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[savvy finance]

Exit and Estate Planning for Business Owners



By Steven Bankler, CPA

The coronavirus pandemic has forced many of us to consider our business succession and estate plans. No matter how successful you are or how well you take care of yourself, your financial situation and health are both surprisingly fragile and undeniably intertwined, two truths that have become more apparent in recent times.

Take this time of clarity to fill the gaps in your business succession and estate plans. They involve soul searching and tough decisions, but, alas, those decisions are inevitable. The real question is: How much control do you want over what happens?

Business Succession and Exit Planning

If you're a business owner, what's your exit plan? Will you pass the business down to the next generation in your family or sell it? What will happen to your share if you're in a partnership and something happens? Each scenario requires careful planning so that the business can thrive without you.

The pandemic — and the financial and economic volatility it has caused — will affect the valuation of your business for years to come, which will, in turn, affect your sale price and taxes. How your business weathers the storm and how quickly it bounces back will play an important part. Even if you had a

rock-solid exit strategy in place at the turn of the new year, it's vital to re-evaluate it in this new light.

Estate Plans and Advance Directives

Focus on the building blocks of a sound estate plan, starting with a will. For closely held family businesses, a will is instrumental in the continuation of the business because it can give executor power to an individual of your choice without unnecessary court involvement. Trusts are part of estate plans, too, because they can help minimize taxes now and when the time comes to pass down assets.

And don't forget to stay current with your life insurance premiums, not just for your family's needs but for the needs of the business, too. Those funds can be critical to your beneficiaries and business partners at a time when they don't have access to business liquidity.

A "little" set of documents often overlooked are advance directives for when you might be incapacitated but not deceased. These documents include a power of attorney, which is critical for business owners. The individual you name as your financial power of attorney will be able to handle certain legal and financial affairs on your behalf — including

payroll and tax payments — during any period of time you're unable to do so. It allows your business to run smoothly when you're too sick or injured to manage it yourself.

We all imagine living forever, but that's just not reality. Business owners have a responsibility to their family, business partners, employees, and customers to plan for the inevitable carefully. Don't wait for the next crisis to make it happen. ▼

Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning.

Visit www.bankler.com for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.