

BUSINESS SUCCESSION PLANNING



Expert exit strategies for maximizing business efficiency



EXIT STRATEGIES

We can help you build a business that accumulates maximum after-tax value. As a firm staffed with seasoned business succession planners, we have solutions to the issues that most frustrate business succession planning. We can typically find ways to design business transition plans and generate tax savings worth many times more than the costs.

THE PROBLEM

Only 30% of businesses make it to generation two and a mere 3% still generate profits in generation three. Given the dismal success of family businesses over the long term, it is no wonder that 65% of family wealth is lost by the second generation and 90% by the third generation.

Even if financial wealth is not lost, the vision is frequently lost. Family businesses without an effective wealth and management transfer process typically have heirs working at cross purposes. Disruptive changes of leadership are common. Studies show that values are not transferred to the next generation, and conflicts regarding succession planning cause businesses to fail.

THE SOLUTION

Businesses accumulate far more wealth when they minimize unnecessary income and capital gains taxes each year. Companies also build greater value when they transfer ownership to future stakeholders using tax-efficient planning tools instead of traditional tools (such as non-qualified stock options and phantom stock programs, which produce substantial ordinary income tax liabilities).

Tax lawyers can develop tax-efficient business succession plans at costs that are often less than 1% of tax savings. Creating tax strategies often requires development of trusts and legal agreements with clear purpose statements and dispositive provisions. For this reason, the tax lawyers must work with company leaders and their advisers to help each business articulate clear purposes in harmony with compelling statements of vision and mission.

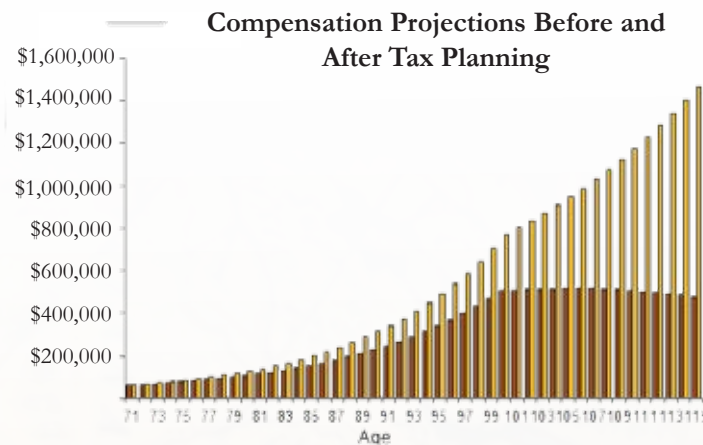
We help our business clients incorporate their purpose and mission statements into daily operations. We do this by aligning legal tools with financial strategies. Our staff can analyze and monitor after-tax cash flow as we help clients realize the greatest after-tax benefits.

We can illustrate dozens of advanced tax planning techniques that give business owners a competitive edge. This brochure provides a brief summary of strategies. Call us to discuss which techniques can help your business realize the greatest after-tax benefits.

SUCCESSION PLANNING BENEFITS

1 TAX-EFFICIENT RESOURCE ACCUMULATION

Families can accumulate more than twice the wealth if they minimize income, capital gains, AMT, estate, gift, GST, property, and other taxes. Cash flow and wealth transfer projections will probably not be useful unless you actively involve your advisers in developing realistic projections of after-tax cash flows. Planning should begin with realistic projections of desired annual cash inflows and outflows as well as goals for transferring wealth tax efficiently to successor owners and managers.



2 VISION, MISSION, VALUES, AND CLARIFICATION

Studies show that the most successful businesses communicate a clear vision, a compelling mission, and core values that resonate with the hearts of team members. These ideals should be reflected in employment agreements, shareholder agreements, executive benefit plans, and other legal documents.

3 KEY MANAGER AND ADVISER EMPOWERMENT

Jim Collins, author of *Good to Great* and other business classics, wrote about the importance of "getting the right people on the bus" and in the right seats. Practically speaking, businesses need incentive compensation plans that align roles, goals, controls, workflows, and cash flows for each manager. Tax-efficient plans can foster maximum commitment and teamwork. Advisers on the planning team must unite around a process that helps the business focus on key performance indicators. Our process provides the leadership needed to keep advisers focused on serving the key managers in the business.

4 FINANCIAL AND RISK MANAGEMENT

Preserving the value of a business across the generations requires identification and management of many risks. We evaluate the effectiveness of methods used to manage risks related to products liability, loss of key team members, regulatory and legal matters, intellectual property protection, and natural disasters. Successful business owners understand the importance of insuring against losses while protecting assets in business entities and trusts. Our firm designs Captive Insurance Companies and similar vehicles that can improve risk-adjusted growth while improving income statements and balance sheets. We use advanced modeling technology to illustrate how business cash flows impact current and future wealth transfers to all business stakeholders.

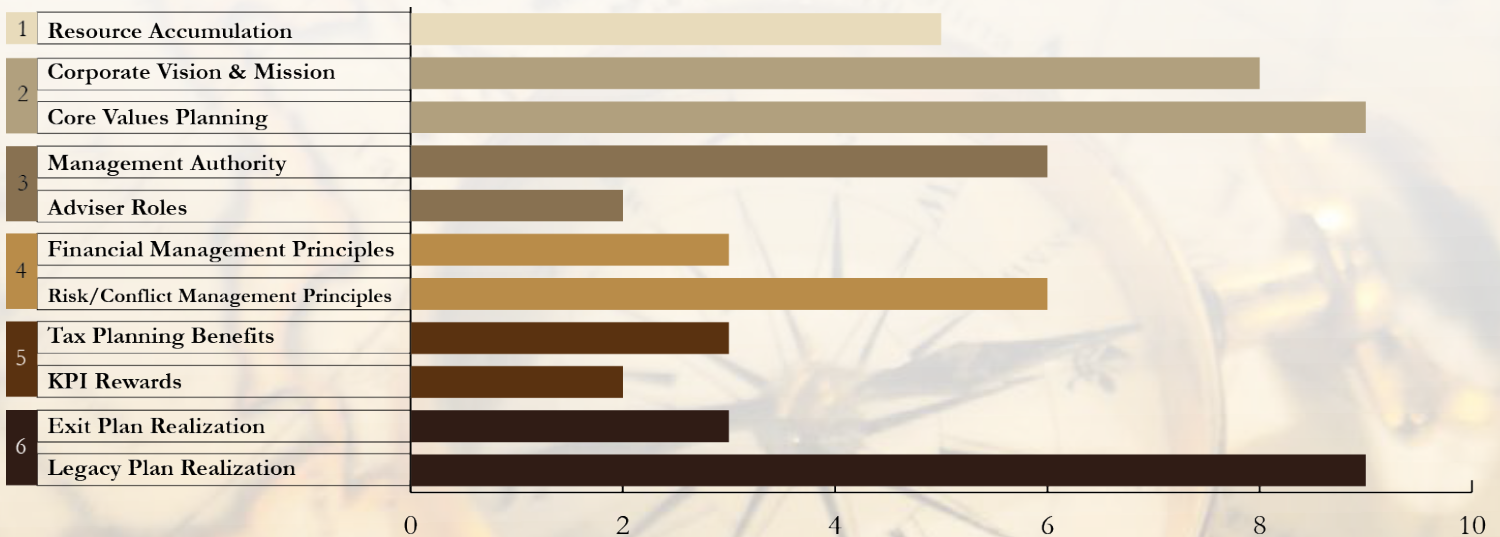
5 COORDINATED TAX PLANNING

Clients need coordinated support from advisers that understand tax and financial planning. The lawyers designing and drafting the trusts must have very good understanding of the advanced planning strategies that can lower estate, capital gains and income tax planning. Law firm staff members must know how to illustrate the after-tax benefits of each strategy and show how benefits are greater than costs. After designing the solutions, the law firm must know how to draft the necessary trusts or business entities while working with financial advisers to fund trusts tax efficiently. Very few law firms have proven track records implementing the types of strategies discussed in this brochure and in our business succession seminars.

6 EXIT AND LEGACY PLAN REALIZATION

Monetizing the equity in a business requires careful development and execution of next actions related to shareholder value creation, exit date projections, choice of gift and sales techniques, preparation of the next owners and managers, selection of financing vehicles, funding of buy-sell plan, appropriate transfer of management and control, maintenance of project timelines, and management of key performance indicators. We have vast experience and an understanding of these critical issues. While statistics show that most successor owners of businesses will lose their inheritance much like most lottery winners squander their wealth in a short period of time, we have a proven process to equip and motivate the next generation of managers. Helping business owners transfer their values before they transfer the value of what they own is a critical component to the success of the transition.

How Prepared is Your Business for a Liquidity Event and Transfer to Successor Managers?



Percentile Rank in Comparison to Other Family Businesses

BUSINESS SUCCESSION STRATEGIES

Clients work with our attorneys to design and implement business succession plans because we emphasize tax-efficient solutions. We show how our business planning strategies integrate with estate, retirement, charitable and other planning techniques. We can illustrate how any of the 9 business planning tools below can generate better after-tax cash flow for you and/or larger after-tax payments to key executives and successor owners/managers. The strategies shown below are just a small subset of the techniques that our team can customize for you.

1 BUSINESS INCOME TAX SOLUTIONS

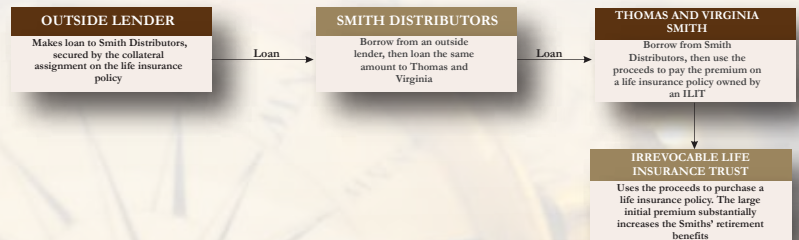
Every business must have a business continuity plan. Business owners are far more likely to have their advisers draft and fund buy-sell agreements and related documents if the solutions are funded with pre-tax dollars. Our law firm knows how to design and draft a broad array of tax-efficient vehicles to lower current income taxes while motivating key managers with tax-efficient accumulation of wealth. When we help owners and managers build more after-tax wealth, these stakeholders are most likely to help the business prosper.

Impact of Investing Excess Income Tax-Efficiently:	Now	20 Years at 6.5%	30 Years at 8%
With Tax-Efficient Planning Tools:	\$500,000	\$1,761,823	\$5,031,328
If 50% of Excess Income is Lost to Taxes Before Investing:	\$250,000	\$880,911	\$2,515,664
If Investment Returns are Reduced by 38% Taxes:	\$250,000	\$580,265	\$1,068,205
If 38% of Accumulated Value is Lost to Withdrawal Taxes	N/A	\$359,764	\$662,287

The above numbers illustrate the power of tax-deferred accumulation but, with some types of retirement investment vehicles, the illustrated values may be further reduced by taxes on accumulation. Also, the tax rates on contributions and withdrawals may vary significantly depending on the timing of cash flows, changing tax rates, and other variables not considered in the above illustration.

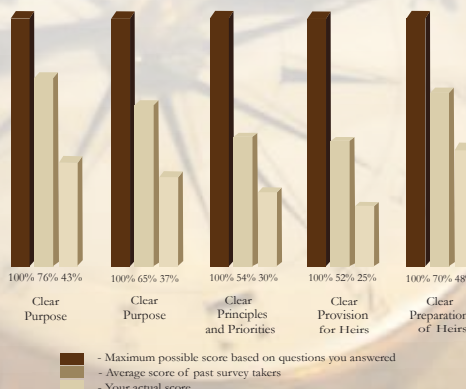
2 CAPITAL SPLIT DOLLAR

A business owner can advance cash to pay premiums in an estate planning trust using a non-equity private split dollar arrangement.



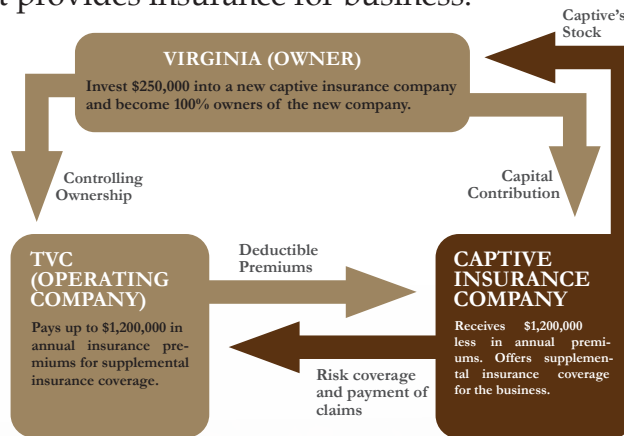
3 BUSINESS SUCCESSION AGREEMENT

Businesses can use a variety of methods for funding a buy-sell agreement with pre-tax dollars.



4 CAPTIVE INSURANCE COMPANY

Using the 501(c)(15), 831(b), or 806 entity, a business can receive tax deductions for funding a vehicle that provides insurance for business.



5 BUSINESS VISION AND VALUES RETREAT

During a business retreat, key decision makers and/or stakeholders answer a series of questions to clarify the vision, mission, and values of the organization.

6 EMPLOYEE STOCK OWNERSHIP PLAN

This plan can provide a powerful combination of benefits to a business owner that wants to fund a succession plan very tax efficiently and/or align interests of team members.

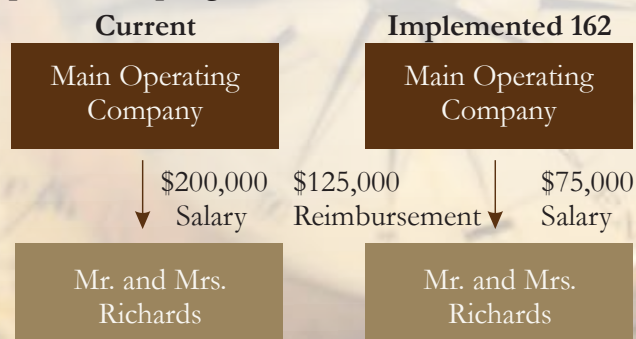
POTENTIALLY ACHIEVABLE BENEFITS

IF DEATH OCCURS IN CURRENT YEAR

	EXISTING PLAN	PROPOSED PLAN
Current Year Corporate Income Tax	\$480,000	\$255,000
Current Year Personal Income Tax	\$140,000	\$95,000
Inheritance to Heirs	\$3,000,000	\$8,000,000
Estate Tax	\$2,000,000	\$1,500,000
Legacy to Charity	\$0	\$1,000,000
Projected After-Tax Retirement Income	\$170,000	\$267,000
Business Goes to Children	No	Yes

7 162 PLAN

This plan is one of several tax-efficient vehicles for funding golden handcuffs and related executive compensation programs.



8 RESTRICTED PROPERTY TRUST

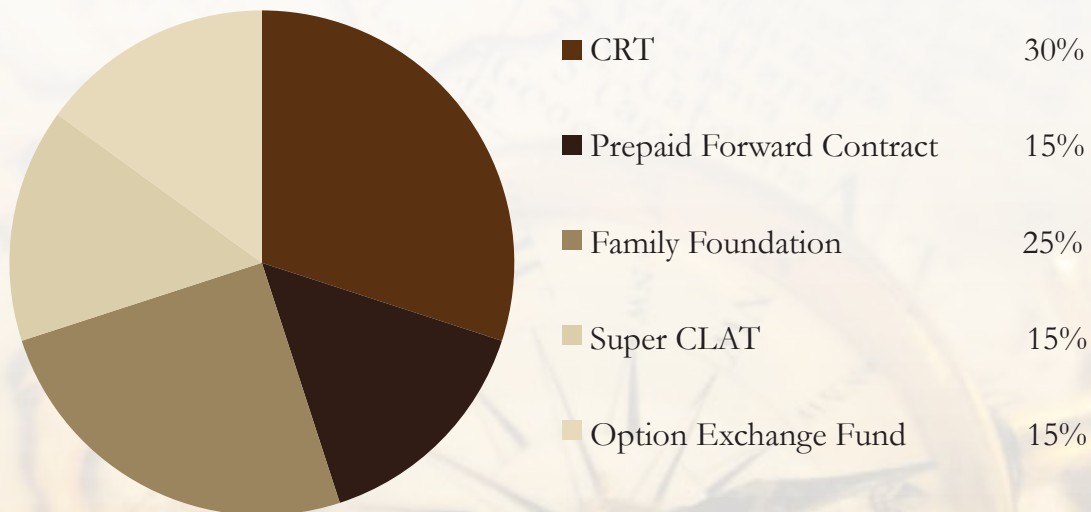
Key owners of a corporation create a restricted property trust and fund it with 100% deductible contributions.

	Year Five Results:	Year Ten Results:
Cash Value	\$0	\$1,094,471
Death Benefit	\$3,140,196	\$3,751,937
Net Current Deductions	\$300,000	\$600,000
Tax-Free Income	69% of CV in policy not taxable on transfer	71% of cash value income tax-free
Rate of Return	3.8%	8.4%

9 STOCK OPTIONS AND NON-QUALIFIED DEFERRED COMPENSATION STRATEGIES

These strategies can provide excellent employee incentives when companies want to fund executive benefits plans tax efficiently.

Estimated Strategy Popularity



CONCLUSION

As a result of our extensive experience and expertise, *MVM Law* is uniquely positioned to create and implement comprehensive strategies that coordinate the needs of the family and business with estate tax, income tax, and asset protection planning. We can implement even the most complex and sophisticated business succession strategies.

PARTNERS



JRMATSEN.COM

As one of the top estate planning attorneys in the country, Jeff has spent his 45-year career providing his clients with the highest level of legal service and has recently authored an award winning book in his area of expertise, *The Ladder of Success: An Asset Protection Planning Primer*.



TIMVOORHEES.COM

While earning his JD and MBA degrees, Tim emphasized business and corporate planning. He helps clients transfer their businesses tax efficiently using techniques to lower income and estate taxes while increasing after-tax retirement and wealth transfer amounts.



JONATHANAMINTZ.COM

As the newest partner at *MVM Law*, Jonathan has nearly 25 years of experience as an estate planning and business attorney. He has extensive experience in designing and implementing effective estate and succession plans for business owners and their families.

Matsen Voorhees Mintz LLP



*Maximizing Value with Integrated Estate,
Business, Tax, and Asset Protection Planning*

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