

Private Wealth Guides Business Transition to Next Generation

Ed Beggs* was raised into a small transportation company, but he had big visions for growth. He took over the business after college and expanded operations in Iowa. He grew from two trucks to hundreds, becoming one of the largest commercial transporters in the state. Ed was extremely successful, but he was ready to step back and spend more time with his wife and grandchildren.



THE CHALLENGES

Planning Succession and Future of the Business

Ed held the reins and managed every aspect of the transportation business. He had a trusted crew to delegate amongst but he always owned the big picture vision and made final decisions. Handing over control would not be possible without a very detailed plan in place.

Ultimately, he wanted to see his son grow into an ownership role but also wanted safeguards to keep the business in the family while preventing divisions and conflict.

Securing his legacy and keeping the business poised for continued success were top priorities.

Ed Beggs wanted to:

- Create a business continuity plan for his family and stakeholders;
- Plan an asset and tax strategy based on different succession scenarios;
- Confidently transition his business on his terms; and
- Position his family for continued success.

Finding a path forward would require an understanding of Ed's financial needs followed by a plan that addresses the possible family dynamics that can arise in a transfer.

*The preceding scenario is hypothetical and is intended to depict and illustrate the intended timeline and course of events of a Business Transition Planning relationship. Note: This scenario does not depict a real client, an actual Business Transition Planning relationship, or any particular action or actions taken by a PW Business Transition Planning consultant.

THE SOLUTION

Create a Custom Transition Plan

The Private Wealth team began reviewing different exit strategies for Ed and how each option would affect retirement plans for him and his wife. Based on Ed's desire to sell the business to his son, the team also discussed various options for gifting the business or arranging an outright sale. This involved thoughtful consideration of gift and estate taxes and their impact on the best interests of the business.

Also, facilitating conversations with the son and stakeholders to see if friction existed within the exit plan while determining if the son wanted the business. Exploration regarding key employees and their plans to stay or leave after the transition were discussed as well.

VALUATION REVIEW

A thorough valuation of the business was completed. This exercise helped Ed determine if a transition within the family was the best course of action.

TRANSFER ALTERNATIVES

While Ed preferred to keep the business in the family, Private Wealth advisors laid out alternative options. This step helped Ed confirm his desire for a family transition.

CONTINUITY INSTRUCTIONS

Handing off a business is complex. Every step and detail was planned out to ensure a smooth transfer.

TANGIBLE TRANSFERS

The business included land, warehouses, forklifts, trucks, mechanical equipment, auxiliary equipment and a main office. The Private Wealth team planned for the transfer and preservation of these assets.

FAMILY MEETINGS

Every family member involved was gathered to discuss the process for the business transfer. Everyone left educated and armed with the information they needed to move forward.

Strong groundwork was laid for the transition of Ed's business, and the Private Wealth team provided ongoing tax and wealth management advice for Ed and his wife.

THE RESULTS

Stability and Wealth

Ed was happy with the plan outcome, that kept his business in the family and ensured that his legacy continued. The recapitalization of the company's stock allowed for family members outside the business to benefit financially, while reserving decision-making control to those involved in the business. Furthermore, the use of a combination of intra-family loans and grantor trusts allowed Ed to transfer his business to his son in a strategic and tax efficient way, while also providing Ed and his wife the retirement of their dreams.

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ARE YOU CONSIDERING A BUSINESS TRANSITION?

Get in touch with the experts at Private Wealth to start planning for the handoff.

Call 1-888-611-PWAM to speak with an advisor today.