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With four specific services, The Center provides complete unbiased planning. The Center does not sell any products; its main purpose is to provide advice. Local experts are retained to implement the plans developed by the Center. The Center for Financial, Legal & Tax Planning is located at 4501 W. DeYoung Street, Suite 200, Marion, Illinois 62959. Phone 618-997-3436; Fax 618-997-8370.

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Bart Basi

Business Owners: Reap the Big Rewards of Planning or Face the Wrath of Loss and the Estate Tax

Business Succession is the process where a plan is made and implemented to transfer a business from one generation to the next or from one owner to the next. Exit Planning is the process where a business owner produces a concrete plan regarding how and when to dispose of or transfer the business to a third party, not necessarily a family member or heir. The purpose of either plans is to give the owner and those interested in the company the best chance at success in the transfer. In business succession, the important issues are to make sure the business is transferred to the next generation neatly and cleanly without losing clients, employees, or the business itself. Second, it is important to effectively plan for estate tax minimization. Exit planning has different issues in that exit planning calls for receiving the maximum amount of money for the business and minimizing taxes upon the sale of the ownership. These issues are commonly addressed in a valuation, and a tax minimization analysis, respectively.

Many business owners forget the important step of planning their exit strategy for the business. The day to day tasks of running a business include managing employees, solving cash needs, and just getting through the day in business are enough to challenge anyone. Planning for the future, exiting, and succession planning for the business tends to be almost trivialized. Planning for the future should not be marginalized though. Companies and corporations are legal entities with infinite existences. People on the other hand, have finite existence and as such, their businesses will out live them if everything goes right.

The statistics regarding business succession and

exit strategy are alarming. In fact, a recent survey revealed that most companies, of all types, do not have a full and active succession plan in place. The owners of these businesses are in danger of working all of their lives creating, building, and running a successful business only to have the business dissolved at their retirement or death.

What is further alarming is that closely-held business owners are especially vulnerable to losing their assets upon death as opposed to an ordinary person who may own a house and/or have investments in the stock market. The ordinary stockholder or home owner's estate will lose nothing in value other than funeral expenses, even without an estate plan. The owner of a closely held business risks everything in their estate.

Sudden loss of the owner can thrust the business into such disarray that it must be closed or downsized to a point where either it loses substantial value or cannot operate entirely. As such, a business interest is typically

valued at more than the cost of an average home in America. Thousands or millions of dollars which could have been reinvested, saved, or enjoyed otherwise are lost in an instant if a business has no succession or exit strategy. Furthermore, failure to implement a business succession plan with an estate plan can result in unnecessary estate taxes. This is why succession planning and implementation is important. Don't let your lifetime of hard work end up being a garage sale.

Procedure

1. The first item of importance to understand in business succession and exit planning is that the plans

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