



ENTREPRENEURIAL INSIGHTS

The Need for Wealth Management Before *and* After You Sell Your Business



KEY TAKEAWAYS:

- A windfall from the sale of a business can present investment management problems that must be addressed.
- Estate planning can become a big issue if you sell your business for a lot of money.
- Assets also should be protected post-sale.

Effective wealth management should be an important aspect of all stages of your career. That's because wealth management is designed to coordinate a broad range of components of your financial life over time—from investments to estate planning, asset protection planning and charitable giving—around your needs and wants. It's also designed to coordinate a team of experts to help deliver the financial outcomes you seek.

That said, wealth management may be at its most powerful and beneficial when it comes time to sell your business. One reason is that the sale of your company is likely to be the biggest financial transaction of your entire life. As such, it will likely impact nearly all of your post-sale options and decisions.

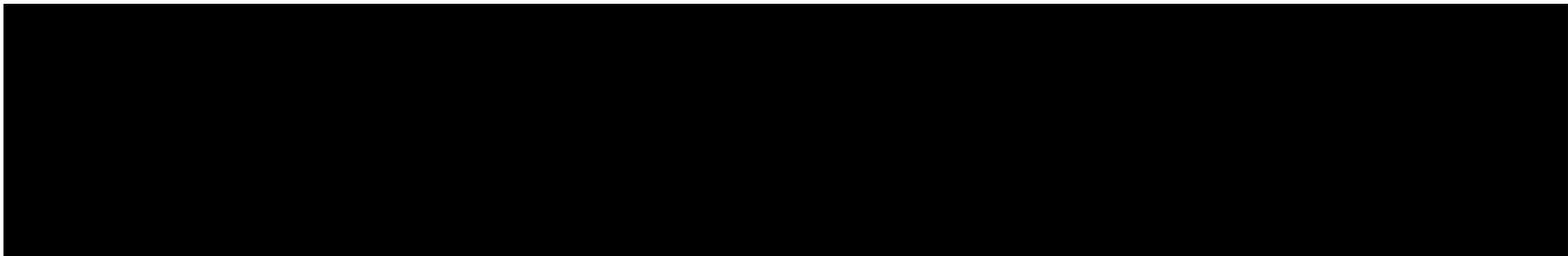
post-sale options and decisions.

Pre-sale wealth management

Consider the role wealth management can play going into a sale. Advanced wealth planning in areas such as taxes and wealth transfer can potentially enable you to create a situation in which you walk away from a sale with more money in your wallet for you and your family.

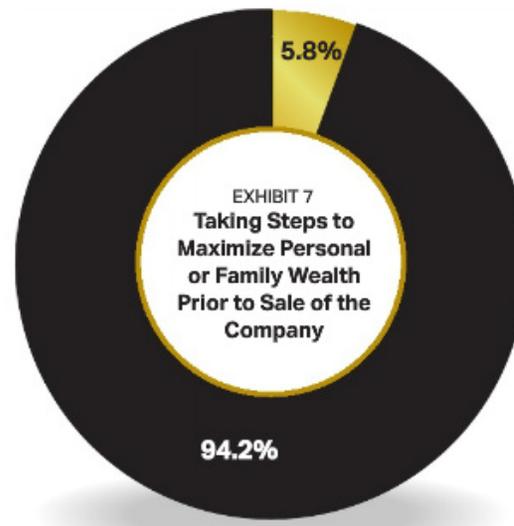
For example: Prior to a sale, a high-quality wealth manager may be able to stress-test the legal and financial strategies you've implemented thus far—in order to assess whether your planning has been effective and is likely to enable you to achieve your goals. Stress testing often reveals opportunities to refine and improve upon existing strategies and actions—which can result in better, more profitable outcomes.

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Unfortunately, we see that most business owners are not paying much attention to pre-sale wealth management opportunities. In an AES Nation survey of 208 successful business owners looking to sell their companies within the next five years, only about 6 percent of them are presently taking steps to maximize personal or family wealth (see Exhibit 7).

Post-sale wealth management: Two key areas to address



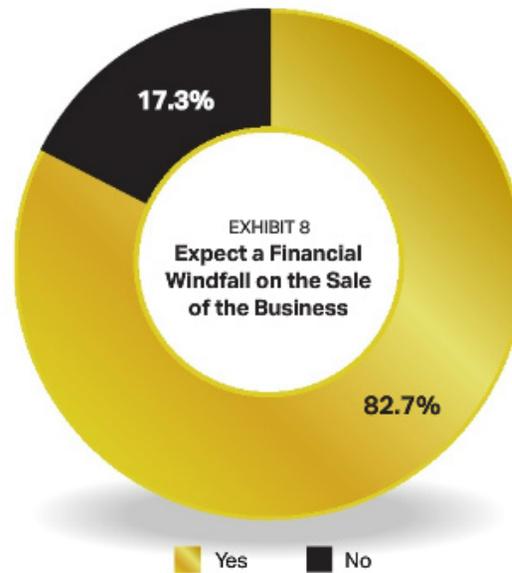
The AES Nation research also shows that many entrepreneurs are missing wealth management opportunities post-sale.

For lots of entrepreneurs, creating a successful company is a lifetime endeavor. As a business becomes more successful, it often creates enough corporate wealth for the owner to start to amass significant personal wealth. In this type of situation, a business owner tends to find and work with financial advisors and other professionals to help find and implement the most appropriate wealth management strategies.

The great majority of business owners expect a financial windfall with the sale of their companies, according to the survey (see Exhibit 8). They anticipate selling for a good price and turning “tied-up” nonfinancial wealth into liquid financial wealth.

Some important issues to consider once that expected windfall becomes real include how the assets will be invested and managed as well as advanced wealth planning concerns.

Source: AES Nation, 2018. N = 208 self-made business owners.



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Investment management

Investment decisions about the money from a sale are often overlooked because entrepreneurs are focused so intensely on getting the transaction done. Less than a fifth of the entrepreneurs who expect a windfall have thoughtfully considered how to manage it, according to the survey (see Exhibit 9).

A huge influx of liquid wealth can be problematic. If not handled knowledgeably, there is the possibility of serious problems, such as:

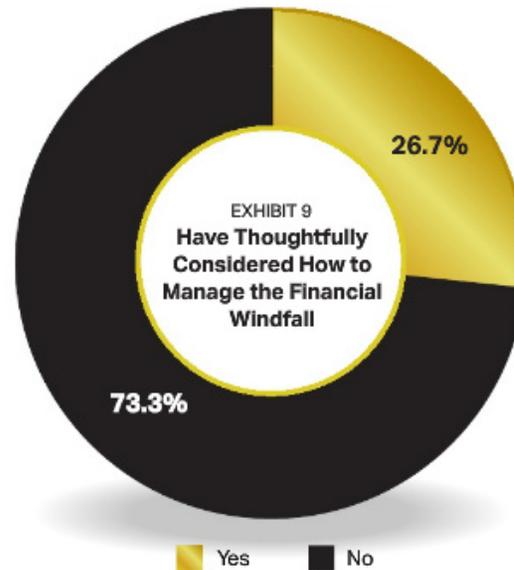
- Outliving the wealth due to ineffective investment management
- Paying legally avoidable taxes because of failing to integrate investment management with broader wealth planning strategies
- Making serious financial and legal mistakes that can be problematic economically and personally

There are different philosophies, approaches and methodologies to managing money, and many factors need to be considered to find the appropriate approach—what you seek to accomplish with your wealth, your comfort with various types of financial risk and so on. It's vital you have confidence that the way your money is being managed will achieve the results you are looking for.

Wealth planning

Estate, asset protection and charitable planning are all specialties under the umbrella of wealth planning. Working with professionals who can look at your aims and situation holistically can potentially help you with wealth planning and get you synergistic results.

- Post-sale, there is usually a need for entrepreneurs to redo their estate plans. For example, the way business assets were being transferred (such as through certain legal structures and possibly including discounting) may no longer be viable. Opportunities to transfer ownership can also fuel a need for a new estate plan.



Source: AES Nation, 2018. N = 172 self-made business owners.

- Likewise, asset protection planning is typically much different when your money is locked up in your business than it is when much of the money is liquid.

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- And for many entrepreneurs, philanthropy becomes more important when their wealth is liquid. Liquidity sometimes affords entrepreneurs the opportunity to help causes that are important to them—something they may not have been able to do when the bulk of their wealth was tied up in their company.

Bonus: There are ways of combining investment management and wealth planning to mitigate (and in some cases eliminate) the taxes on investment portfolios. Some former business owners who have more than \$5 million in investable assets should explore these combinations.

Implications

If you want to maximize your personal wealth from the sale of your business, it can be an excellent idea to do some careful planning going into the transaction *and* once you've converted your years of hard work to liquid financial assets.

Given the amount of money and the complexities involved, you will likely need to work with top-of-the-line wealth managers and other professionals. They will be in a position to help you review any existing plans for effectiveness and to put together various strategies that make good sense given your unique situation and are aimed at delivering the outcomes you most want.

Contact your financial professional to discuss your financial needs before and after you sell your company.

your company.



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WFO Inner Circle Special Report

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