

A graphic featuring a target with three arrows hitting the bullseye. The target is on the left, and the arrows are flying from the right towards it. The background is a light blue and white abstract pattern.

WINNING ON *Wednesday*





IT TAKES A TEAM

HELPING OUR CLIENTS TRANSFER THEIR BUSINESSES
SUCCESSFULLY & RETIRE IN STYLE



Roadmap to Succession Planning

FROM A TAX + ACCOUNTING PERSPECTIVE



Roadmap to Succession Planning

Important to start with the end in mind – be ready to ask the questions first, and then get some of these answers on these items.

- How much do you need to retire?
- Who are the prospective buyers of your business?
- Are you going to gift your business?
- Does your business have value? Where is the value?



Roadmap to Succession Planning

Taxes – Why, Why Why???

The gross sales price of a business does not equal the take home from the sale of the business. There are a lot of factors, but here are a couple ways to structure a sale of a business and the tax impacts:

1. **Stock sale** – better tax treatment for sellers (capital gains)
2. **Asset sale** – better tax treatment for buyer (depreciate/amortize assets purchased). Seller pays ordinary income tax rates on equipment, capital gains on goodwill.

Roadmap to Succession Planning

Accounting

Working capital = Current assets – current liabilities

- Average working capital = typically the monthly working capital over prior 12 months added together and divided by 12.
- This is commonly used when a third party is buying a business separate from the sales price to determine what amount the seller can keep of the current working capital or potentially needs to contribute back to the company after the sale.

Buyers/ Transferring Ownership- What do I need?

1. Selling to independent third party –

- Due diligence process
- EBITDA review
- Most buyers are not super interested in getting a valuation from a seller. They want to evaluate themselves

Buyers/ Transferring Ownership- What do I need?

2. Current employees –

- More frequently seller financed
- Redeeming stock is typical

Buyers/ Transferring Ownership- What do I need?

3. Gifting to family

- Business valuation – discounting methods oftentimes used for gifts to family members
- Know the annual gift exclusions for this
- Estate planning also involved depending on size of business

Coming up next...

**Roadmap to Succession
Planning from a Financial
Perspective**

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**COMPLIMENTARY
Resources for CLIENTS**



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