

FACING THE HURDLES OF BUSINESS SUCCESSION PLANNING

Eric Settle, Managing Director, Wealth Management, CMS Wealth Management

- Business Succession is unavoidable-someday you will be leaving the business one way or another.
- Why is planning so hard? Business owners are emotionally and financially attached to their businesses which supported their careers and their livelihoods for years or even generations.
- The major hurdle: Selling my business means converting this business to a defined pile of cash that has to support my financial needs for the rest of my life.
- How big does that pile need to be?—it depends on each business owner but spending and asset allocation are the two key drivers.
- Think of your business as a child that you are putting up for adoption-it takes time, sometimes years to find the right “adoptive” parents.
- Start sooner than later and find a team of professionals who can help work you through all the issues before you actually begin the succession process.

ADDRESS ESTATE PLANNING EARLY ON IN THE LIFE-CYCLE OF YOUR BUSINESS

Howard Vigderman, Partner at Montgomery McCracken

- Estate planning is not just about planning for death but also planning for life events, such as marriage, having children, acquiring or selling a business, retirement and incapacity.
- Estate and gift tax minimization is an important component of estate planning.
- Lifetime gifts of business interests and other assets can reduce these taxes.
- The earlier gifts are made, especially with a growing business, the greater the tax-savings because the appreciation is removed from the ambit of taxation.
- Many gifting techniques involve valuation discounts and discounts attributable to a delay in the vesting of the gift.
- A trust can be the recipient of gifts of business interests and that is helpful in addressing concerns about continuity and consistency in the operation and disposition of the business.

INCOME TAX CONSIDERATIONS

Scott Isdaner, Managing Member, Isdaner & Company, LLC

- Understanding the significant differences between ordinary and capital gains tax rates.
- How the structure of an entity can affect the tax consequences of a transaction.
- Tax differences between a sale of assets vs. the sale of stock and equity interests.
- Special tax provisions that can convert an equity sale into an asset sale.
- Beware of the tax consequences of covenants not to compete and employment agreements.
- State tax considerations.
- The impact of potential tax reform in the future.

INCREASING BUSINESS VALUE

Tara Stephenson, Principal, The Woodward Group, Ltd.

- International buyers continue to acquire US businesses, including middle market businesses, with 2/3 of all M&A deal value in the first half of the year coming from overseas buyers.
- Middle market average price/EBITDA for most recent quarter is 8.6x, including private equity transactions. Wide range of pricing multiples seen in private equity deals: 3x to 15x EBITDA.
- How to get to the higher multiple/increase value? Hire a team of professionals—starting with corporate and deal attorneys, create a long term forecast and run the business as if you will always own it.
- Other ways to increase business value: proprietary products, high gross margins and competitive positioning.



Scott Isdaner

Scott Isdaner, Managing Member, Isdaner & Company, LLC
610.668.4200 | sisdaner@isdanerllc.com
Three Bala Plaza, Suite 501 West, Bala Cynwyd, PA 19004

Scott Isdaner is the Managing Member of Isdaner & Company. He specializes in the tax area and is involved in all aspects of tax planning for a diverse client base with emphasis on individual, partnership, estate and trust, non-profit, and "S" and "C" corporation issues.



Eric Settle

Managing Director, Wealth Management, CMS Wealth Management.
610.254.0001 | esettle@cms-advisors.com
175 Strafford Avenue, Suite 300, Wayne, PA 19087

Eric Settle is the Managing Director of Wealth Management at CMS Wealth Management. He leads the firm's wealth management practice providing asset allocation, investment and planning advice.



Tara Stephenson

Principal, The Woodward Group, Ltd.
610.627.1636 | tstephenson@woodwardgroup.com
6 and 8 South Plum Street, Media, PA 19063

Tara founded the Woodward Group to provide corporations with cost effective, expert corporate finance services. She is actively involved with Woodward's clients and is particularly adept at negotiating, creating unique financing programs, transaction structures and completing complex financial analyses. Tara's transactional experience spans virtually every industry within the US and overseas.



M. Howard Vigderman

Partner, Montgomery McCracken
215.772.7553 | hvigderman@mmwr.com
123 South Broad Street, Philadelphia, PA, 19109

Howard Vigderman is chair of Montgomery McCracken's Trusts and Estates practice. Howard frequently advises his clients on business succession planning considerations specifically on buy/sell agreements, bylaws and minutes as well as estate planning considerations including outright gifts to family members, gifts to irrevocable trusts, gifts to GRATs, sale to family members and sale to grantor trusts.