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Reviewing Your Business Strategy in 2012

*Bart A. Basi, CPA/Attorney at Law
The Center for Financial, Legal & Tax Planning, Inc.*

Introduction

In 2012, the consensus is that we may not be seeing a light at the end of the tunnel, but there is a sunrise on the horizon. With an average of 140,000 jobs being created each month and most economic indicators showing positives, this year should be better than last. Too often business people wait until late in the year to do their planning. While there are some actions that can be taken at that point, those who work proactively throughout the year implementing business and tax strategies perform far better than those who put planning off to the last minute. There is plenty of business and tax planning that should be attended to throughout the year.

Business Operations

According to the National Bureau of Economic Research (NBER) and most economists, the economy is now in a stable recovery. Given that, businesses should work hard to increase revenue and look to hire additional staff. Lately, the trend has been that American businesses hire temporary staff

ahead full-time employees. Business will continue to build and stabilize; it is therefore the appropriate time

Investments

Instinctively, businesses tend to cut investments as well when business is slow. Ordinarily, this response to the stimuli would be appropriate. However, given increased Internal Revenue Code Section 179 expense deductions and manufacturer's incentives to purchase more investments like trucks, equipment, and even buildings, the tax rules and deductions remaining from the past economic down turn have had the lingering effect of being an excellent time to increase investments in business property. This is especially true if the investments will create more efficiency in operations. The superior financing and tax incentives during the economic downturn, and now

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A CASE STUDY

A U.S. District Court has upheld the IRS' right to a levy on a taxpayer's home for unpaid taxes. In the case, the taxpayer owed \$250,000 in unpaid income tax, penalties, and interest. The IRS had previously tried to collect the

liability from the taxpayer's other assets without success, leaving no other alternative than to levy a tax lien on the home. The court approved the levy because the taxpayer failed to show any reason why it should be denied.

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subsequent recovery, outweigh any perceived benefit created by saving money and cutting back on needed investments. Further, if you do not reinvest now, you may have to reinvest later, when the tax and manufacturer's incentives are not as high as they are today.

Financing

The past economic down turn has also brought with it lower financing rates that are currently remaining in the recovery. Financing on buildings and equipment may be eligible for lower refinancing rates. Check with your bank to see if your loans can be refinanced. Just be sure to check the fees and costs before committing to any refinancing.

Estate Planning

Many business people have complex estates. Along with the complexity, the average net worth of a business person is substantially higher than an employee. The 2012 estate tax exemption is 5,120,000. It is best to begin estate planning early in the year so issues can be resolved throughout the year and the estate plan can have time to operate during the year. Please review your total estate value and start the process of complete estate planning now.

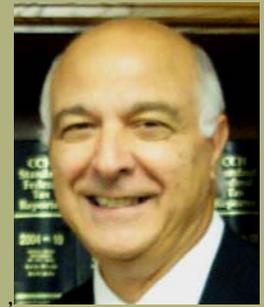
Succession Planning

Along with estate planning, comes

business succession planning for those who own businesses. Business succession planning is not as simple as drafting a will. Business succession planning, when done properly, provides a smooth transition for the succeeding generation. The process includes the valuation of the business and the creation of legal documents, such as a buy/sell agreement (the most important legal document a business owner can have.) When succession planning is not done or is done improperly, it usually means the loss of the business and therefore the loss of your lifetime of hard work. Don't procrastinate, start the process now!

Conclusion

Too often people approach financial, tax, and business planning as an after-thought of running the operations of their business. Operating a business in this manner does not afford the business person an opportunity to see the bigger picture. Running a business without a plan to exit and retire is similar to driving a vehicle with no destination in mind. Proper planning and implementation of an exit, succession and tax strategy allows you to keep more of your hard earned cash and allows you to have a better retirement when the time comes. If you are not sure where to start or how to start, please contact the experts at The Center to assist you in your exit, succession and tax planning strategies.



Dr. Bart A. Basi is an attorney, CPA, and the Senior Advisor of The Center for Financial, Legal & Tax Planning, Inc, a full service company specializing in financial, legal & tax matters. Basi is a nationally recognized author, lecturer, and advisor on how to structure deals to minimize taxes. Tax structure makes the difference between getting the deal done and watching the deal fall apart. Many of you may be familiar with Basi and the topics he covers in the Financial, Legal & Tax Advisory which may be read in various industry-specific trade publications.

Points of Interest

- **In 2012, the consensus is that we may not be seeing a light at the end of the tunnel, but there is a sunrise on the horizon.**
- **The past economic down turn has also brought with it lower financing rates that are currently remaining in the recovery.**
- **Business succession planning, when done properly, provides a smooth transition for the succeeding generation.**

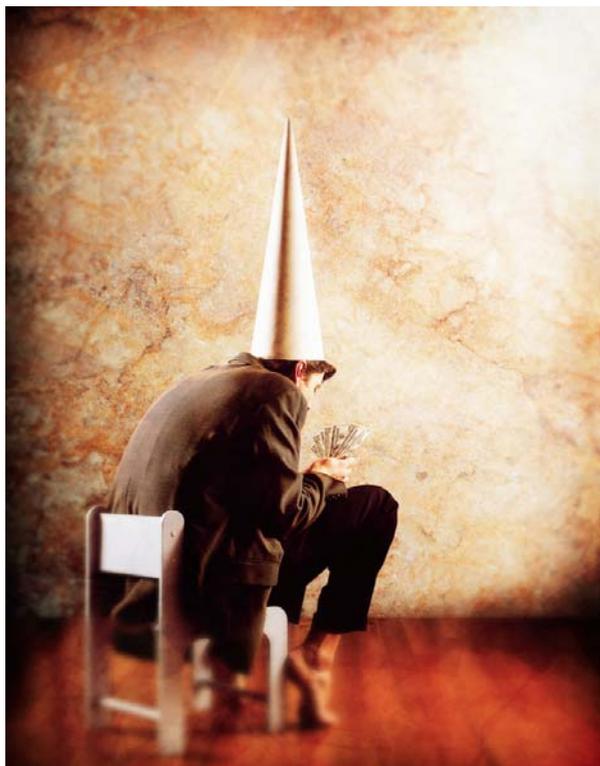


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A CASE STUDY CONTINUED:

Editor's Comment: Even while many foreclosures are being successfully evaded in court, courts are unwilling to refuse the IRS's right to levy on a tax lien. The taxpayer in this case was in the process of trying to obtain a loan against his house to pay his tax liability, but the court would still not deny the IRS their right to a levy. Although the IRS stated it would try to work with the taxpayer to figure out a payment plan and has been encouraged to do so in other cases, foreclosure on a lien remains a viable option for the IRS to ensure payment on outstanding tax liabilities.



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Avoiding the Major Pitfalls in Selling Your Business – Time Kills All Deals

There is probably no greater truth in all business mergers, acquisitions, and sales – for buyers, sellers and M&A advisors alike – than “Time Kills All Deals.” In my experience, no other factor has caused more potentially good deals to go bad than letting the sales process between two parties drag on and on until it eventually grinds to a halt.

While M&A advisors play a large role in leading/setting the pace of negotiations, due diligence and pre-closing preparations, all parties share responsibility for ensuring that they – and their advisors – come to the discussions fully prepared and poised to give this matter their full attention and priority.

Whether you're a buyer or a seller, your M&A advisor should provide you with a checklist of the Things You'll Need To Get Started, as well as a much more detailed checklist of Things You'll Need to Complete Due Diligence.

Some tips to keep you out in front of the process:

- Prepare a Confidential Business Review, including all of the basic information on the company and update it regularly.
- Begin assembling the documents that will be requested in due diligence in advance, such as, tax returns, financial statements, corporate record books, leases, contracts, insurance policies, employment agreements, employee benefit plans, policy manuals, occupational licenses, business licenses, etc., and keep copies in a central location, or virtual data room so they can be easily copied/examined.
- Contact legal, financial, & accounting advisors to let them know what's going on and that you're counting on their full and timely support
- Stay focused on your primary goal which should be: Getting the deal done, and make certain that all parties keep their egos in check

If you know of a business owner who's thinking of selling or buying a business and who might benefit from a free, confidential, consultation with us, have them contact me directly, and in strictest confidence, at 813.299.7862, or via e-mail at mertel@legacymandaadvisorsgroup.com

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Frequently Asked Questions...



Q: I owe a substantial amount to the IRS in taxes. Is there a specific way that you recommend that I pay down the balance?

A: For individual taxpayers, the best way to deal with an unpaid tax liability is to file an installment agreement with the IRS. The IRS is flexible in its positions it can take and grant.

Q: If I owe taxes, is it best to file a tax return or not to file?

A: It is always best to file a tax return on time as opposed to not filing a tax return. If the IRS does not get a tax return, they may eventually file an SFR or substitute for return, which is not in your interest at all. These inflated tax amounts may become permanent amounts for which you must pay.

Q: If I miss a deduction on my tax return, what should I do?

A: Under the Internal Revenue Code and procedure, you have 3 years from the due date of the return to file an amended return. Filing an amended return is the generally accepted procedure to gain access to deductions which may have been missed.

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