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THE IMPORTANCE OF

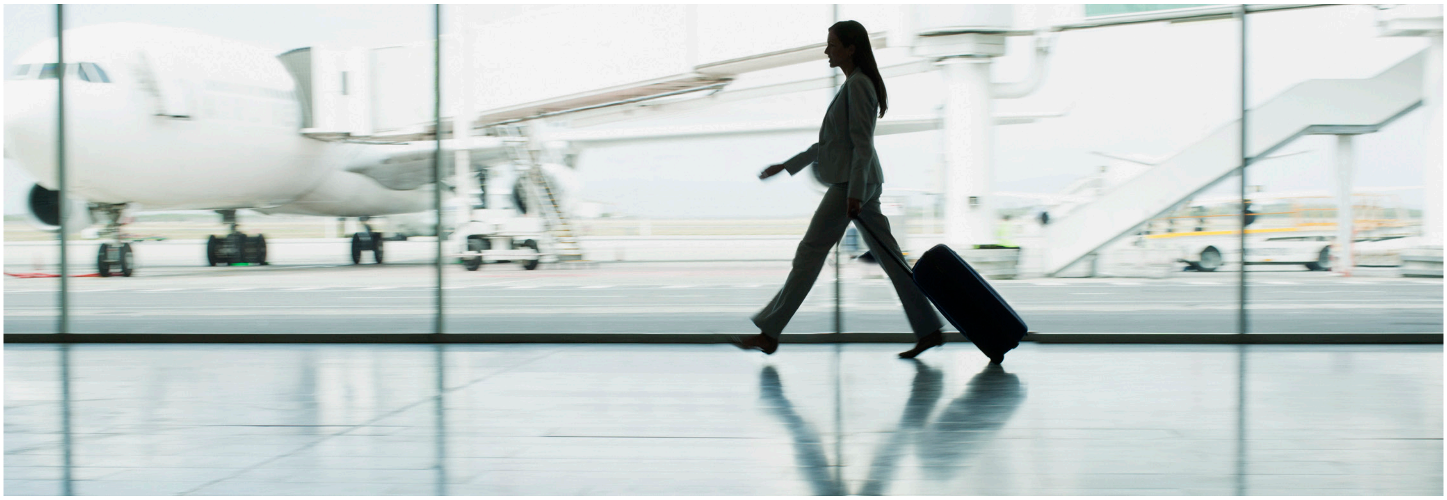
Estate Planning for Business Owners

Estate planning is crucial for individuals: It can help ensure their assets are distributed according to their wishes, that tax burdens for heirs are minimized, that dependents are cared for properly and more. But for business owners—most of whose net worth may reside in the business—estate planning may take on new importance, complexity and urgency.

Proper planning is critical whether one's business is a solo enterprise, a partnership, a family business or something larger and more complex. And it's never too early to make sure that loved ones, business stakeholders and others are taken care of.

Protecting Your Business From Uncertainty

Without an estate plan that encompasses your business ownership, the business's operation after your incapacity or death may be uncertain. That could have a significant negative impact on your family, employees and customers. Many states have rules governing what happens to a business if the owner dies or is unable to run it. An estate plan can help insulate your business from such rules and lets you determine your business's fate when you're no longer in the picture.



Preserving Business Assets

A properly designed estate plan can also use trusts and other strategies to help protect business assets from creditors, excessive taxes and other risks. And it can help ensure that your assets, including those of the business, avoid the public probate process, thus remaining protected from the public eye. However, business ownership can create complexity when it comes to estate, inheritance and gift taxes. Proactive estate planning can help you to minimize the tax burden and ensure that more of your wealth goes to your intended beneficiaries.

Safeguarding Your Legacy

Not to be overlooked in estate planning is your legacy as a business owner. Through an estate plan, a business owner can continue to help guide the company's core principles and mission, its leadership decisions and more. To have a business survive and prosper after you're gone can be an admirable part of one's legacy.

Business Estate Planning: What's Involved

The types of documents to consider for your business estate plan include many that are used with personal estate plans. A last will and testament is used to distribute assets to those you wish to receive them after your death. A living trust lets you designate a trustee to manage personal as well as business assets on behalf of your beneficiaries. Through financial and medical powers of attorney, you designate parties to make financial and medical decisions on your behalf when you can't.

But some elements of your estate plan will be more business specific. For example, if your business owns non-physical assets like an e-commerce site or a blog, you may need a digital estate planning document to spell out what will become of those assets—as well as assets such as email accounts.

Business Succession Planning

Business succession planning involves making key decisions such as who is to run the business in the event of the owner's death or incapacitation. It can also focus on identifying who will succeed you after your retirement. You might opt to transfer control to a family member, to sell your ownership to one or more partners or an outside buyer or to close the business, for instance. These wishes are formally conveyed in LLC documents, buy-sell agreements, trust paperwork or other documents.

The Role of Insurance

Estate planning for business owners often involves the use of insurance solutions for their enterprise as well as for their loved ones. For example, business owners often purchase key-person life and key-person disability insurance and name their business as the beneficiary. Such policies can help cover the business's expenses if the owner dies or is incapacitated.

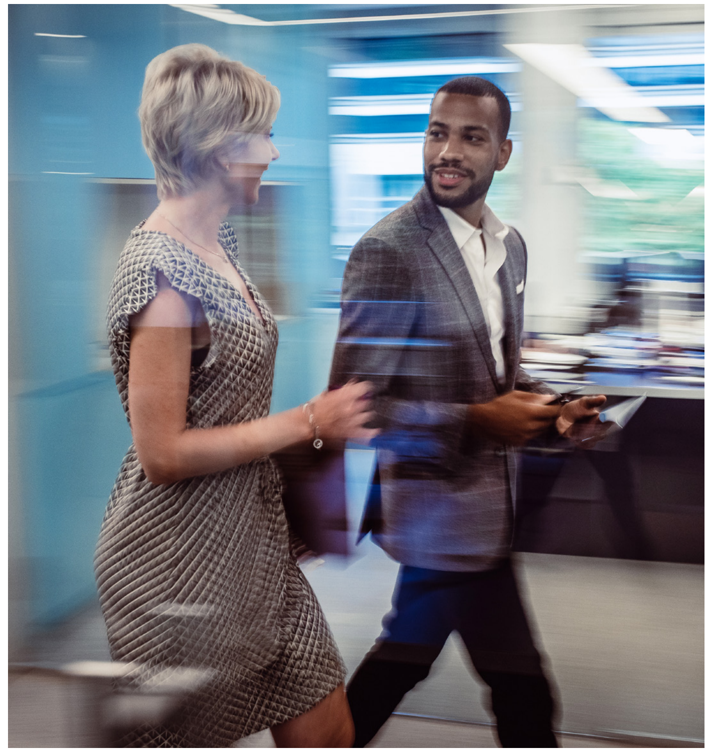
Key-person insurance is also used when a succession plan includes buy-sell agreements with business partners. Such agreements specify the conditions under which one owner can buy another's shares. In these arrangements, key-person insurance policies name a partner or partners who can use the policy's death or disability benefits to purchase ownership shares.

Minimizing Transfer Taxes

As with other assets, transferring business ownership to heirs can create tax liabilities. And it's worth noting that gifting during one's lifetime or at death can affect the assets' cost basis—potentially impacting capital gains tax liabilities. Trust strategies can be used to mitigate tax impacts. Your wealth advisor can help you identify the strategies for your particular situation and goals.

The Risks of Procrastination

Especially when you're immersed in the day-to-day responsibilities of running a business, it can be easy to put estate planning off. But the unfortunate truth is that accidents and dire diagnoses happen every day. Failure to prepare for these risks can impact your business, including its people, as well as your family. When it comes to estate planning, there's no time like the present. Your wealth advisor can work with our in-house estate planning team to help create or update your estate plan.



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