

OWNERSHIP PLANNING FOR AHMI MEMBERS

Presented by

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THE HARDWOOD INDUSTRY!



THANKS AND
APPRECIATION



- TRUST US!
- KNOW YOUR INDUSTRY!
- WE ARE FINANCIALLY COMMITTED TO YOU!



- 10 years NHLA convention sponsor
- 6 years AHMI member / sponsor



KEY INGREDIENTS OF A SUCCESSFUL PLAN!

- FINANCIALS !
- DOCUMENTS !
- EMOTIONS !

WHERE DO WE START !

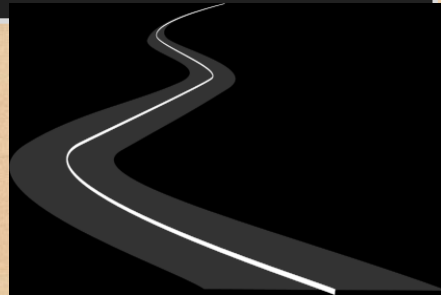
- Know your own objectives!
- Advisor team to design and implement plan.
- Quantified business value.
- Time & patience!

OPTIONS!

Inside Sale

Third-
Party Sale

Death /
Emergency
Plan



WHAT IS "TRANSFERABLE VALUE"?

"Ultimately, your success is measured not by how well you run the business, but by how well the business runs without you."

--John H. Brown

What is my vision for Me?

- Without my company?

VALUES-BASED OBJECTIVES

- Retire to pursue personal goals (travel, grandchildren, etc.)
- Family harmony
- Legacy
- Maintain culture
- Provide for employees
- Community
- Civic or Charitable
- Take business to next level
- Minimize Taxes

REDUCE OR ELIMINATE TAXES

- Use Lowest Defensible Value
- Business entity choice
- Eliminate State income tax
- ESOP
- Tax free merger
- Estate tax elimination or reduction

DRAFT

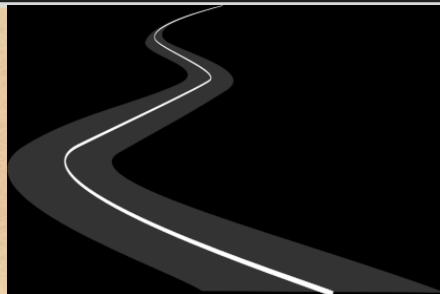
TIMELINE

DRAFT

DATE TO COMPLETE

CONVERSATION WITH CLIENT	11/01/18
PHONE CONFERENCE WITH ATTORNEY	11/13/18
PHONE CONFERENCE WITH CPA	11/14/18
PHONE CONFERENCE WITH VALUATION FIRM	11/14/18
MEETING WITH ADVISOR TEAM	12/5/18
MEETING WITH TEAM AND CLIENT	12/14/18

Inside
Sale



INSIDE SALE: TOP 3 BENEFITS

- Successors of Choice
- Maintain Control
- Achieve values-based goals

INSIDE SALE: TOP 4 CHALLENGES

- No Money
- If I sell today I'll lose control -- without getting paid
- Business can't run without me
- Business isn't worth enough today

DRAFT

TIMELINE

DRAFT

PHASE I Inside Sale

DATE TO COMPLETE

READ / COMMENT ON EXISTING POLICY DOCUMENTS

DETERMINE SUCCESSION METHOD

2/15/19

VALUATION COMPLETED

3/1/19

PRESENT IEP LIQUIDITY FUND

3/10/19

- Investment fund
- Life insurance protection

EXECUTE

4/1/19

- Valuation
- GST & IET
- Buy-sell agreement(s)

DISCOUNTED GIFT

4/15/19

FILE GIFT TAX RETURNS.

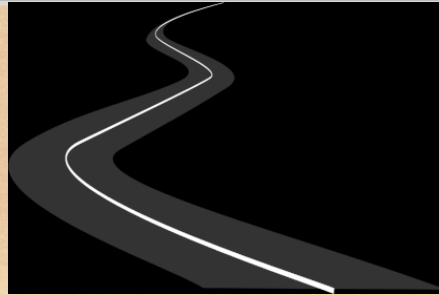
4/15/19

ESTATE / SUCCESSION FINISHED!

4/15/19

THE EXIT PATHS

Third-
Party Sale



THIRD PARTY SALE TOP 3 BENEFITS

- Speed
- Cash at closing
- Maximum price

THIRD PARTY SALE TOP 3 CHALLENGES

- Business readiness
- Likelihood of earn outs owner notes
- Values-based goals may not be met

TIMELINE**PHASE I Third-Party Sale****DATE TO COMPLETE****VALUATION**

- Proposals **1/16/19**
- Firm selected **1/15/19**

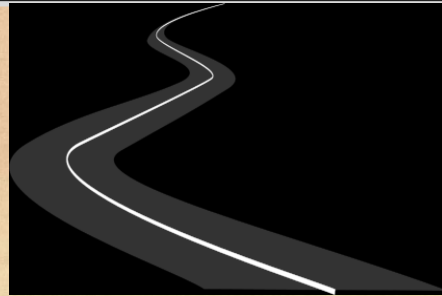
PREPARE FINANCIALS

- Adjusted EBITDA **1/15/19**

PREPARE PRODUCTION REPORTS**1/15/19****GENERIC CALL TO POTENTIAL BUYERS****1/15/19****NDA OUT TO INTERESTED PARTIES****2/1/19****DUE DILIGENCE FOLLOW-UP****2/15/19****REVIEW OF OFFERS****2/15/19**

THE EXIT PATHS

Death /
Emergency
Plan



RISK

- If I die tomorrow, will my business continue?
- Who will communicate with?
 - Your bankers?
 - Your customers?
 - Your suppliers?
 - Your employees?

CONTROL

- If I die tomorrow, who should own my business?
- Who will lead the company?
- Retain or sell?

CREATE A WRITTEN PLAN

1. Goals
2. Existing resources
3. Your suggested exit path
 - i. transfer to family
 - ii. reducing taxes
 - iii. sale to 3rd party

DRAFT

TIMELINE

DRAFT

PHASE I (Emergency Plan)

DATE TO COMPLETE

CLIENT MEETING TO GATHER DATA **1/10/19**

BUSINESSES CONTINUITY INSTRUCTIONS

- Initial Draft **1/15/19**
- Review and Revise **1/21/19**
- Final Version. **1/21/19**

REVISED DOCUMENTS, DRAFT & EXECUTE

- Wills (interim) **1/15/19**
- Health Care Proxy **1/15/19**
- Durable Power of Attorney **1/15/19**
- Irrevocable Generation Skipping Trust (GST*) **2/5/19**
 - > existing life insurance

HOW CAN WE HELP YOU?

SHORT TERM EMERGENCY PLANNING

LONG TERM SUCCESSION PLANNING

FINANCIAL PRODUCTS

- Life & Disability Income Insurance Needs
- Fixed and Variable Annuities
- Long Term Care Insurance
- Mutual Funds

**APPRECIATION
RATE OF 8%**

**FAMILY
LIMITED
PARTNERSHIP**

**GROSS
VALUE**

\$1,000,000

**AFTER 30%
DISCOUNT**

\$700,000

**DISCOUNTED
GIFT**

GST TRUST

**INCOME TO
PAY
LIFE
INSURANCE
ANNUAL
PREMIUM**

WHAT DOES TJT BRING TO THE TABLE?

- ENERGY !
- CUTTING EDGE !
- GET IT DONE!

THANK YOU!

Comments / Questions?