

HOW DOES A SUCCESSION PLAN AUDIT WORK?

Our succession plan audit is thorough yet sensitive to your time constraints. There are no out-of-pocket costs. Once complete, you will decide whether to act on the findings. Specifically, the audit will answer the following questions:

- ☒ Does your business currently have a defined succession plan?
- ☒ If you do have a plan, is it current?
- ☒ Does it provide optimal tax efficiency?
- ☒ Does the plan have a funding mechanism to ensure liquidity needs are met?
- ☒ Does the plan account for the right risks?
- ☒ Does your plan provide maximum value for all owners?
- ☒ Does your plan provide a fair price to all parties?
- ☒ Does your plan provide retirement income?
- ☒ Is the succession plan aligned with the personal estate, investment, and financial plans of all of the owners?
- ☒ If you do not have a plan, what type of plan best meets your business's specific needs?

HERE TO MEET YOUR FINANCIAL NEEDS

While we have always strived to provide—and will continue to provide—our valued clients with excellent services, we have now positioned our firm to offer access to objective, independent financial advice through a Wealth Advisor at Fidelity Investments, a division of Fidelity Investments Corp., in a broader range of areas including:

Personal and Family Wealth Management Needs

- Investment planning
- Asset allocation strategies
- Comprehensive financial plans
- Retirement plans & income distribution strategies
- Charitable giving strategies
- Education funding strategies
- Insurance & Estate planning

Business Planning Needs

- Business continuation strategies
 - Establishing planning priorities
 - Choosing a successor
 - Minimizing the tax impact
- Executive compensation strategies
 - Executive/management retention
- Review HR infrastructure
 - Administration and risk management
 - Automate administrative system
- Government compliance
 - Labor law, EEO, new hire reporting, etc.
- Company policy development and updates
- Employee benefits
 - Retirement savings plans (401(k), ESOPs)
 - Health and disability insurance
 - College planning

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Nobile Hinchey Private Wealth Management, Cadaret, Grant and Co.,
and CPA Squared do not provide tax or legal advice.

YOUR BUSINESS
HAS BEEN
SELECTED FOR AN
AUDIT

*Not from the IRS -
your Financial Team*

*It won't cost you anything
and may greatly benefit you
and your family.*

AN AUDIT?

We typically do all we can to protect our clients from having to go through an audit, but this type of audit could be of tremendous importance to you and your business. And here's why we are recommending it:

Specifically, we're concerned about what would happen if your business partner:

- Leaves to join or start a competing business.
- Dies or becomes disabled.
- Sells his or her share to a stranger or to someone you don't want to work with.

Failure to prepare for these contingencies leaves you and your business vulnerable to financial turmoil and creates uncertainty among your employees, customers, and creditors. Consider these examples of typical consequences of ineffective planning:

- Shared control of the company with an inexperienced or untrustworthy stranger who buys the interest of a departing co-owner.
- Having to pay dividends to a deceased partner's family members, even though they are not contributing to the operation of the business.
- An unintended partnership with the spouse or other family member of a deceased, disabled, or divorced owner, even though he or she lacks the requisite skills and training.
- Lack of marketability if you leave the company or die, with no outsider who wants to buy or give you a decent price for your share.

Your CPA is the coordinator for your team of financial professionals which may include a licensed insurance professional, an attorney and a financial advisor. These individuals bring expertise in their area for insurance needs, investment planning and legal matters such as trusts. The CPA is your tax professional.

Investacorp nor IAS does not provide tax or legal advice.

WHAT ARE THE ODDS?

Consider just one of the risks that threaten the sustainability of your business—the premature death of one of the owners.

Number of Owners	Age of Owner #1	Age of Owner #2	Age of Owner #3	Change of death of an owner by age 65
Two owners	30	35	N/A	48%
Two owners	40	50	N/A	42%
Three owners	30	35	40	61%
Three owners	40	50	60	49%

These are considerable odds, essentially a 50/50 chance. Yet this is just one of many risks that could affect the sustainability of your business. *Source: Commissioners Standard Mortality Table.*

IS YOUR BUSINESS UNPROTECTED?

As part of your financial team, we believe we have a professional responsibility to ensure that your business avoids these potential hazards.

A well-designed succession plan is the key to protecting your business and personal interests when there is:

- An attractive offer from an outsider to purchase an owner's interest in the company.
- A divorce settlement involving an owner in which an ex-spouse stands to receive an ownership interest in the company.
- The foreclosure of a debt secured by an ownership interest.
- The personal bankruptcy of an owner.
- The disability or death of an owner.

WILL YOUR EXISTING PLAN REALLY SUCCEED?

You may have already made decisions regarding the future of your business but may not even be aware of it. Many legal documents, such as articles of incorporation, include cookiecutter provisions for succession planning unbeknownst to business owners. This leaves the business bound to a succession plan that may or may not line up with the desires, interests, or capabilities of the owners. Even worse, the plan may create an obligation for the surviving owners to buy the shares of a departing owner, while providing no funds to do so. The death of a co-owner may impose upon you the largest debt of your lifetime, at the worst possible moment when you've lost a friend and associate.

TAKE ADVANTAGE OF NEW TAX LAWS

Tax laws and financial strategies and products are continually evolving. For example, a recent IRS Ruling, PLR 200747002, has created greater flexibility and additional options to facilitate better efficiency and tax advantages for business succession planning. This ruling may have important ramifications for you and your business.

It is critical that business owners develop and regularly review existing succession plans to determine whether or not they will accomplish what the owners originally intended. An improperly constructed or outdated plan may be less tax-efficient than it could be or may change ownership in an undesirable way given current circumstances. Either way, it makes sense to periodically review your plan.

THE OPTIMAL SUCCESSION PLAN

A properly structured succession plan will help you provide:

- Continuation of your business upon the departure, incapacitation, or death of one or more owners.
- Liquidity to fund the financial needs of the succession plan.
- A guaranteed market for your business, allowing owners to sell at a pre-determined price that is fair to both the surviving owners and the heirs of the deceased owner.
- Optimal tax efficiency to obtain the maximum value.
- Periodic revision to ensure that the agreement adapts to children who come into the business, changing interests on the part of the owners, etc.
- Additional retirement income, assuring that owners retire on their own terms.