

# Serious About Succession

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# Serious About Succession

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**Jenny Nicolau,  
Almond Board of California**

**Kevin Spafford,  
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# SERIOUS ABOUT SUCCESSION

and want a better outcome?



70 / 90 / 96



# CONSEQUENCES:



## Out of business





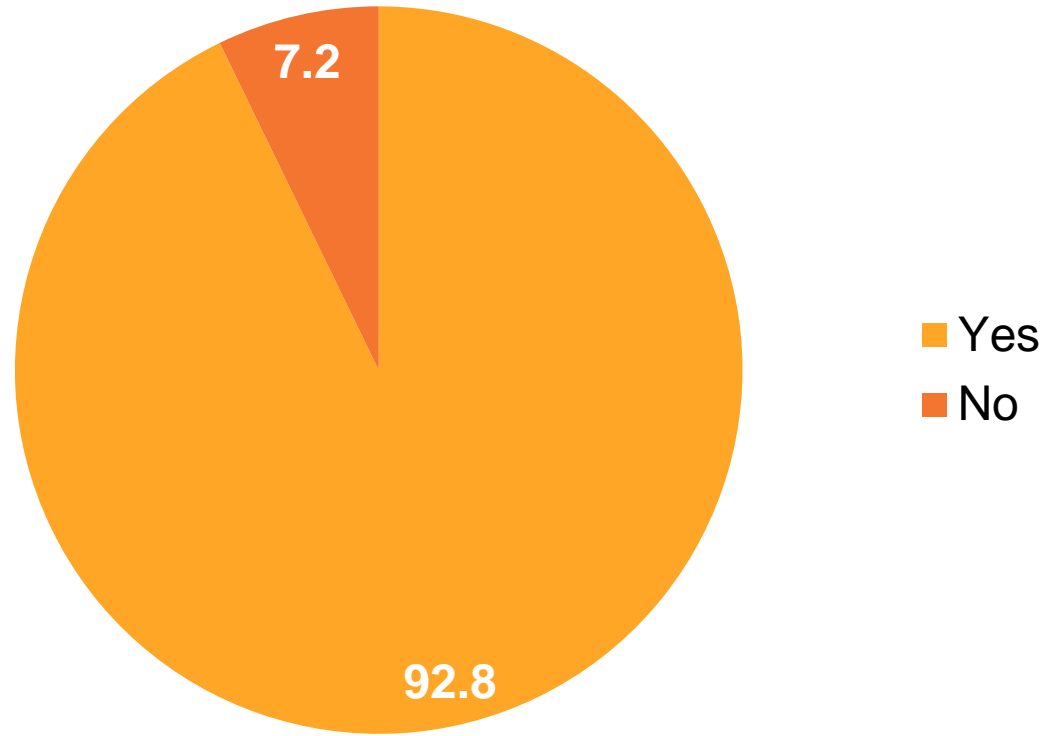
# Absorbed



# Converted

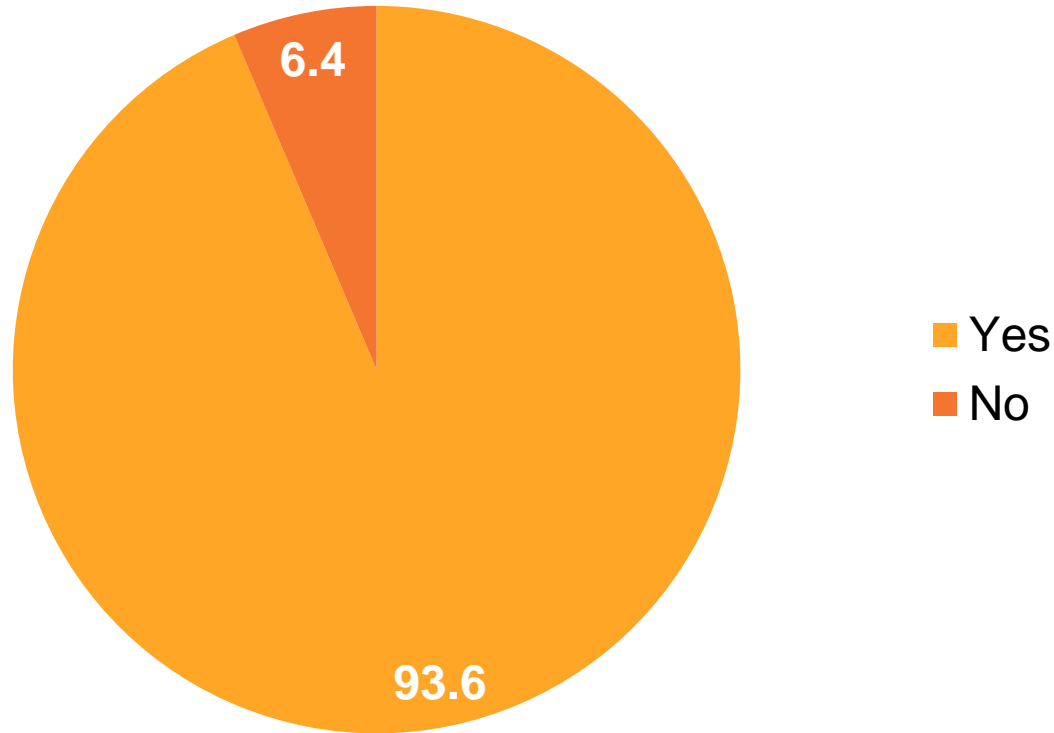


## Want to become **significantly wealthier**



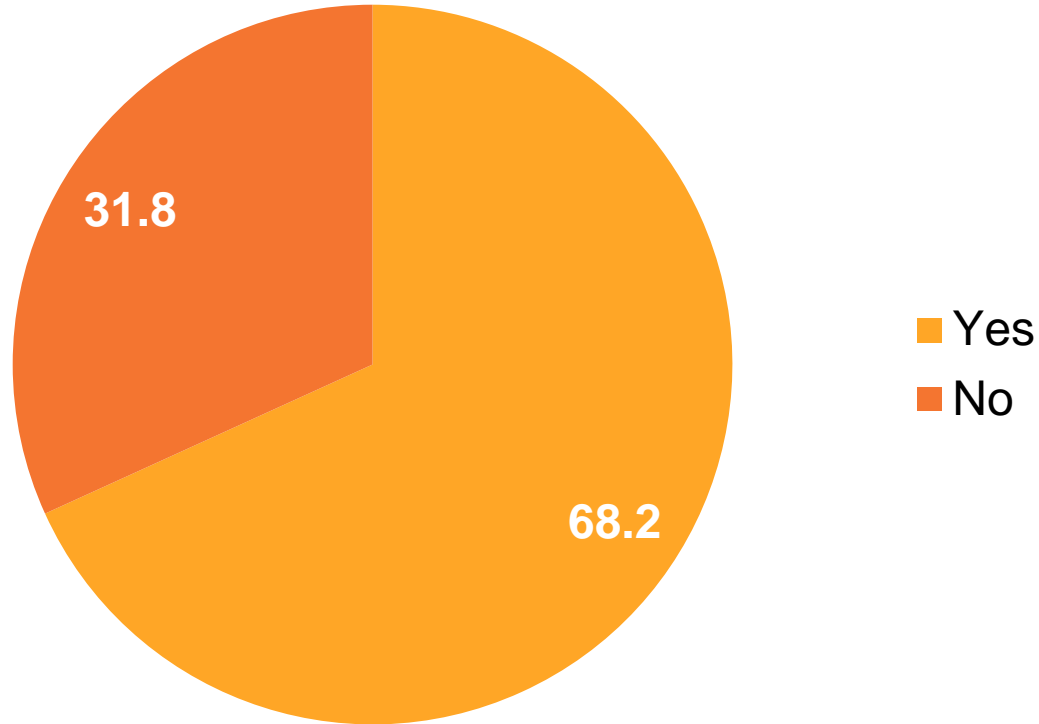
N = 513 Business Owners, Source: AES Nation

## Want to make sure loved ones are **financially secure**



N = 513 Business Owners, Source: AES Nation

# Want to make do more to support **worthy and charitable causes**



N = 513 Business Owners, Source: AES Nation

WANT A BETTER OUTCOME?



## Better outcome => Defined Planning Process



# COMPREHENSIVE SUCCESSION SOLUTION



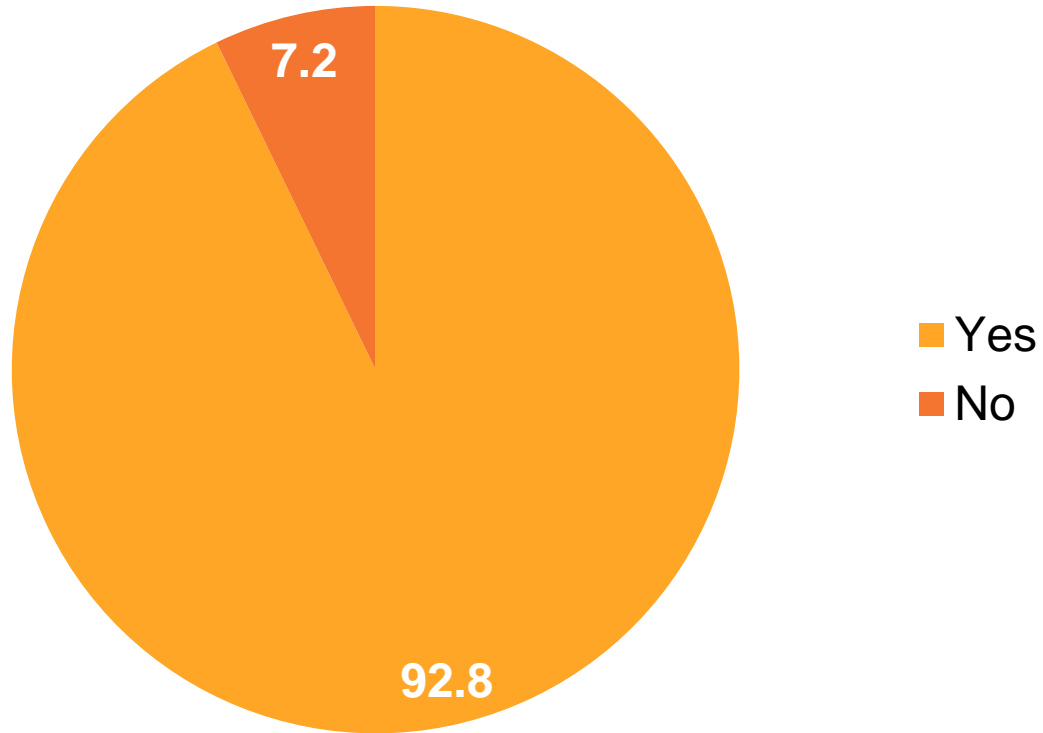


# Financial Plan

- Create retirement choices
- Diversify investments
- Manage debt
- Maintain lifestyle

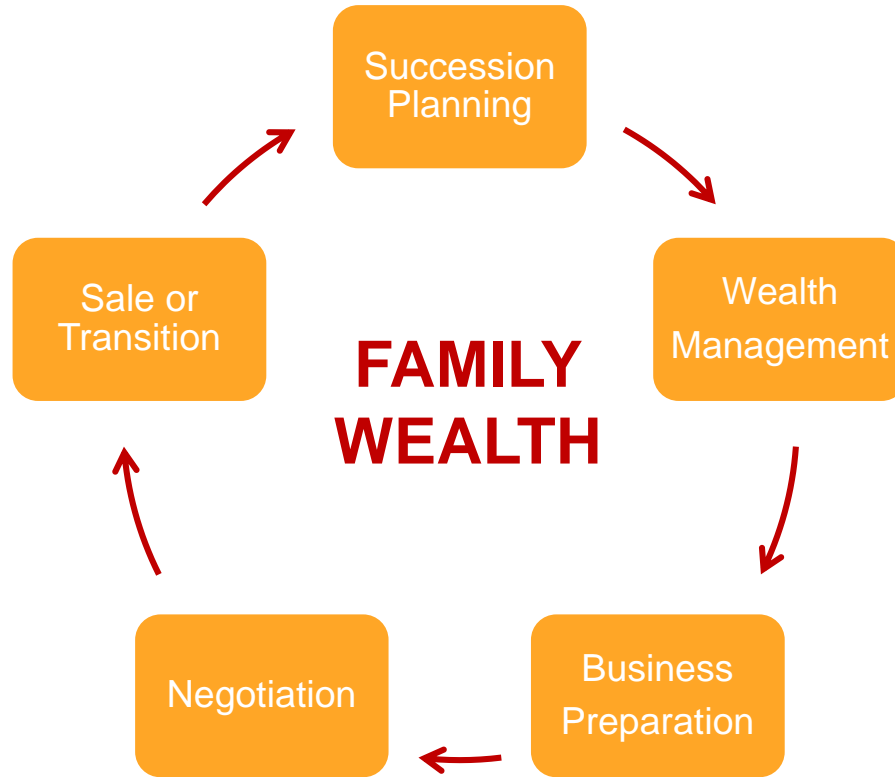


## Want to become **significantly wealthier**



N = 513 Business Owners, Source: AES Nation

# To put the most in your pocket

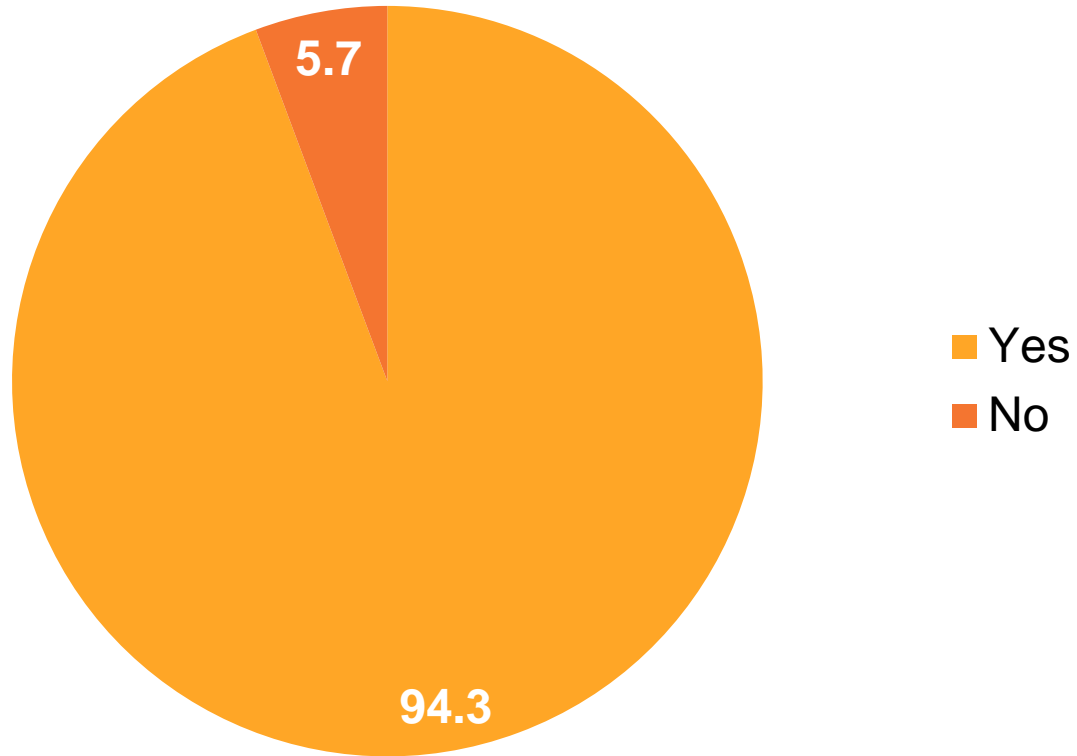


# Ownership Transition

- Choose entity structure
- Explore financing options
- Mitigate taxes on sale or transfer
- Negotiate buy-sell provisions

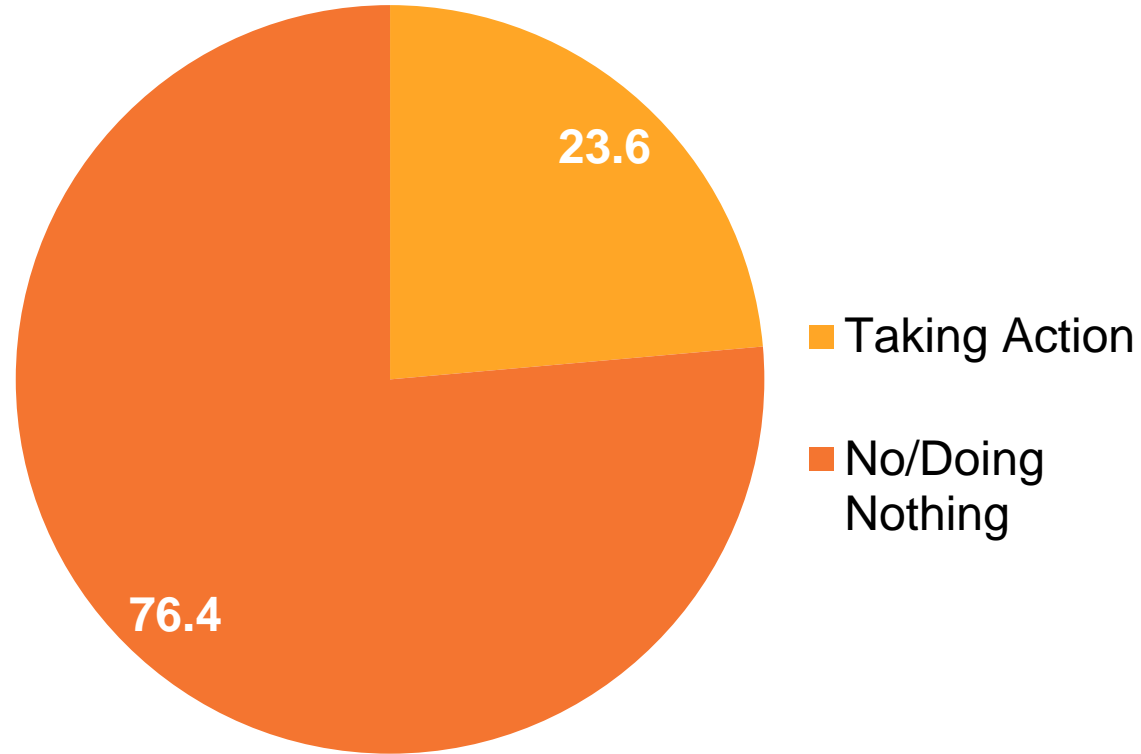


## Interested in ways to lower personal taxes



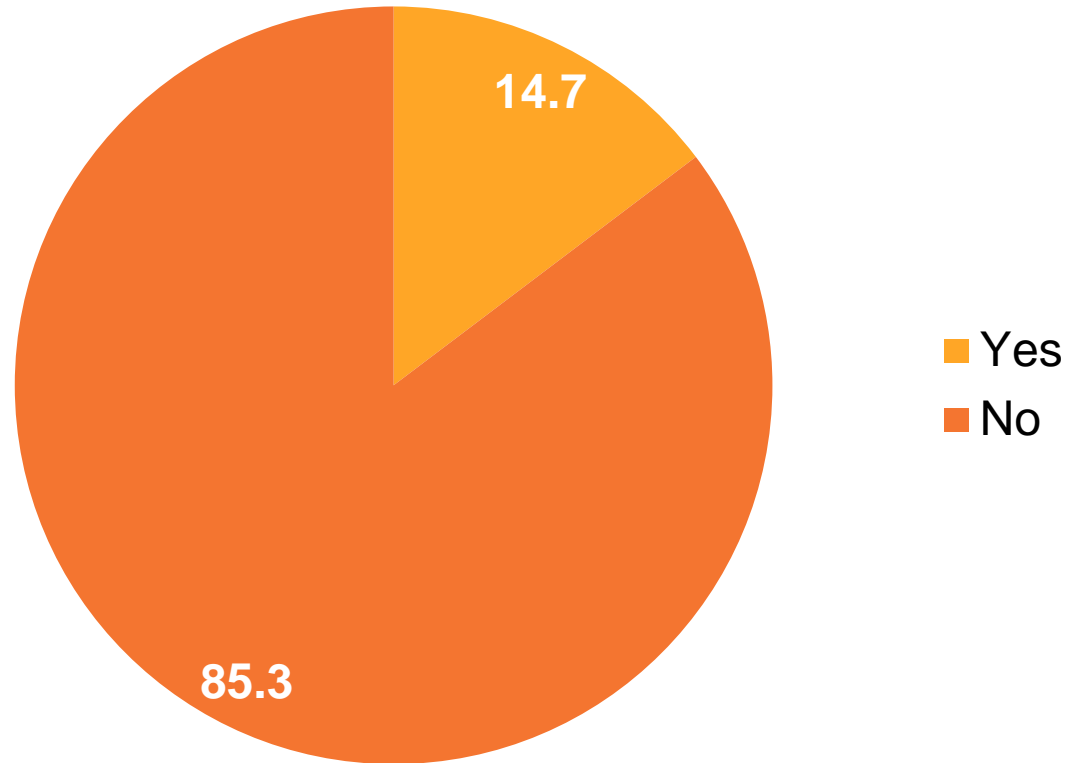
N = 513 Business Owners, Source: AES Nation

## Working with professionals to **lower personal taxes**



N = 484 Business Owners, Source: AES Nation

# Have taken action to mitigate taxes owed on the sale of their business



N = 549 Business Owners, Source: AES Nation

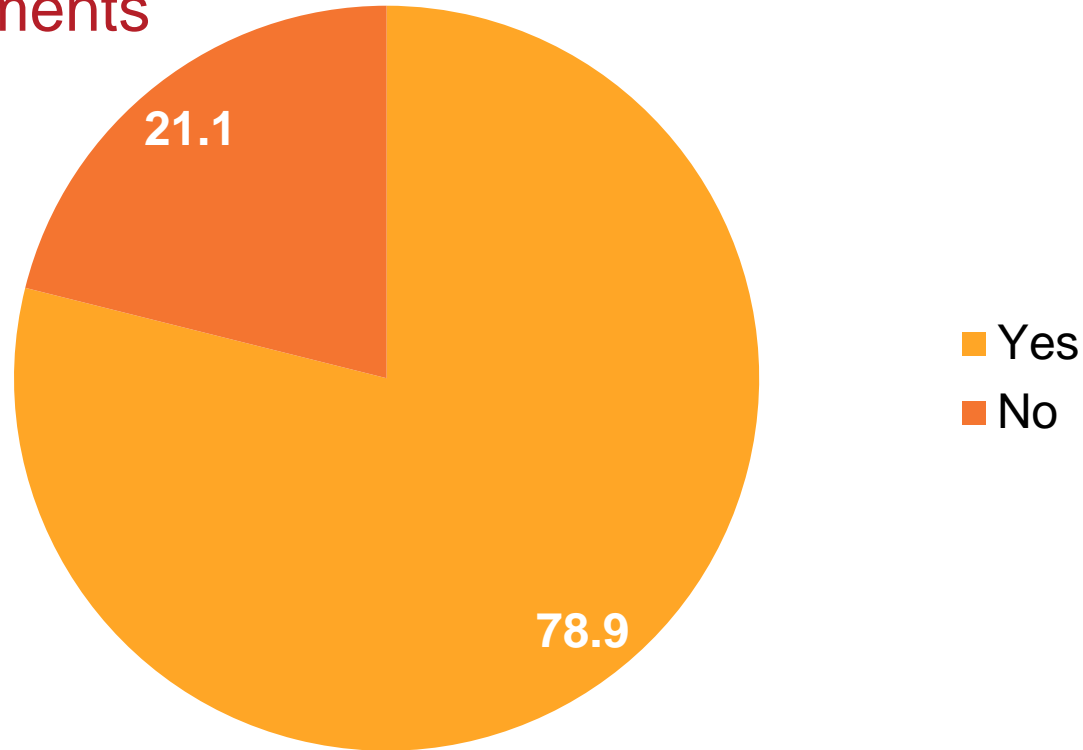
# Leadership Structure

- Adopt management structure
- Define roles & responsibilities
- Agree on compensation & benefits
- Assess readiness; hire to start



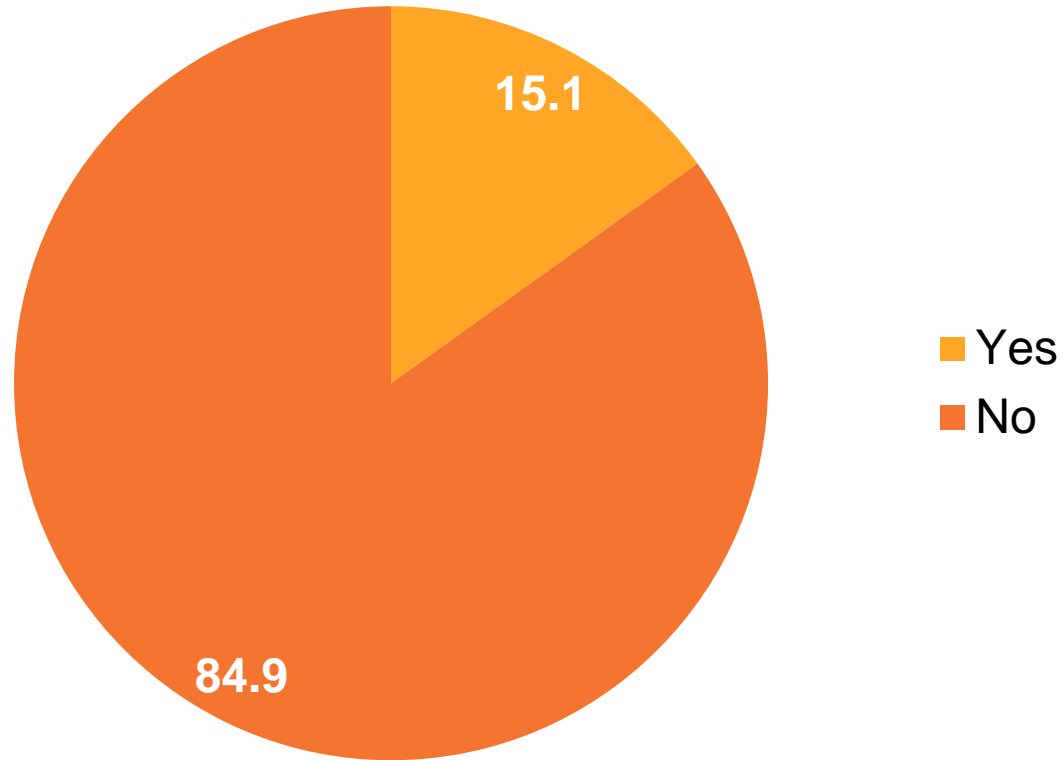


## Concerned about being involved in unjust lawsuits or divorce settlements



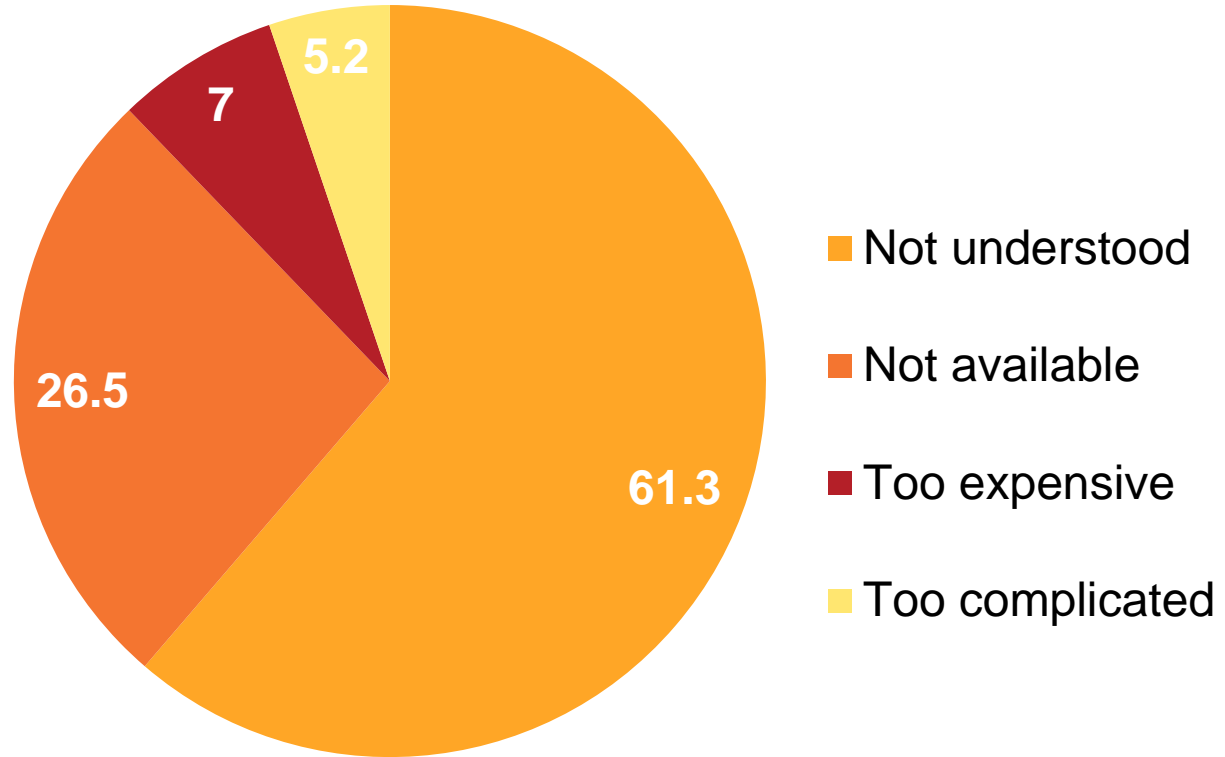
N = 513 Business Owners, Source: AES Nation

## Have an asset protection plan



N = 405 Business Owners, Source: AES Nation

## Why no asset protection plan



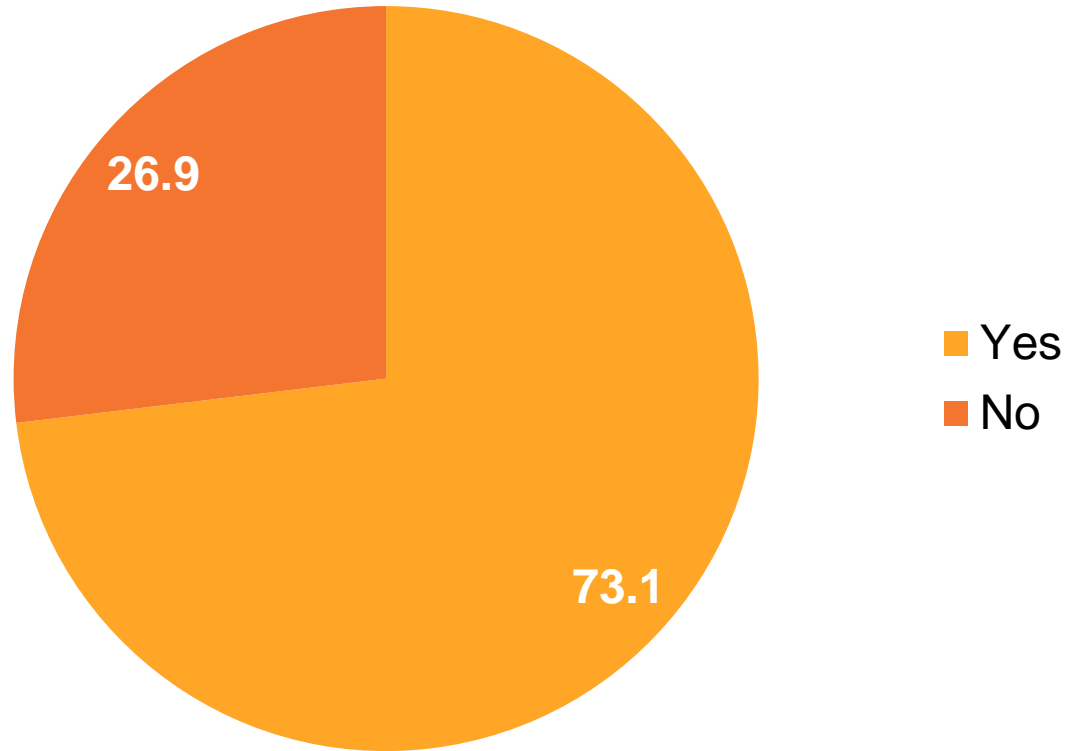
N = 344 Business Owners, Source: AES Nation

# Estate Tax

- Eliminate estate tax
- Minimize transfer costs
- Make equitable distributions
- Provide Income replacement

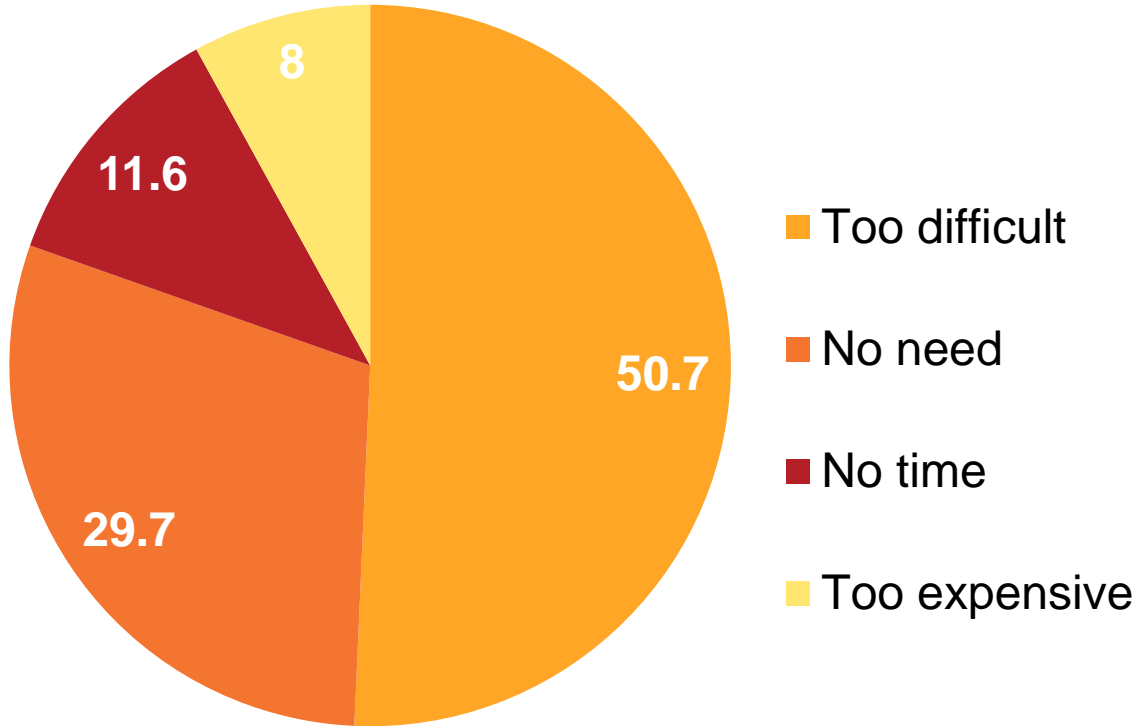


## Have an estate plan



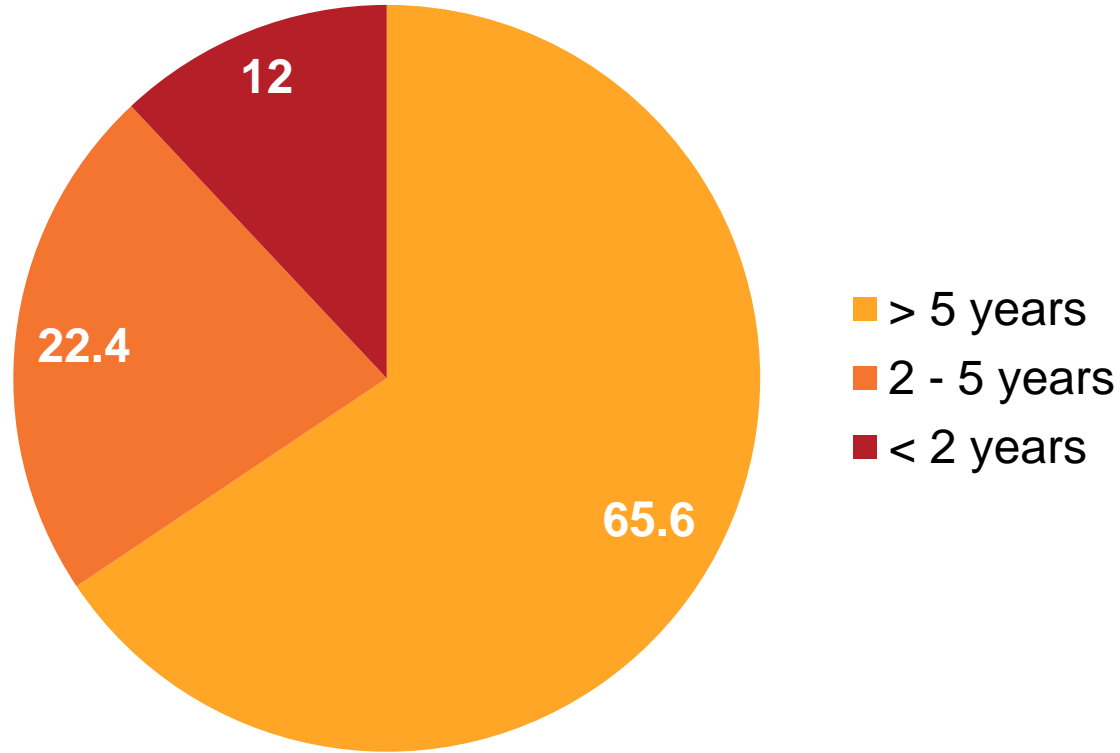
N = 513 Business Owners, Source: AES Nation

## Why no estate plan



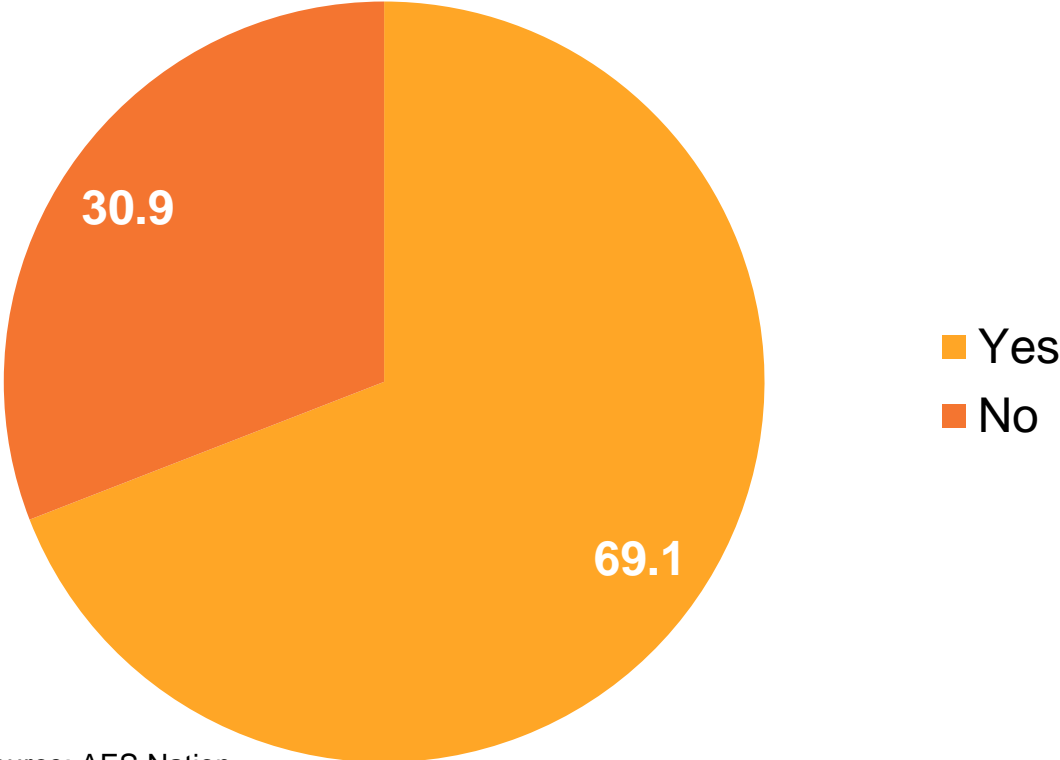
N = 513 Business Owners, Source: AES Nation

## Age of existing estate plan



N = 375 Business Owners, Source: AES Nation

# Experienced a life changing event since **estate plan**



N = 375 Business Owners, Source: AES Nation



## A CASE STUDY: John & Sara

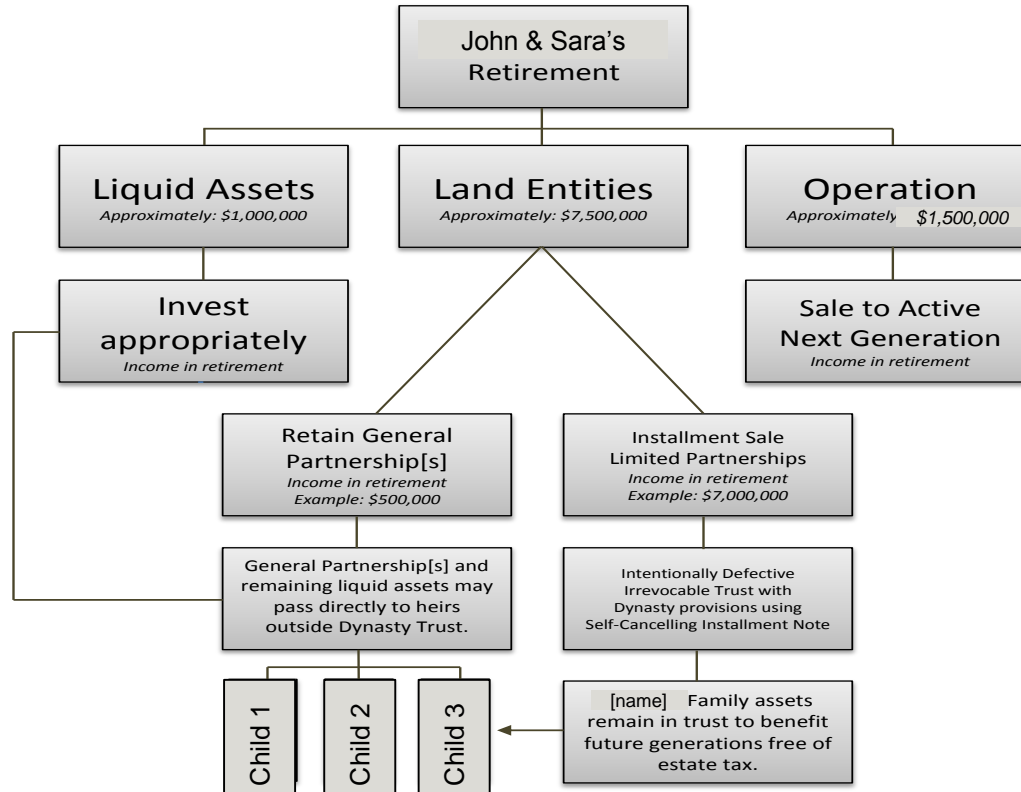


## A CASE STUDY: John & Sara

- Create a retirement option with a secure source of income.
- Control lands asset for benefit of John and Sara and lineal descendants.
- Design an ownership transition and protect the land asset from divorce, creditors, and predators.
- Provide an equitable benefit for all children and leave a meaningful legacy for grandchildren.
- Mitigate or eliminate exposure to the estate tax and other transfer obligations.



# A CASE STUDY: John & Sara



# A CASE STUDY: John & Sara

## Without a Dynasty Trust @ 4% growth

Generation	\$ Taxable Estate	\$ Tax	Net \$ to Heirs
Grantor	10,000,000	0	10,000,000
Children	22,000,000	9,000,000	13,000,000
Grandchildren	28,000,000	11,000,000	17,000,000
Great Grandchildren	37,000,000	15,000,000	22,000,000

## With a Dynasty Trust @ 4% growth

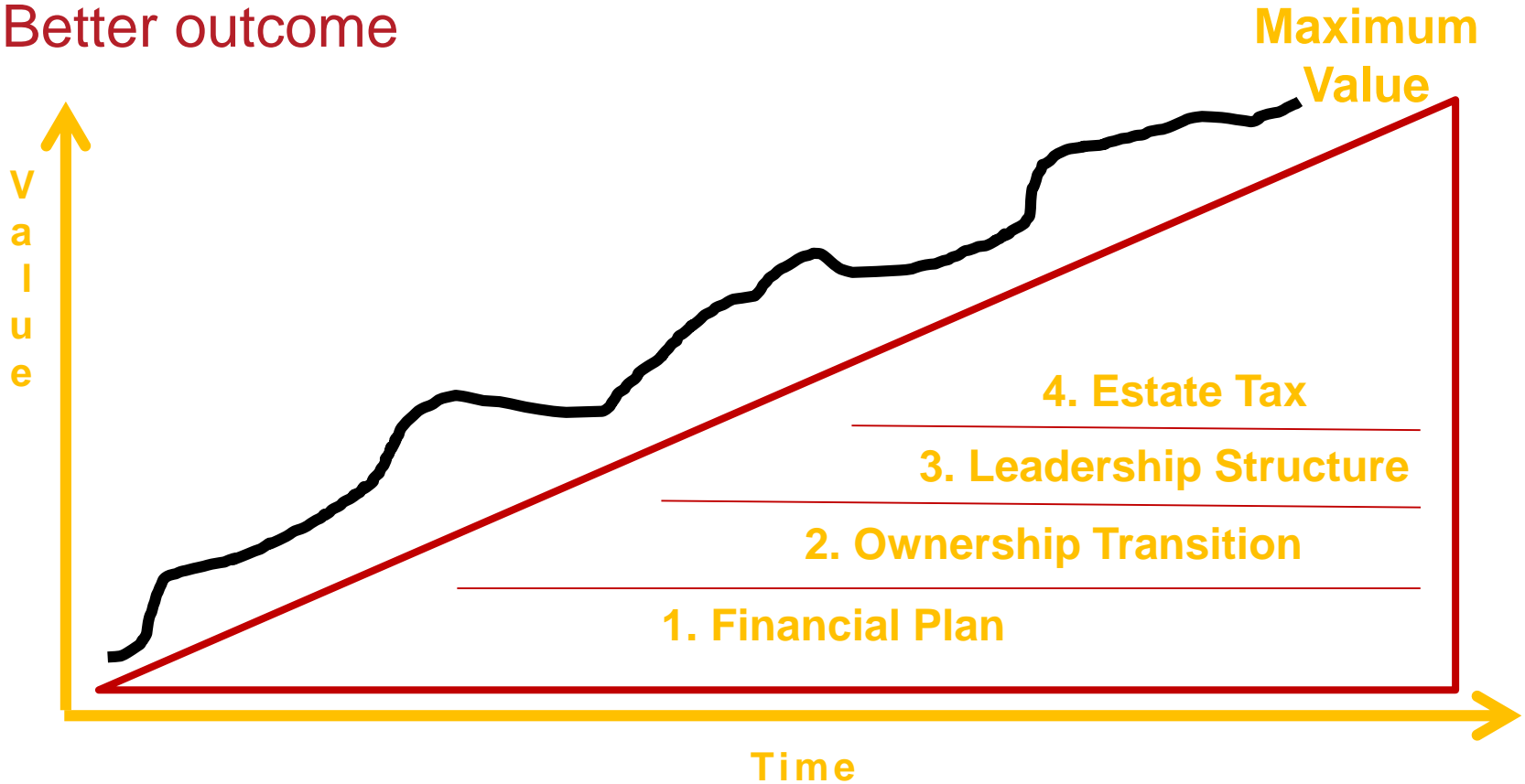
John & Sara	10,000,000	0	10,000,000
Children of J & S	22,000,000	0	22,000,000
Descendants of J & S	48,000,000	0	48,000,000
Family Legacy from J & S	105,000,000	0	105,000,000

### Notes:

- Assumes grantor is married couple, each using \$5 million exemption.
- Each generation 20 years with trust assets growing at a compounded rate of 4%.
- Assumes a \$10 million gift. Results rounded to nearest \$1 million.
- Estate tax rate assumed 40%, does not include state or local estate tax.

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# Better outcome



FOR SELECTING A HIGH CALIBER ADVANCED PLANNER

# Five Criteria

Proven integrity

1

# Operational transparency

2



Extensive technical experience

3

## Access to niche specialists

4

Sensitivity to and experience with business owners

5

# TAKE AWAYS

1. Owners will want to become wealthy.
2. Businesses will be biggest source of wealth.
3. Death, taxes, and litigation will never go away.
4. Advanced planning strategies will continue to evolve.
5. There will be more financial predators and incompetents.
6. Maximizing personal wealth will depend on competent wealth management.
7. You should seek a second opinion.

# WANT A SECOND OPINION?



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