



Mike Ertel is a Certified M & A Advisor and a Principal Broker with Legacy M&A Advisors, LLC, a full-service M & A Advisory firm with an office in Tampa, Florida specializing in representing sellers and buyers of small- to mid-sized companies. Prior to joining Legacy M&A Advisors, LLC, Mike's business career spanned 30+ years with Fortune 500 and Fortune 1000 Companies, with senior management roles in Marketing, Operations and Logistics. Mike also served as President, COO of a mid-sized Manufacturing company headquartered in Tampa. Mike also holds a BS in Electrical Engineering and an MS in Industrial Administration, both from Purdue.

Plan Now or Fret Later!

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

Introduction

The consensus on the economy (according to Beige Book and various other official sources on the issue) is that we are out of the woods and experiencing, for the most part, some robust economic growth. With an average of 200,000 or more 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 business and tax 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 an expansion mode. 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 of hiring permanent full-time employees. Business will continue to build and stabilize; it is therefore the appropriate time to ramp up man power and inventories.

Investments

Instinctively, businesses tend to cut investments as well when business is slow. Ordinarily, this response to the stimuli would be appropriate.

Continued on page 2

A CASE STUDY

Valuation for Closely-Held

The Eleventh Circuit Court of Appeals has upheld an estate's value of a decedent's interest in a closely-held company that was determined by reducing the company's value by the entire amount of the built-in capital gains tax liability. In this case, the decedent owned a 6.44% interest in a closely-held company, which at the time of the decedent's death, had \$51 million in potential tax liability.

In valuing the decedent's interest in the company, the estate reduced the value, dollar-for-dollar, by the amount of the liability, as done by courts in previous holdings. The Court in this case upheld this method stating that it was logical to assume that the liquidation of the decedent's interest occurred on the date of the decedent's death. The value was also given a 10% lack of control discount and a 15% lack of marketability discount.

Continued on page 3



However, given the continued tax rules remaining from the past economic down turn, now is an excellent time to increase investments in business property. This is especially true if the investments will create more efficiency in operations. Further, if you do not reinvest now, you may have to reinvest later, when the incentives are not as good 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 is available 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.

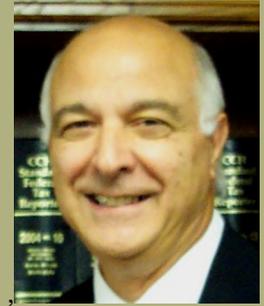
Estate Planning

Many business people have complex lives and complex holdings. Along with the complexity, the average net worth of a business person is substantially higher than an employee. In 2014, the estate tax exemption is \$5,340,000.

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 and Conclusion

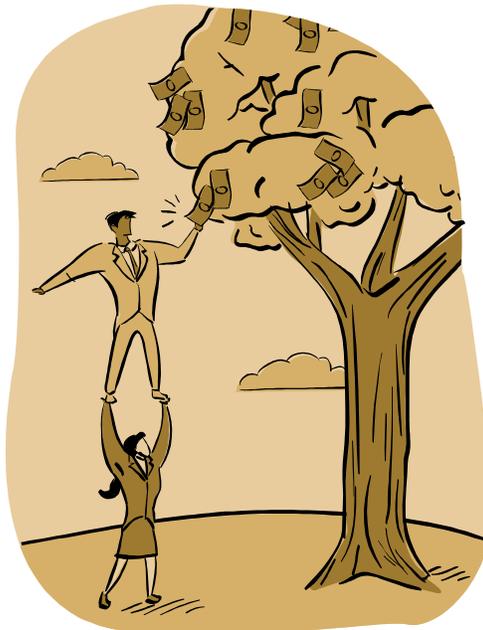
Along with estate planning, comes business succession planning for those who own businesses. Business succession planning is not as simple as drafting a will. Business succession planning, when done properly, provides a smooth transition for the succeeding generation. The process includes the valuation 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!



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

- With an average of 200,000 or more jobs being created each month and most economic indicators showing positives, this year should be better than last.
- 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.
- Business succession planning is not as simple as drafting a will.
- 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.



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A CASE STUDY CONTINUED:

Editor's Comment: Editor's Comment:

There are many different methods for valuing an interest in a company, depending on the particular set of circumstances involved. It can be a difficult process to navigate, which is why such a job is usually performed by professionals. The professionals at The Center have vast experience in valuing closely-held companies. Contact The Center for all of your valuation questions and needs.



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Top Issues Facing Private Companies Trying to Sell

In 2020 the youngest Baby Boomers will turn 55. Baby Boomers own 75% of the 6+ million private US businesses with payroll, and will need to transition their businesses to new owners as they retire.

Yet in a recent survey of M&A professionals, 70% said business owners are minimally prepared - or not prepared at all - to sell or transfer their businesses.

Top Issues Facing Private Companies Trying to Sell				
	Extremely Problematic	Very Problematic	Somewhat Problematic	Total
Business owner has an unrealistic expectation of what their company is worth	30%	48%	17%	95%
Company has operational or market issues that would make it hard to sell	13%	35%	48%	95%
Perceived risk that the company won't be able to continue on its path without the current business owner in charge	4%	40%	48%	92%
Lack of transparency into the operations of the company	4%	40%	43%	87%
The company needs a lot of work before it could be marketed to a third party	9%	30%	35%	74%

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 at: mertel@lmaallc.com

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Frequently Asked Questions...



Q: What is the Additional Medicare Tax?

A: Additional Medicare Tax went into effect in 2013 and applies to wages, compensation, and self-employment income above a threshold amount received in taxable years beginning after Dec. 31, 2012. An employer must withhold Additional Medicare Tax on wages it pays to an employee in excess of \$200,000 in a calendar year.

Q: What is the rate of the Additional Medicare Tax?

A: The rate is 0.9 percent

Q: What wages are subject to the Additional Medicare Tax?

A: All wages that are currently subject to Medicare Tax are subject to Additional Medicare Tax if they are paid in excess of the applicable threshold for an individual's filing status.

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