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BUSINESS CONCEPTS
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# From Business, Inc. to Family Wealth, LLC

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As a closely held business owner, you may have spent the last 30 to 40 years building up a comfortable net worth which is all in your privately held company. If you are planning to sell the company and partially retire within the next two to three years there is a lot of important planning work that needs to be done. Transitioning the cash you receive into personal investment accounts, or perhaps a family investment company which might be in the form of a limited liability company or a family limited partnership is just one of the many things to consider.

To get started you need to develop a team that includes a business attorney, your corporate accountant, and an independent fee-only financial advisor. Those three individuals will help you understand the different ways you can sell the business, which would include selling it to family members, key employees, or someone else within your industry. Your advisory team needs to help you prepare two separate plans.

The *first plan* of an asset transition program outlines the most efficient way to sell the company to the buyer that you have chosen and do it in such a way that minimizes the taxes and maximizes the amount of cash that can be transferred to you and your family. The *second plan* is designed to help you protect as much net worth as possible in future years, and to maximize your retirement income.

Generally speaking in the second plan, if the combined net worth of you and your spouse is $1 million to $4 million, then setting up investment accounts in trust name for the two of you may be appropriate. If your combined net worth is $4 million to $10 million then setting up a limited liability company or family limited partnership to hold some of your liquid assets might be desirable. If your combined net worth is more than $10 million then it might be a good idea to establish a grantor annuity trust, private family foundations, a charitable remainder trust and other techniques that can help you reduce income taxes in the future and maintain your family net worth. Most of us want the plan to protect assets for several generations.

Transitioning assets to your children and grandchildren can be harder than you think. It has been proven all over the world that the assets which you have accumulated in your lifetime will probably be exhausted over the next two generations. Yes, you do want an asset allocation that provides you with the income and safety that you are looking for, but you also should educate your children on the types of plans that you are

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## From Business, Inc. to Family Wealth, LLC *(continued)*

developing and why. Hopefully you can teach them over the next 5 to 10 years everything that you have learned about accumulating or managing assets over the last 40 years.

Transitioning your business from a large illiquid asset to investments that are more liquid is complicated and can be expensive. You have spent many years building up your company to be a very profitable business which is good for your family, your employees, and your community, now planning for the transition of assets is vitally important. Having worked with hundreds of family businesses in the last 35 years, I highly recommend that you spend a few hours over the next two to three years with your team of advisors and design a good phase one plan to help you exit the business, and a well designed phase two plan that will help you protect your retirement income, minimize taxes, protect all of your assets, and transition those hard earned dollars to your beneficiaries in the future.

*Gary Pittsford, CFP®, is President and CEO of Castle Wealth Advisors, LLC. Castle specializes in helping families and closely-held business owners with valuations, succession planning, estate and income tax analysis and retirement income projections. Castle's senior partners work with clients throughout the country in making logical decisions that help them fulfill their personal and business financial goals. For more information visit www.castle3.com, call 1-888-849-9559 or e-mail Gary directly at gary@castle3.com.*