How will the purchase be made?
- Will an earn out be in effect?
- Are you going public?
- Running the company is still your top priority
- Confidentiality is key
- Make a list of what you’ll need to keep focused
Post-Transaction

- Take some time to decompress
- Continue working with your team to finalize future plans
- Update your personal wealth management strategy
  - Estate planning
  - Tax planning
  - Liability planning
  - Philanthropic planning
  - Investment policy formulation

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# Succession Planning in Action

## Strategy #1: Simple Gifting

<table>
<thead>
<tr>
<th>Type of Tax Exclusion</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual gift tax exclusion</td>
<td>$13,000 per individual ($26,000 for a married couple)</td>
</tr>
<tr>
<td>Lifetime gift and estate tax exclusion</td>
<td>$5 million ($10 million for a married couple)</td>
</tr>
<tr>
<td>Maximum gift and estate tax rate</td>
<td>35%</td>
</tr>
</tbody>
</table>

Tax and gift amounts are based on tax law as of the time this publication was written in October 2011 and is subject to change. You should discuss your specific tax strategy with your individual tax advisor.

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Succession Planning in Action (cont’d)

Strategy #2: Family Limited Partnership

Valuation Discounts

- Limited partnership units are valued at 20-40% less than the assets they represent
- $5 million in business interest may be discounted to $3-4MM for tax purposes

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Succession Planning in Action (cont’d)

Strategy #3: Grantor Related Annuity Trusts (GRATs)

Grantor contributes asset to GRAT

GRAT distributes annuity payments (trust property) to Grantor

Remainder to Beneficiaries

At end of annuity period, assets in GRAT are distributed to beneficiary without gift tax liability

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Succession Planning in Action (cont’d)

- Intentionally Defective Irrevocable Trust (IDIT)
- Self-Cancelling Installment Note (SCIN)
- Employee Stock Ownership Plan (ESOP)

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Don’t Try this at Home

Succession Planning is complex. Think about beginning to assemble your advisory team.

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