

BOTTOM LINE

CPAs & Business Advisors

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WHAT'S YOUR COMPANY WORTH? THE SELLABILITY SCORE



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H&S Companies has partnered with Rua Associates to help you navigate the challenges of positioning your business for an ownership transition.

Every transition is different, but the current market environment is favorable for any type of transition:

- Business Valuations are at a 10-year high
- Financing is readily available at low interest rates
- A record number of buyers are looking for opportunities

Unfortunately, even in this favorable environment the majority of transactions attempted fall apart, wasting time and money and negatively impacting the business. The most successful transactions that we have seen over the last 10 years have been ones where the business owner cares enough about his family and employees to create an ownership transition strategy before attempting a transition. This strategy includes:

- Who you are going to transition the business to (family, employees, or external buyer)
- How you are going to make the transition happen
- When is the best time for the business and for you personally to make the transition

Developing a custom strategy for your business begins with a complete understanding of your goals and objectives at an early stage. Our team of specialists will develop and review key data on your company's valuation and market potential. We also assist in developing transaction scenarios that take into account the tax and financing concerns of both parties, providing you with a "walkaway" number that will help you determine if this is the right time and strategy for you.

Want to get started, but not sure how?

We use a tool called the Sellability Score that has been developed by best-selling author John Warrillow, whose work includes, "Built to Sell: How to Create a Business That Can Thrive Without You." For more information, or to take the Sellability Score, please feel free to contact us.

Tax Considerations When Selling Your Business

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You have spent many a long day working on your business. You have taken it from an idea to the organization it is today, and now you are contemplating a sale of that business. Similar to the business development stage, the sale of your business will require planning in order to maximize its value and more importantly, maximize the amount of sale proceeds you are able to keep.

There's a silent partner in every business sale waiting to take a big slice of the pie from those who fail to plan accordingly... you know his name... *Uncle Sam*.

The first step in the planning process is an understanding of your business entity: If you are a corporation, are you an "S" type or "C" type, an LLC operating as a partnership, or a sole-proprietorship? Each will have different, unique planning opportunities and potential pitfalls. C corporations, for instance, could be subject to double taxation on an asset sale, whereas

an S corporation would not. Sale of certain C corporation stock could possibly be completely tax free!

Often times, what is good for a seller, in terms of taxes, is bad for a purchaser, however, this is not always the case. For example, goodwill receives capital gains (lower tax rates) for the seller, yet is deductible (over 15 years) by the buyer.

A covenant not to compete (while likely a necessary legal component of most deals) receives the same tax treatment for the purchaser, as does goodwill (15 year write-off), but not the same for the seller who would garner regular tax treatment as opposed to capital gains.

Most purchasers look to allocate as much as possible to tangible assets such as equipment to reap the quicker write-off via depreciation.

Many tax issues, however, face a seller in regards to equipment sales:

- Poor planning could result in significant liabilities to the seller absent even receiving any cash down on the sale!
- It is possible, in certain situations, to receive

capital gains for the seller on a portion of the proceeds while the purchaser maintains the quicker write-off.

With proper planning installment sales can work most favorable for a seller and a buyer, but when holding a note with the buyer, there are many other financial and legal issues to consider.

Retirement plans are often overlooked in buy-sell arrangements, but given adequate timing they can be an opportunity to shelter significant tax dollars.

In many cases the value of your business represents a large portion of your personal net worth. The sale of your business, if properly planned, can generate income you are counting on during retirement. It is important to start the planning early and have a basic understanding of the tax implications before the negotiations start. The time spent with your business advisors during this planning will generate some of the best returns on your assets that you will ever make.

Confident Retirement & You



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A recent national survey found that, on average, Americans nearing retirement report a gap of nearly \$200,000 between what they have saved, and what they believe they will need to live comfortably in retirement. According to the same survey, many Americans also lack confidence about being able to cover their necessary expenses in retirement such as housing, food and taxes!

We understand that planning for retirement can seem overwhelming and complicated. If you're a business owner, it can be even more daunting. Do you sell your business? And to who? Is it time to transition the business to the next generation? If so, what's the best way to do that? We can help to answer those questions for you. Whichever method is best for you to make the move from business owner to retiree, the basics of having a financially successful retirement are the same. Breaking it into simple steps, as demonstrated in the new Confident Retirement® approach is an excellent way to begin planning. The approach has four fundamental areas:

Covering essentials. The foundation of any retirement strategy includes ongoing necessities such as food, housing, taxes and medical expenses. And we all know economic conditions can be a bit uncertain, so your

goal should be to fund essential expenses with sources of guaranteed or stable income. This may include social security, pensions, annuity payments, or a defined benefit plan, among other options.

Ensuring your lifestyle. Let's be honest, most people planning for retirement aren't looking to just have enough to pay the basic bills... They have other goals they want to pursue—travelling, hobbies, and relocation, to name a few. The cost of living the lifestyle you always dreamed of needs to be factored into any sound retirement plan.

Preparing for the unexpected. Unanticipated events can have a devastating impact on your retirement plans. Since they're no longer earning a salary, retirees typically lack the financial flexibility to make up for shocks to their retirement plan from unexpected events. Personal liability, medical expenses, supporting a family member and loss of a spouse are some of the most common. It's important to have a game plan developed to navigate these bumps in the road - that's where we come in!

Leaving a legacy. After accounting for essential, life, and unexpected expenses, it's time to create a legacy plan for your remaining assets. Having a plan in place for loved ones and causes that are important to you is also a part of planning for the future. Consider having these three documents prepared: a healthcare directive, living will, and limited financial power of attorney. Make sure beneficiary designations are up-to-date and begin putting an estate plan in place.

The Confident Retirement® approach developed by Ameriprise Financial uses the four principles outlined above as a framework to help advisors and their clients work towards their retirement goals. It's never too early – or too late – to start preparing for retirement. Consider working with one of our financial advisors to define and work toward your unique retirement goals.

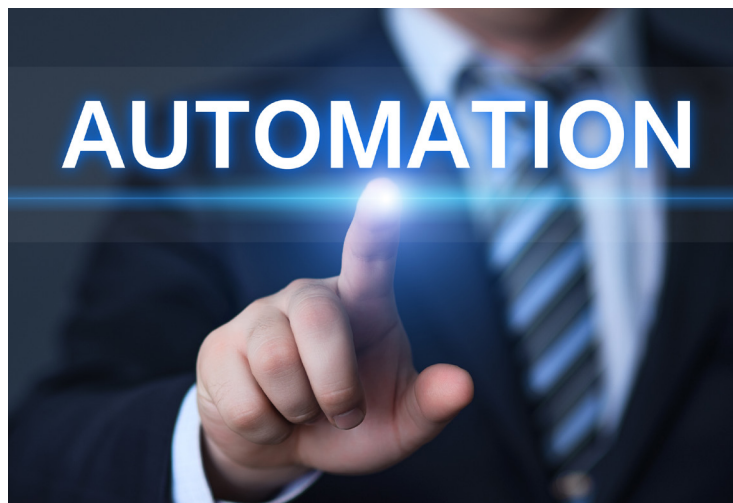
Cory R. Preuss is a Financial Advisor with Ameriprise Financial Services, Inc. in Grand Rapids, MI. He specializes in fee-based financial planning and asset management strategies and has been in practice for 19 years. To contact him, (please visit <http://ameripriseadvisors.com/cory.preuss>). Brokerage, investment and financial advisory services are made available through Ameriprise Financial Services, Inc. Member FINRA and SIPC. Confident Retirement is not a guarantee of future financial results.

* The Retirement Check-In® survey was created by Ameriprise Financial utilizing survey responses from 1,000 employed Americans ages 50-70. All respondents have investable assets of at least \$100,000 (including employer retirement plans, but not real estate) and are planning to retire at some point. The survey was commissioned by Ameriprise Financial, Inc. and conducted via telephone interviews by Koski research from October 31- November 14, 2012. © 2013 Ameriprise Financial, Inc. All rights reserved. File # 680365

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H&S Computers

State-of-the-art Technology plays a key role in sale positioning for many of today's modern companies. Applications built today often provide vital performance and standards management that is invaluable to an effective succession plan. Although the software itself can't ever define all the intricacies of a well-run business, it can go a long way in providing a potential buyer with a sense of adherence to industry standards and proper accounting practices.

Dollar for dollar investment in good technology is a value add at all stages of the value building process. Today's applications can help to automate any number of business processes. These automation techniques



help to create well rounded processes that are quantifiable, repeatable, and in the long run require less intervention from management. Less intervention from management puts greater value back into the company while insuring less reliance on one person to manage it.

Providing secure access and functionality to these business applications is an important piece in this process. Here again technology provides the functionality and security that is necessary to help keep the lights on and the information flowing. If you are interested in having one of

our engineers evaluate your technology please email me for additional information.