

Business Succession & Continuation

CBS | BROKERAGE

OUR GOAL IS YOUR LEGACY

EST. 2008

SHAKOPEE, MINNESOTA

Expect to Learn Ways To:



**Reduce and defer income
an estate taxation
exposure.**



**Pass a business on to
family**



**Help your business
continue as a going
concern**



**Retain talented key
employees**



**Support harmony
between Family members**



**Create a new paycheck if
any owner exits the
business**



**Optimally plan for loved
ones and causes you care
about.**

Small Business-Major Economic Distribution

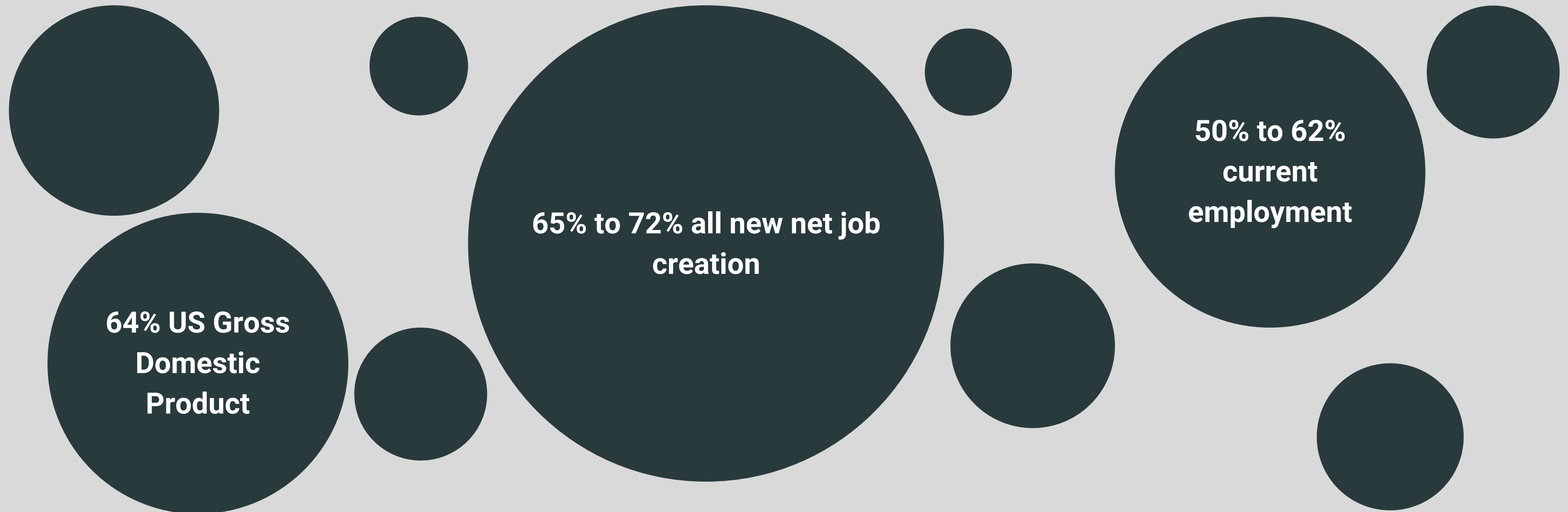


- 70% would like to pass on business to family
- 30% will successfully transfer to 2nd generation
- 10% remain active privately held companies by 3rd generation

- Defined by the small business Administration as having fewer than 500 employees
- Many are family owned or family controlled

SOURCE: Astrachan, J.H. and Shanker, M.C. (2003), Family Businesses' Contribution to the U.S. Economy: A Closer Look. (<http://coles.kennesaw.edu/centers/cox-family-enterprise/cox-family-documents/FB-in-US-2003.pdf>).

Issues Particular to Family Businesses



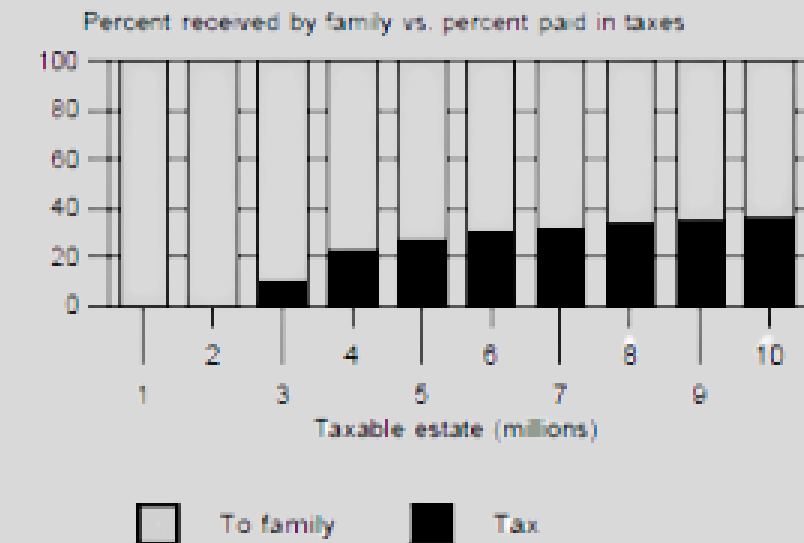
- In 2017, it was estimated that 40.3% of family business owners expect to retire
- Nearly half of family business owners (43%) have no succession plan in place

Why Plan for Succession?

Taxes

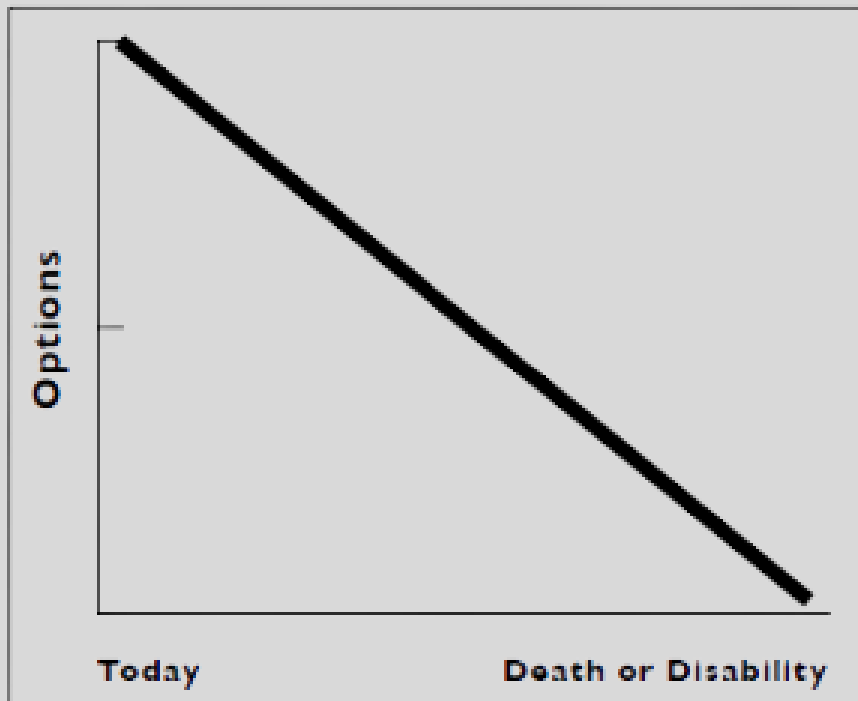
- 15% **vs** 20% Capital Gains
- 15% or 20% Capital Gains **vs** 40% Estate
- Step up in cost basis **vs** no step up of basis if a triggering event causes a purchase of shares in a shareholder agreement

Sample distribution of estate



Reduce Risk

- Probability of a triggering event increases with time/age
- Magnitude of a financial loss or options increase



Control

- Maintain options
- Maintain jobs for employees and family
- Legacy-business continuance and/or charity?

What Aspects of Succession Planning Matter Most

Principal outcomes of business owners who have completed their succession journey (ranked in order of importance by the business owners):

1. Continuity of the business
2. Family Harmony
3. Ongoing jobs for employees
4. Keeping the business in the family
5. Leaving a legacy
6. Selling the business for the best price

Survey Outcomes (In Agreement)

- 1.86.6%
- 2.73.5%
- 3.72.7%
- 4.61.2%
- 5.49.0%
- 6.30.4%

Barriers to deliver a successful succession process:

- The fair distribution of assets among family members
- Capacity of the business to provide adequate returns
- Capacity of the business to support retirement
- General economic uncertainty
- Capacity of the business to support the next generation

Survey Outcomes (Rank)

- First
- Second
- Third
- Fourth
- Fifth

Who, What and How of Succession Plans

Purchasers

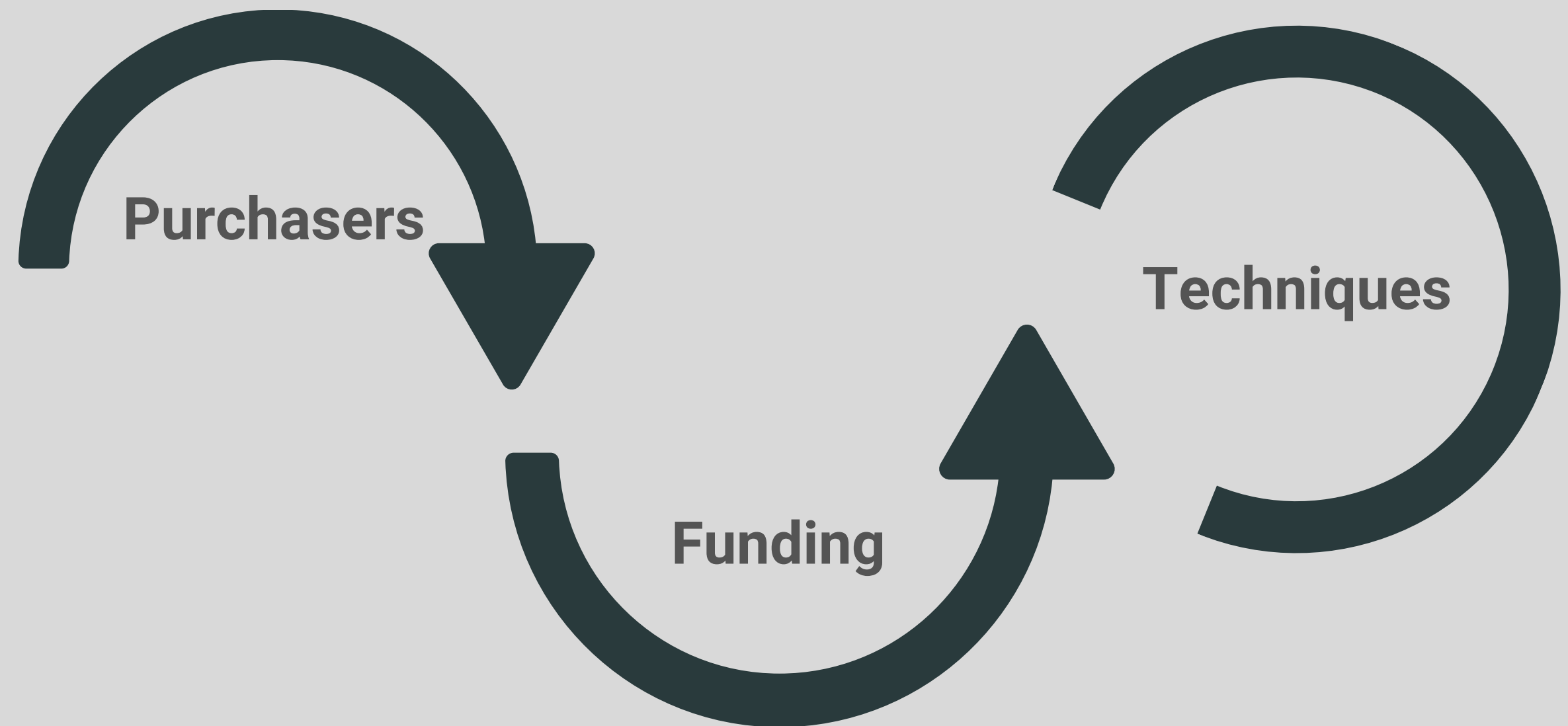
- Employees
- Family
- Shareholder
- Company

Funding

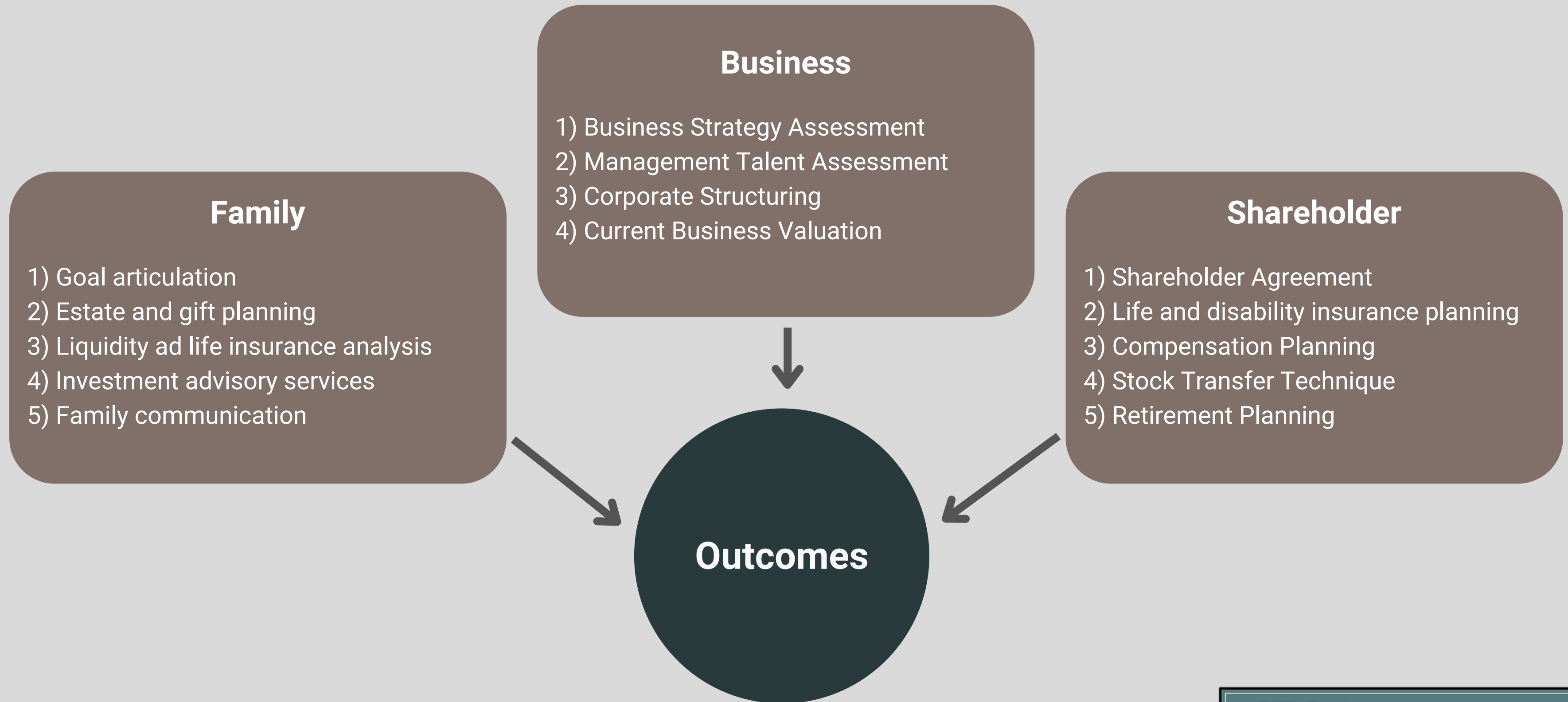
- Installment
- Borrow
- Sinking Fund
- Life Insurance

Share Purchase Techniques

- Entity Purchase
- Cross Purchase
- Entity First/Cross Purchase Last
- Trusted Agreement
- Insurance Only LLC
- No Sell Agreement



Multidisciplinary Approach & Opportunity



Thank You

Contact Us:



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