## Empowered Planning: Your Business Transition





How to determine the right time to transition

The right next steps once you decide to transition

Essential tax considerations



#### **Meet Our Speakers**



John Pridnia, CPA, CGMA

Principal | Advisory & Tax

john.pridnia@rehmann.com



Ryan Sullivan, CFP®

Managing Director | Wealth Management

ryan.sullivan@rehmann.com



Joe Ashor, ASA
Senior Manager | Valuation
joe.ashor@rehmann.com



Erik Schumacher, CPA

Principal | Advisory & Tax

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erik.schumacher@rehmann.com

If you're considering making a transition, when would that be?

Within the next year

In the next 1-2 years

More than 5 years

l'm not sure yet..



Who would you ideally like to transition the business to?

Family A

Management B

Integrated buyer

Investor/venture capital D

Other/I haven't decided

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what comes next for you?

### Be Prepared

- Build your team
- Identify your ideal outcomes
- Build your plan

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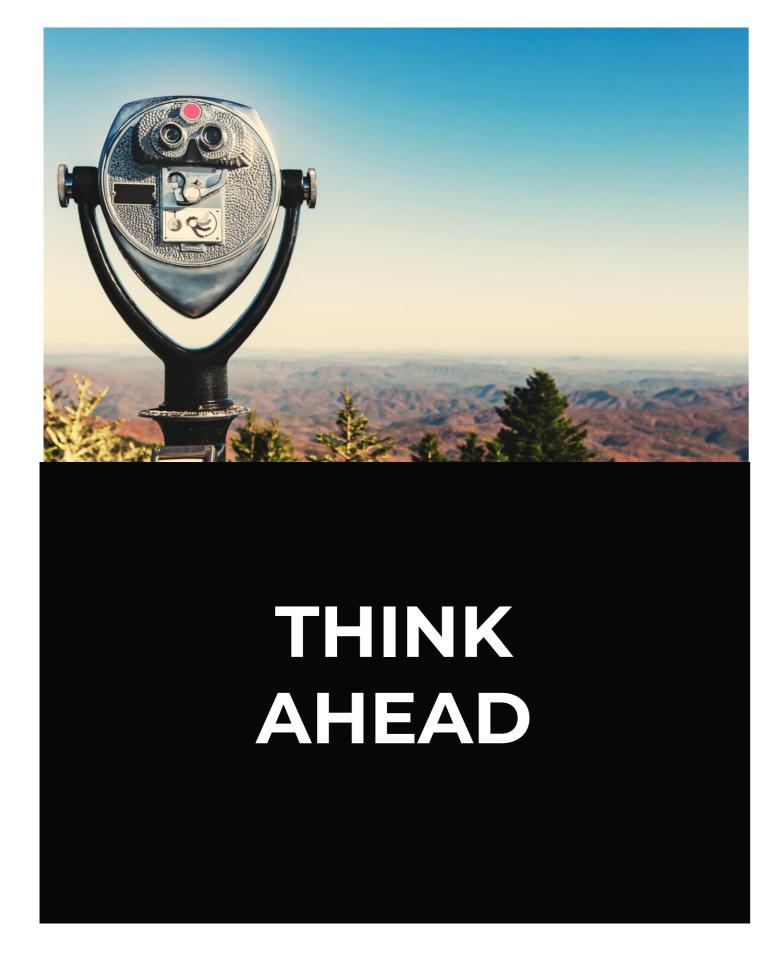




CLIENT EXAMPLE: One Business, Two Transition Experiences

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#### **Key Takeaways**







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#### **Topics of Discussion**





Involvement post transition?

True assessment of value?

Are you driving or being driven?

Decision tree



What is most important to you in a transition?

A Extracting maximum value

**B** Protecting employees

**C** Legacy

D Generational transfer

Other/I haven't decided



How long you have until a transition event can significantly impact what you can do and in what fashion.

- Less than six month?
- Six months to two years?
- Two to five years?
- Five plus years?



Post-transition Involvement

Determining your level of involvement with the company after the transition is key.

If you choose to stay involved, consider the following:

- How long will you stay involved?
- In what capacity will you be involved?







#### Do you know what your business is worth?

Do you know or do you **THINK** you know?

 A lot of values, multiples and "offers" get tossed around

What is realistic?

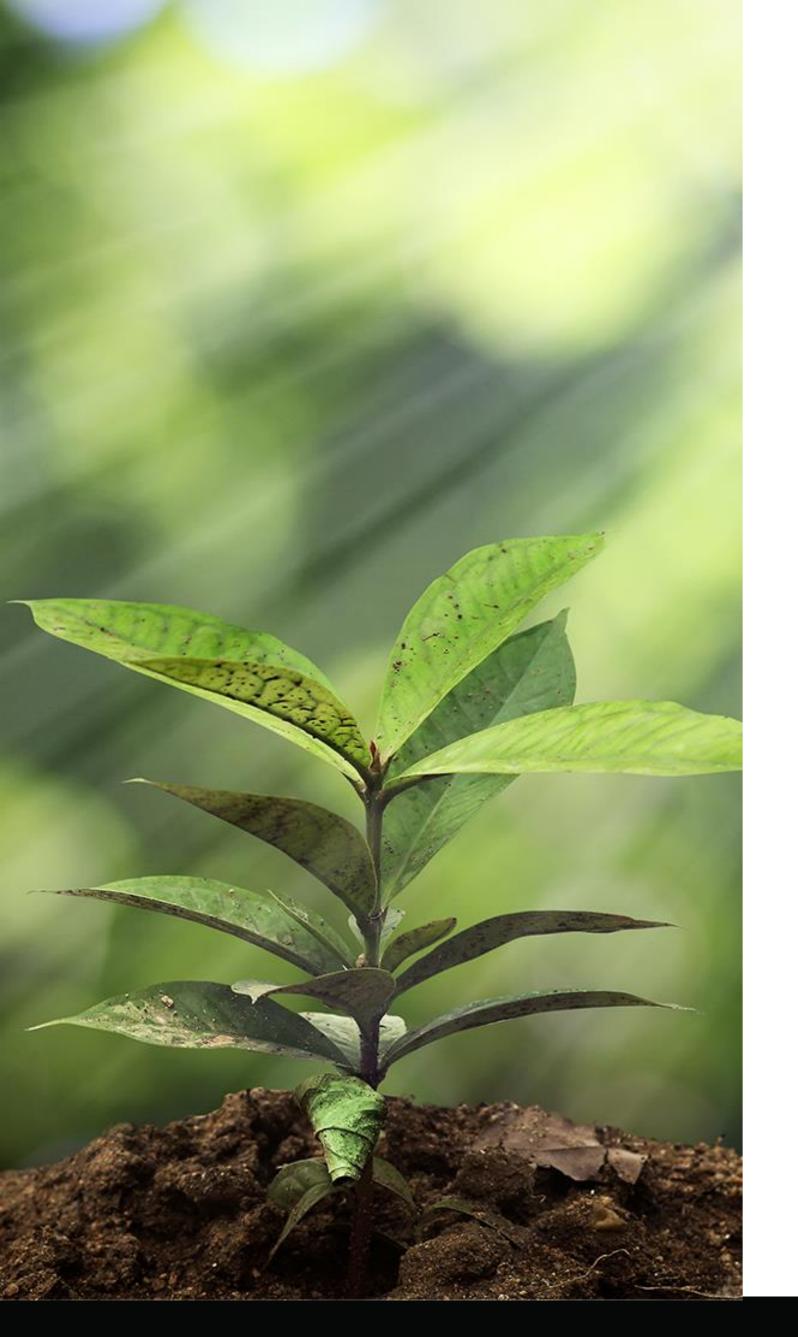
This could very well depend on answers to prior questions



#### Who is in the Driver's Seat?

The answers to the questions previously mentioned impact who (or what) is ultimately making these important decisions.

- Financially motivated?
- Legacy driven?
- Generational or employee promises?



#### **Decision Tree**

Everything discussed previously drives decisions that need to be made along the way.

We tend to think of it as a decision tree that has many "nodes."

#### LET'S TALK THROUGH AN EXAMPLE

If urgency is a primary consideration, that could impact how you market your business for sale and what sort of "pre-work" you can do.

If a related party transition is planned, working on transition and minimizing taxes might become the highest priority.



Do you feel like you have a good understanding of the after-tax value of your business?

Yes – I dream about it every night

No - It gives me nightmares every night

Somewhat – I know its not the number I got from my valuation

What's "After-tax?"

# Show me the Money! After-tax that is.

- Understanding tax ramifications sooner than later
- What planning technics are available for your situation?
  - Family succession
  - Management buy-out
  - 3rd party sale
- What items in the Letter of Intent or Purchase Agreement have significant tax impact?
- Arming yourself and professional services team for negotiations
  - Focus on items that actual have an impact



- Reorganizations
  - Pre & Post deal
- Corporate vs. Partnership vs. LLC
- Asset vs. Equity sale
- Deferral opportunities





#### THANK YOU

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For more than 75 years, Rehmann has provided forward-thinking solutions to our clients. With nearly 900 associates in Michigan, Ohio and Florida, we are the momentum behind what's possible. We focus on the business of business – allowing companies and individuals to focus on what makes them extraordinary. We offer the future with the confidence of unrivaled expertise and integrity – driving impact that empowers our world.

