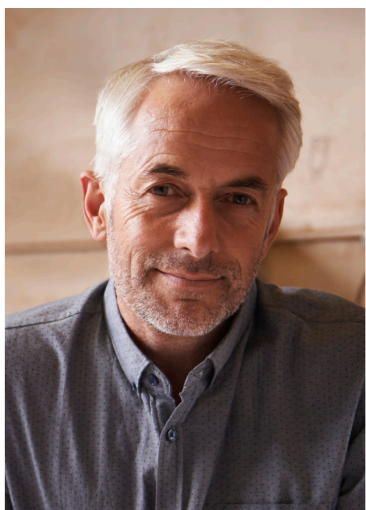




Tranquil Transition

SELLING A BUSINESS IS A MAJOR UNDERTAKING, BUT THE PROCESS CAN BE SIMPLE AND SEAMLESS.



Make no mistake: Selling your business is a major life milestone. It can also be complicated. BGM Wealth Partners has extensive experience helping business owners transition to retirement, developing plans designed to reduce taxes, increase income streams and equitably share sale profits with beneficiaries.

Meet our hypothetical business owner Michael Briggs, who is selling his architectural firm. This does not appear to be a simple transaction. Not only would the sale money need to fund Michael's retirement, but one of his children, who works at the firm, wants to purchase the business but doesn't have enough money to buy it outright.

His two other children have no interest in the business but would expect an inheritance. Michael wants to be fair to all. On the recommendation of a friend, Michael realizes that he needs to work with an experienced financial advisor.

PREPARING FOR TRANSITION—SETTING THE STAGE

Since his early 20s, Michael has spent most of his time building an architectural firm from the ground up. With numerous high-profile projects and many awards under his belt, his business is worth \$2.1 million. He also owns his office building, which is worth \$600,000.

At 58, however, he is finally considering retirement. He doesn't mind running his company—he enjoys the daily tasks—but he has begun fantasizing about working less and would enjoy a much more relaxed lifestyle alongside his wife, Angela. With a healthy net worth of \$5.6 million, he envisions selling his business in three years and putting much of the money from the sale into retirement.

Michael has been prudent about saving for retirement. He has \$1 million in a 401(k), \$100,000 in mutual funds, \$200,000 in individual stocks, and \$300,000 in cash. Michael and Angela own a \$650,000 home and a \$500,000 second home. Yet they will need more money for retirement to live the lifestyle they are accustomed to. Michael's wealth has to support him and his spouse, and last their entire lifetimes.

Unfortunately, Michael's plan comes with multiple hitches. His son James works at the firm and wants to continue the business after his father's retirement. While Michael and Angela's other two adult children, Cara and Christopher, have no interest in the company, they would probably be hurt if they learned about the business going to James without equal compensation. This makes the situation complicated.

Michael needs a pragmatic, comprehensive plan to streamline the transition from business owner to retiree while simultaneously protecting the feelings of his children. On the recommendation of a friend, Michael turns to BGM Wealth Partners for help.



TACKLING EVERY OBSTACLE— IDENTIFYING THE ISSUES

Michael's challenge is complex. He needs to transition out of his business and into retirement in a way that is fair and equitable to James, Cara and Christopher. Sacrificing his retirement to achieve this goal is not an option.

Unsure of where to start, Michael's questions are numerous. Since he is in a high tax bracket, how can he sell his business in three years and still have enough for retirement, without paying extraordinary taxes on the sale?

Transition planning is his next big hurdle. How can he sell or gift shares in the business to James, who doesn't have the money to buy the business outright, without upsetting his other children? If he does sell and give shares to James, how can he find equal value in his other assets, including real estate?

His last hurdle is to make sure inheritances will go only to the people intended: his children. These inheritances need to be protected from potential pitfalls, such as his children divorcing, bankruptcy or lawsuits.

Who Will Be the Buyer?

With Michael deciding to sell his company, he is lucky. He knows who he wants to sell to: a son who is eager to buy his business. Other business owners may not have a buyer in mind. That's why it pays to start a succession plan years in advance. Potential buyers could include:

- Family members
- Business partners
- Employees
- Customers
- Suppliers
- Competitors
- Third parties such as strategic or financial buyers

DEVELOPING A PROCESS —PLANNING A STRATEGY

For Michael, his entire solution starts with a solid transition plan. BGM Wealth Partners, as Michael's advisor, will craft a customized transition plan that allows James to buy some shares while Michael gifts him others. The plan will also give assets to the other children, and BGM Wealth Partners will work with Christopher's and Cara's attorneys to ease the process.

Retirement is next on the agenda. BGM Wealth Partners will calculate how much money is needed for Michael's retirement. The BGM Wealth Partners team will run retirement projections that give Michael a definite figure so he can know how much he needs to get from the sale of the business.

In tandem with his retirement projections and distribution strategy, BGM Wealth Partners develops a Social Security maximization plan to reduce the amount needed from the business. With maximized Social Security, Michael and Angela can plan to sell the business to James for less money because Social Security will pick up some of the financial slack.

BGM Wealth Partners also confirms that Michael's 401(k) is a long way from being optimized. BGM Wealth Partners will assist Michael in finding a new provider, introducing a formula to save him more in retirement.

A big tax offset for the sale of the business will be charitable giving. BGM Wealth Partners can assist in setting up a charitable giving strategy, increasing the amount given to Michael's church and other charities. This plan will be activated the year of the sale to help reduce the tax bite.

Between the retirement projections and strategies, the BGM Wealth Partners team can determine the rate of return needed for a successful retirement. With the data on hand, they will also be able to develop an asset allocation created to fit both Michael's risk and retirement return needs.



1

Customized transition plan

2

Retirement projections and distribution strategy

3

Social Security maximization plan

4

401(k) optimization

5

Charitable giving strategy

6

Asset allocation plan

A Few of Michael's Challenges

For most of our business owner clients, selling their business is just one step in a multi-part process.

- Michael needs to sell his business to fund retirement.
- He has no idea how much he needs for retirement.
- He is worried about how much he'll pay in taxes if he sells the business.
- He needs to maximize his 401(k) and Social Security.
- His wealth has to last his lifetime.
- James, Michael's son who works at the business, wants to purchase the business, though he does not have enough money to buy it outright.
- Michael's other adult children, Christopher and Cara, will be upset if they find out about the business going to James without equal compensation.
- Michael is unsure how to equate the shares with his other assets.
- He wants to make sure the inheritances will go only to his children and are protected from divorce, lawsuits and bankruptcy.

PLAYING THE LONG GAME

Once the transition process is set in motion, Michael's plan will span years, far beyond the business sale and well into retirement. With Michael's potential problems and pitfalls identified, he can work proactively to combat each one with a well-researched, simple plan.

MOVING FORWARD

We will sit down with Michael, calculate how much he needs for retirement and develop a comprehensive plan based on that number. The BGM Wealth Partners team can:

- Develop a transition plan
- Calculate retirement projections to show how much Michael needs for retirement
- Help Michael decide what to price the business, considering taxes and Social Security
- Help James buy shares in the business
- Work with Michael to gift some shares to James
- Distribute more of other assets to beneficiaries Christopher and Cara
- Work with Cara's and Christopher's attorneys to streamline the process
- Create a plan designed to maximize Michael's Social Security
- Help Michael find a new 401(k) provider because his current one appears to be insufficient
- Develop a charitable giving strategy designed to help him give more to his church and charities, and reduce taxes from the business sale
- Craft an asset allocation plan designed to fit Michael's risk and return needs for retirement



THE RESULTS

Michael soon finds that much of the process boils down to one, elegant thing: a number. That number tells him how much he and Angela will need for retirement, empowering him to strategically price his business, distribute his assets to his children and reduce how much he will pay in taxes. It also gives Michael and Angela more control over the entire process, making the transition smooth and headache-free.

Thanks to the strategy they developed, Michael and Angela will feel that they have the income they need from Social Security and their portfolio to live comfortably in retirement and travel the world. They will also feel like they have better communication with and between their children about their inheritances; and their son, James, will be able to purchase his father's business, honoring his father's legacy for another generation.

Is your situation similar to our hypothetical case study? Do you need a plan to transition from business owner to retiree? At BGM Wealth Partners, we're ready to help you every step of the way. Call your BGM Wealth Partners relationship manager or contact us at 952-844-2500 or bgmwealth.com.