

# IS YOUR NAME ON THE DOOR OF YOUR LAW FIRM?



A follow up presentation to Lawrence J. Ganim's article in [The Senior Lawyer](#)

# If the answer is yes, congratulations!

- How long do you want your name to remain on the door?
- Do you want to keep that ownership or title forever?
- Or do you dream about selling or transitioning your practice in exchange for...



Money?

Retirement?

Time?

Family?

Freedom?

All of the above?

My name is Lawrence Ganim and I've worked with many attorney's over the years addressing these questions.



Here I am at a High-Net Worth Conference in Connecticut speaking to a room of Attorney's and CPA's about the sale or transfer of their practice.

Have you, your partners, colleagues or heirs ever considered the tax implications of this transition?

Do you have an Ownership Conversion Plan?



# DESIGNED DESTINATIONS

Every Entrepreneur's Guide  
to a Successful Business Sale or Transfer

LAWRENCE J. GANIM

In 2017 I published  
a book about this  
exact topic



## My Mission

And the goal of *Designed Destinations* is to advise business owners/professionals on **how to achieve the strongest return** for the sale of their business/practice to outside or inside buyers with as little stress and risk as possible.

# Run Your Business So You Can Go Out In Style

Only **30%** of family-owned businesses survive to the 2<sup>nd</sup> generation of leadership.

Only **10%** survive to the 3<sup>rd</sup>.

**40%** of U.S. businesses are facing a transfer of ownership issue at any given time.

Over **50%** of business owners would like to exit or sell their business.

Only **1%** do so successfully each year.

“The primary cause for failure... is a lack of planning.”

– Small Business Administration

<sup>1</sup> Designed Destinations, Author Lawrence J. Ganim 2017

<sup>2</sup> The Exit Planning Process, A Financial Service Group 2010

<sup>3</sup> Entrepreneur, Sell Your Company with Savvy, April 2, 2010

<sup>4</sup> Business Know How, Passing Your Business on to the Next Generation: Is it Best for Your Family?, 2011 – Durham University Business School Study



# Is the Fate of Your Future by Chance or by Design?

## Chance Looks Like This:

- No clear plan for stepping aside from the practice—may work until the end.
- No documented plan for the financial future.
- No documented or implemented plan for practice succession.
- Has a 401k Profit Sharing plan and is funding that at whatever level he/she can each year.
- Insufficient liquid or income producing assets outside of the practice to meet his/her personal financial needs.



# Is the Fate of Your Future by Chance or by Design? Continued...

## Design Looks Like This:

- Knows when he/she would like to be Financially Independent (Retire-able)
- Knows what after-tax inflation proof cash flow will be needed
- Knows the pool of assets which will be required to fulfill this need
- Design implemented a “Personal Hedge” plan to meet these needs that includes:
  - ◇ A pool that will provide tax free income equal to approximately 30-40% of is/her income requirement.
  - ◇ A pool where contributions are tax deductible to the practice and grow tax deferred—income will be taxable upon distribution.
- Greater than 90% of the contributions accrue to the owner/partner
- Contributions are over six figures per year to the benefit of the owner/partner.
- Design has a documented succession plan in place that incentivizes younger associates to become equity owners and carry the practice forward when Design steps aside
- Design has created a plan to address the Empty Chair possibilities prior to the plan being completed.
  - ◇ Ensuring the practice continues if Design does not or cannot
  - ◇ Provides the liquidity to ensure this and that Design’s family receives the appropriate value.





## A 7-Step Process

1. Your Future Vision
2. Size of the Pot
3. The Butterfly
4. The Empty Chair
5. Your Personal Hedge
6. The Intersection
7. The Harvest

# Step 1: Your Future Vision

## Clarify and prioritize objectives:

- How much longer does business owner want to work in the business before retiring or moving in? \_\_\_\_\_ years
- What is the annual after-tax income business owner wants during retirement (in today's dollars)? \$\_\_\_\_\_
- Who does business owner want to transfer the business to?
  - Family?
  - Co-owner?
  - Key employee(s)?
  - Outside Party?

# Step 2: Size of the Pot

## Gap Shock

The difference between what you feel your company is worth and what buyers know it is worth.

**Personal**

**Financial**

# Step 3: The Butterfly

## Real Life Example

### Before:

- Business owner receives cash offer for his company
- Ready to take the leap and cash out
- Realizes the offer is **40%** below his retirement needs

### After:

- Invests time into making company stronger
- Creates Ownership Conversion Plan
- Profits grew by **\$1 million** in just one year

# Step 4: The Empty Chair

How can you protect your OCP against the possibility of early death or disability?

## Contingency Planning Issues

- Continuity of Business Ownership
- Loss of Key Talent – Owner
- Company's Loss of Financial Resources
- Loss of Employees & Customers

*"Making sure the business continues even when the owner doesn't."*

# Step 5: Your Personal Hedge

## Real Life Example

### Before:

- Business owner with 90+ employees
- \$15 million in revenue annually
- \$2.5 million in taxable income
- Liquid assets only \$250,000

### After:

- Created a retirement plan
- Curbed spending
- Added more than \$6 million to savings in 6 years



# Step 6: The Intersection

## Inside Sale or Outside Sale?

**Method 1:**  
Maximizing Value

**Sale for:**  
\$1,000,000

**Requires:**  
Cash Flow of \$1,600,000

**Net to Owner: \$800,000**

**Method 2:**  
Minimizing Value

**Sale for:**  
\$300,000

**Requires:**  
Cash Flow of \$1,310,000

(Cash Flow of \$475,000 + Deductible  
cash from business of \$835,000)

**Net to Owner: \$800,000**

# Step 7: The Harvest

## Exit Planning: How YOU Benefit

- Establishes your Exit Objectives
- Clarifies your priorities
- Focuses on your energy on most urgent concerns
- Provides a Road Map to realize your goals
- Minimizes possible tax consequences
- Maximizes cash in pocket
- Allows you to work ON your business, not just IN your business
- Positions your company to sell/transfer

# Will Yours Be a Future by Chance or a Future by Design?

## **Designed Destinations**

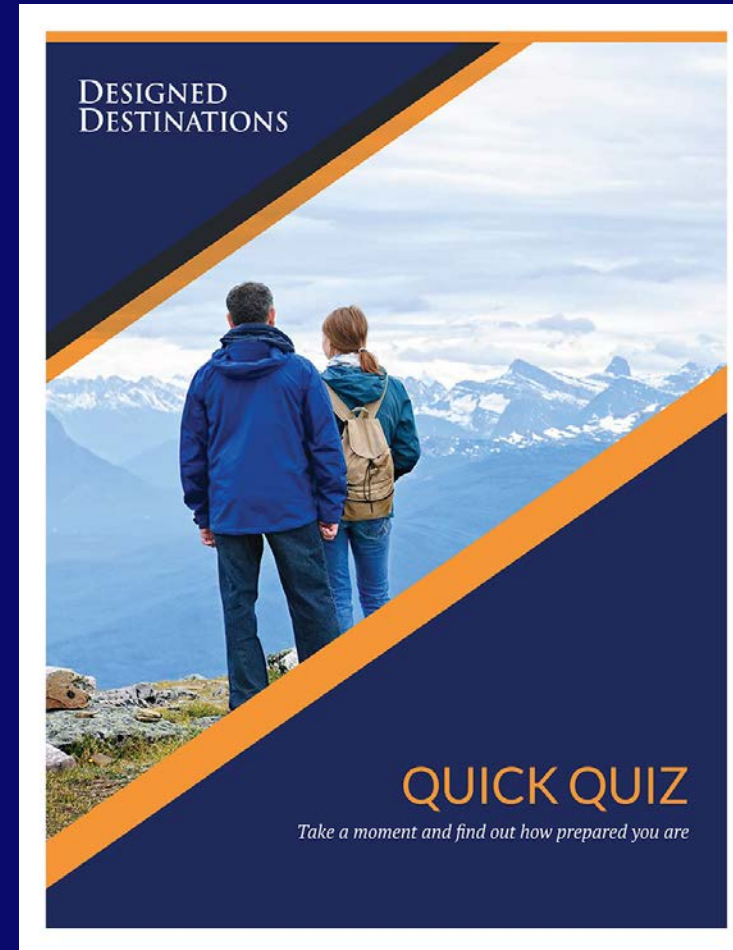
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# How Prepared Are You?

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Destinations Quick  
Quiz...

Visit:

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