Business Owner Case Study

Pete & Jennifer Thomas have owned their business for 10 years now. They have 3 kids (2 in college, 1 in high school). Their business is small with 15-20 employees and continues to grow. As their profits and income have grown, so have their taxes with almost half of Pete’s income going to the government. Because of this, they want to minimize their taxes, increase their deductions, and shelter more money for retirement. Ideally, they would like to sell the business to a strategic buyer at some point in the future.

HERE ARE THEIR 3 MAIN CONCERNS:
1) How can they best lower their tax burden?
2) What is the best way to transition out of their business?
3) How can they best save for their retirement

HERE IS HOW WE WERE ABLE TO HELP THEM:

TAX WHAT IF ANALYSIS
As business owners, they have the unique ability to affect how and when they pay taxes on their income each year. We took them through our Tax Strategy Process to create a Strategic Tax Plan to capture some of the taxes they have been over-paying for so many years. Our CPA's provided them with a "Tax What if" that showed them what their tax returns would look like based on the tax strategies they selected. They were excited when they calculated the potential savings they could receive over the next 20-30 years.

SUCCESSION PLANNING TO MAXIMIZE BUSINESS VALUATION
Our CPA's reviewed their financial statements to help them clean up their books and position their business for a maximum valuation. Managing your company books for the benefit of the owners versus managing the books to maximize value for a potential sale can be very different. The process of transforming accounting practices to maximize business value can take time and they wanted to be prepared should a exit opportunity arise. We introduced them to a business valuation specialist who consult with companies and CPA firms to help an owner maximize the firm valuation.

ESTABLISHED A COMPANY BASED RETIREMENT PLAN
Because they have employees, federal law mandates that they provide the same funding for their employees as they do for themselves. Under some retirement plans, the regulations required contributions for their employees that would have been cost prohibitive for a small business. We helped them evaluate their options and select the retirement plan that met their savings goals while minimizing employee cost. The result was lower taxes for them and the knowledge that they were funding their retirement goals.
MITIGATE PERSONAL RISK FROM THE BUSINESS
The majority of their wealth is in their business. While their growth has been strong, their success is still subject to the economic cycle which exposes them to higher risk during recessionary periods. We were able to create an investment plan that helped them invest in assets that were uncorrelated to their business resulting in diversifying their wealth and reducing the volatility of their wealth.