



Ascent Wealth
STRATEGIES

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As a business owner








As a business owner, you have the ability to dictate your personal financial success in a way few others do. That opportunity, however, also comes with greater risk if you find yourself not knowing how to retain more of your hard earned revenue, or life doesn't go as planned.

This document is meant to give you some ideas about different strategies that you could look into, not only to retain more of your revenue, but to also make sure your business is stronger and more structured correctly going forward.

It is not meant to give you all the answers in detail, since that is impossible without knowing more about your particular situation, however the following will give you some general knowledge about the topics you should be discussing with your advisory team going forward.

Contents

Typical areas of concern and interest we hear from our Successful Business Owner Clients are:

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Income Tax / Revenue Protection Planning

When it comes to tax planning, tax efficiency is paramount. You can think of this area as a revenue protection one as well. Reduction of tax liability is critical for you as a business owner to keep more of your revenue.

By learning how to do this correctly and using more advanced strategies you might be able to shift your revenue correctly, and help keep more of your hard earned profits as opposed to constantly thinking of another expense you can spend it on to have a tax deduction.

Tax efficiency is simply an attempt to minimize your tax liability and increase your net revenue (profitability) when given different financial decisions. To be tax-efficient, the tax outcome must be lower than an alternative financial structure that achieves the same end. From years of planning and thousands of cases, we've learned that in some scenarios tax-efficiency can outperform your basic rate of return formulas.

The issue is that most business owners are not aware of the more advanced concepts beyond just regular deductions, business expenses and asset depreciation.



Entity Formation

The type of legal and tax entity structure may be as important as the industry you are in and the type of business that you operate.

Having enough revenue to allow for the formation of multiple entities that do business with each other is a key component of revenue shifting strategies. In addition, incorporating your business correctly could have an immense impact on the tax liability you'd be exposed to if and when you sell your business. Doing it correctly might mean significant tax savings.



Tax Rate Arbitrage

There are planning opportunities to redirect income recognition from higher to lower tax rate environments without transferring operational control of a business. These strategies are especially impactful if the business owner has no plans to sell the business in the foreseeable future (five or more years).

When properly structured it can potentially allow you to shift a portion of your revenue from the highest tax bracket you are currently in to a lower one a few years down the road when you decide to distribute the revenue for whatever purpose you desire.



Intellectual Property

How you own and where you own your intellectual property are essential considerations for tax efficiency. The right entity formation and the structure of ownership could qualify you for not only additional tax deductions, but could allow for income / revenue shifting as well.



Wealth Transfer

Making good decisions on how and when to transfer income / wealth producing property may pay off in reducing estate taxes.

Knowing how to transfer wealth / stock from your business while you are still running it can mean a world of difference to not only the control of it throughout multiple generations, but also a significant impact from the estate tax perspective, as well as the capital gains tax perspective if you were to ever sell the business.

Doing it correctly within your estate plan with the appropriate trusts, and in the right states that offer significant asset protection, is a key to strive for a successful wealth and tax strategy transfer.



Business Succession Planning

Having an overall plan that addresses both the operational and income/estate tax issues is key to ensuring continuity of a closely held business while minimizing the financial tax disruption.

Structuring the funding of the succession planning agreements in the appropriate ownership structure can have a significant impact on the cost basis of the shares as well as the future taxation of the shares of the business if something were to happen to one of the owners.





Maximizing Tax Credits

One of the easiest ways to reduce your income tax liability is to claim all the tax deductions legally available in your business.

Because tax laws are ever-changing it is important that you have a qualified professional on your team to help mitigate any tax arbitrage and help you come out on top. We find that majority business owners are taking the standard deductions and depreciations.

However when it comes to accelerating the non-cash expenses in the form of accelerate depreciation and the timing of this acceleration, a majority of the business owners and their advisors fall short and never look at it as a viable solution.



Maximization Of Tax Deductions

With a constantly changing political environment and tax laws, there is always an opportunity to look into which tax credits a specific business could qualify for. We find that this is one of the easiest and most often missed opportunities for a business to possibly lower their taxes.

All it takes is the understanding of what the current tax credits are and being proactive about taking advantage of them. Whether it's R&D credits, employment based credits, industry specific credits, etc.... There are numerous opportunities to possibly qualify for one or more of these.



Key Employee Retention

A business' most valuable assets are generally its employees. Great employees add outsized value to the bottom line. They're difficult to find and even more difficult to keep.

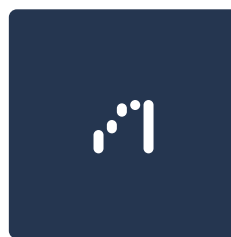
For you to one day retire and sell your business, it must be able to function as well without you as with you. Key employee retention planning must provide creative ways to “handcuff” employees to your business for 10, 15, 20 years so your business value is enhanced. The majority of businesses look into 4 different retention/loyalty programs when it comes to this topic. They can be structured as a stand alone or in combination with one another.



**Retention Bonus
Plans**



**Deferred
Compensation
Plans**



**Phantom Stock
Agreement Plans**



**Stock Gifting/
Selling Plans**

Which one(s) you choose will depend on numerous factors, such as cash flow, company structure, exit plan, key employee ages, key employee salaries...etc. We find that the majority of our clients like to combine the plans and tie them to two primary factors - corporate performance (revenue goals) and future length of service with the company (loyalty).



Business Interruption

Most owners of successful small businesses face a tremendous amount of enterprise risk. A number of the major risks that would significantly interrupt the business in a negative manner from the perspective of revenue and profits are not covered by general liability/P&C policies.

A few examples of some of the main ones are - supply chain interruptions, legislative change impact, loss of a key customer/client, reputation/brand name disagreement, loss of market, subcontractor default, computer hacking, etc.

These risks are the ones that happen very infrequently, however when they do, the impact could be felt in millions of dollars. Learning about alternative ways of mitigating the exposure to these risks might become extremely beneficial to the profitability and longevity of a business.

Maximizing Cash Flow

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Owner Exit Plan

Eventually, all roads lead to Exit Planning. Therefore, every decision made around business planning should be done through the lens of Exit Planning and as the desired date approaches a more formalized Exit Planning Process will be necessary to ensure that you leave your business when you want to, to who you want to, and for the amount you want to.

Few basic important components of exit planning a business owner start should think about are:



Timing - when is the exit going to occur? Having enough time to plan correctly could take years and is most often paramount to successful, profitable exit.



Valuation - continuing to increase the valuation of the business throughout the process which includes knowing the KPI numbers and what drives the business valuation upwards, obviously is a desired effect of proper planning.

However, depending on who the ultimate buyer is, a business owner might consider minimizing the value of the business as well, and finding other ways to be compensated for the exit.



Entity structure - proper entity structure prior to the exit could mean millions in tax savings once the exit is completed.



Potential buyer - Planning for internal transfer to family or key employees could be very different from selling to the third party. The structure of the deal, length of the time, processes and strategies implemented to maximize the benefits for all parties involved could be very different depending on who the buyer is.

Estate Planning for the Business Interest & Asset Protection

When you spend the most productive years of your career building a business, making good decisions on how and when to transfer this income / wealth producing property may pay off in reducing estate taxes.

Leaving the transfer of the business and the income it provides to chance is not an option. This is one of many instances in life where the adage “an ounce of prevention is worth a pound of cure” couldn’t be more true.

Every successful business owner should at one point start considering transferring some of the ownership outside of his/her estate through properly structured gifting of business interest strategies. Forming the right entities (trusts) to do so, controlling multigenerational disposition of these assets, and providing further asset protection, are just some of the topics that need to be considered when addressing this fairly complex area. When properly done, ownership transfer could reap tremendous benefits in a form of control and protection of the estate, and ultimate reduction of estate taxes.

In addition proper planning in this area could have significant benefits from the asset protection standpoint. Unfortunately we live in a very litigious society, and with more success can come more exposure to lawsuits.

Being able to move a portion of your assets to another entity in the asset protection friendly state can become very important if a successful business owner is interested in further asset protection. Some states allow provisions that are not allowed elsewhere, so knowing where to form the entities and how to do it correctly is paramount

Conclusion

Business owners accumulate several advisors over their lifetime. Many of them can have conflicting points of view, few look at the big picture, and even fewer of them are proactive in their advice to the client.

Developing solid business plan requires a team approach with advisors that specialize in unique areas of planning and are willing and able to complement the work of other advisors involved. Coordination of your advisor team helps lead to efficiency in your planning by avoiding pitfalls and contradictory points of view. We hope that the above list gives your a starting point at what areas and strategies you could and probably should be addressing your advisory team.

If you'd like more detailed information about any of them, please reach out to us and we would be more than happy to share it with you in hopes that you ultimately learn how to retain more of your revenue and profits, structure your entity(ies) correctly for maximum efficiency, and ultimately protect and pass your business in the best way possible to future buyers and/or future generations.





Boris Desanic

Founder, Wealth Advisor

Named Top Advisor by the Top 100 Magazine



To schedule a complimentary call, contact:
bdesanic@ascentwealthstrategies.com
(206)437-5964

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