



## **FAILURE TO PLAN FOR THE BUSINESS AND TO KNOW ITS REAL VALUE**

It is important to know the real value of what you own. Business owners have an idea of value, their children have an idea, probate court has an idea and the IRS will have its opinion on value. The only way to know the real value of your business or any large asset is to obtain a true business valuation from a knowledgeable valuation expert who can be found through your personal accountant or one of your other advisors.

Once you know the value, you can learn your options and determine the best plan for succession to family, buy out of existing shareholders and to plan for the payment of estate taxes. If you have partners, you must have a Shareholders' Agreement and you must review that Agreement every few years to determine if it makes sense and if the dollars will be available for the buyout of deceased, disabled or retiring shareholders.

A business is often the largest asset owned by a business owner and the decision to keep it in the family must be carefully planned. If one child is to have the business, consideration must be given to what other assets are available to give to other family members and if the business is the largest asset in the estate, the question of whether or not there will be sufficient liquidity to pay any estate taxes must be dealt with or all could be lost to taxes. Some clients will use insurance held by an Irrevocable Life Insurance Trust to provide liquidity to pay taxes and/or to equalize family members outside of the business and some clients prefer to establish Family Partnerships/Limited Liability Companies to begin gifting of shares/units to family members during the owner's life. Each situation is different, but one thing is certain, if nothing is done, the business can be lost.

A smart business owner should meet with his or her estate planning, accountant, insurance and financial advisors to determine the best course of action to keep the family in the business.