

So, What's Next? A Brief Case Study.

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In our last newsletter, we discussed the questions facing business owners when they are ready to move beyond the business. We described ways we work with clients to “map out” a visual image with the client at the center. With this profile as a guideline, we coordinate a network of the experts needed to plan and implement the changes our client wants.

As promised, we present a case study so that you can see how we structure the process.

Our client, we'll call him John Smith, came to us because he “didn't want to work forever!” He owns a web-based wholesale supply serving the airline industry, a business he's enjoyed for 25 years. John and his wife of 40 years, Barbara, are both 65. Their son and only child, Fred, works in the business.

We met with John and Barbara to build a Total Client Profile. This is a picture of our client surrounded by his/her own values, goals, relationships, assets, advisors, preferences for relationships with us, and interests. We use this document as a guidepost as we move forward through our [wealth management process](#).

John and Barbara wanted to retire, while preserving Fred's job. The business was worth about \$6,000,000. That plus the 1.2 million in IRA, 401k, and taxable liquid assets was needed to fund the fabulous retirement they had dreamed about. The problems were, most of their assets were locked up in the business, there was no buyer in place for the company, the IRS wanted a large portion, and their son Fred needed to continue employment at the company.

After sharing the Smith's Total Client Profile with our expert team of top local CPA's, lawyers, and other specialists, we decided that an Employee Stock Ownership Plan (ESOP) might help them achieve their retirement goals.

At this point, our ESOP specialist developed a proposal for the business to be sold to employees. The details include the ESOP trust's purchase of the shares over a six year period, at \$1,000,000 per year, paid from business profits. The payment is deductible by the business and is not immediately taxable to John and Barbara if properly structured. Most importantly, John, as ESOP trustee, will remain in control until, 1) the buyout is complete or 2) he appoints Fred as trustee.

Now John has resigned from his official role in the business. He and Barbara spend much of their energy and time playing golf and traveling, their stated goal, which we defined while creating the Total Client Profile. Now, Fred runs the company. Later, if desired, the ESOP structure provides a pathway for Fred to purchase the company back from the employees should he decide to do so for his own benefit.

We will continue to meet with the Smiths to monitor their financial needs, make adjustments, and introduce additional experts as needed.

The successful outcome demonstrated here was driven by our understanding of the clients' values, goals, and objectives. Additionally, our strong working relationship with professionals in many areas enables us to coordinate the needed skills to achieve the outcomes our clients desire.

For a more detailed experience of the Wealth Management Process, please visit our website at www.cfafeconly.com, "[Our Services](#)".