Exit right

A planned approach to selling a business

How do you proceed as a business owner when you're faced with an unexpected and unsolicited offer from a buyer? How do you decide if you should part with the company you built from the ground up?

The situation

A prospective client received an unsolicited offer for his private family enterprise. On the one hand, he was willing to entertain the idea of a sale, although he was unsure about all the necessary steps and considerations for a successful exit. On the other, he was emotionally connected to his business and in his heart wanted to continue to grow it. It was under these circumstances that a mutual acquaintance from our professional network asked the client to reach out to us. The client wanted guidance on how to best proceed.

The strategy

Discovery. Once we were engaged by the prospective client, we needed to assess and identify a few key points quickly. What is the fair market value of the company? At what price post-tax, does the sale become worth it to our client? Equally important, should he engage an investment banker to facilitate the sale? We got to work to help the client answer these questions. Our discovery and research led to several insights. Our client's company was best-in-class and could command a favorable multiple. We also uncovered the strategic intent of the buyer: acquiring our client's company would be a "tuck-in,"giving them advantage in the marketplace.

Due diligence. During presale planning, we also collaborated with a UBS Senior Wealth Strategist to help determine the right way to reduce the taxable impact on the sale. Helping our client understand that more important than what he sells the company for is the net proceeds, and the structure of the deal relies on careful planning. That is why we also consulted with our client's M&A, tax, intellectual property and trust and estate attorneys and tax advisors. The team agreed on the suggested strategy, which ended up saving the business owner considerable capital gains taxes. Post-sale strategies would further help maximize his wealth from additional tax savings.

Decisions, decisions. Through the UBS Business Development Group, we introduced the client to specialized investment bankers. However, the client decided that he wanted to head up the negotiations himself with his legal team. During negotiations, the owner received a second, unsolicited offer from a different buyer giving him additional leverage. Still questions remained in our client's mind. Should he continue to grow the business or sell?

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While the client was pondering the question, we continued to work together by designing a strategy to maximize its value. Simultaneously, we determined the needs of each generation of his family through a financial goal analysis. The analysis helped identify the after-tax value that the family would require to net from the sale.

As our client zeroed in on his decision, we helped him clarify his post-sale life and envision his future and purpose once he was no longer operating his business. With clear answers and a better picture of what he wanted for himself and his family in the future, the client decided to sell his business to the original buyer, making a much higher counteroffer which was accepted by the buyer. Once the offer finalized, we moved quickly to minimize the tax impact of the sale by enlisting the help of our network of tax advisors as well as the client's existing accounting group.

Results

The sale price was confirmed to be a best to date at the time of our client's exit. This gave the client confidence that this was the right step. Together, we were able to help our client through a one and a half year—long process and successfully navigate his exit from his private enterprise. Our advice and the overall team had a big impact on the client's life.

Today, we are working on growing and managing all aspects of our client's financial life. In addition, the family collectively decided on becoming a multigenerational family enterprise. By creating a sustainable family enterprise, the family has a clear purpose and is prepared for responsible stewardship of the wealth instead of dependency.

> "A business owner must be surrounded by experienced professionals and wealth advisors who understand the intricacies of a sale and the ability to maximize the value of a business."

Turning intention into execution

How we helped our client realize his vision for a lasting legacy

Using a sustainable family enterprise model, we helped our client create a legacy that transcends generations.

The situation

A long-standing client and first-generation entrepreneur wished to make his wealth last for future generations. He wanted to not only transfer significant portions of his estate while living, but also bring his documents in line with his wishes. However, he worried that his family was not ready for stewardship and was looking for guidance on how to structure his plan and prepare all the documentation.

The strategy

Starting with the right questions. As is true for most first-generation wealth creators, our client for a long time focused on building and preserving his wealth. As a result, a liquidity event from a couple of decades ago had appreciated substantially. During one routine meeting, we asked the client questions that triggered deep introspection. What's next for you and your family? What is the purpose for your wealth? How many generations do you want your wealth to last? Do you feel the family is prepared to be good stewards of your wealth and values? The questions also spurred a desire for greater planning.

Introducing a sustainable family enterprise model. As we had more conversations, we shared the idea that he needed to think of his family much like an enterprise and introduced our framework for a successful and sustainable family venture. With the client on board, we began to uncover answers to even more key questions:

- What is the family's taxable impact if he died?
- How could he address his desire to sustain his wealth for three generations and beyond?
- How could he prepare his family for stewardship and reduce dependency?

During the discovery, we also reviewed the family's current estate and legacy documents and the hypothetical impact of his death in the current year. With answers to these difficult but essential questions, we laid the groundwork on for a comprehensive wealth transfer strategy within his lifetime.

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Implementing the family development plan. This bespoke approach helped us prepare the family for the next phase of their lives. We started by organizing a family meeting, during which we worked on identifying the family's financial, social and human capital. One of the most rewarding aspect of the family meetings was the opportunity to help our client share stories of his early days and his past, so his heirs could hear all about how the wealth was created and the responsibilities that come with it.

We also organized a comprehensive program to foster next-generation stewardship. We enrolled the younger generation in the UBS Financial Education program while simultaneously working with the family to help develop estate documents and understand each individual's financial goals. We then worked with our client to create strategies to help limit the impact of estate taxes at his death and structured his wealth along three dimensions—**Liquidity** to cover his short-term needs, **Longevity** for longer-term needs, and **Legacy**—for needs beyond his own. We accomplished this through a meticulous analysis of what each asset produces and the impact of gifting specific assets to help minimize the tax burden—now and in the future.

Conducting a strategic wealth assessment. Next we did a strategic wealth assessment together with a UBS Senior Wealth Strategist. This assessment provided a clear picture of the family's assets, trust documents, entities and resources, and simulated the taxable impact of a sudden death. This assessment also yielded insightful strategies for the client to reach their long-term wealth transfer goal. Finally, we reviewed all viable wealth transfer options and implemented trust structures for the most efficient wealth transfer.

Time frames may vary. Strategies are subject to individual client goals, objectives and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.

Results

Our proactive process and methodical approach to wealth transfer helped our client define the purpose for his wealth, craft a family vision and implement a strategy that upholds his values. The framework also helped the client prepare his current and future heirs to understand and acquire the skills needed to be good stewards of the wealth instead of being dependent on it. Most significantly, the client's taxable impact upon his passing have been strategically diminished. As assets shift from each generation over the next two decades, our team will continue to implement and strengthen the sustainable family enterprise framework while helping to reduce the impact of taxes as new laws take effect.

Finding purpose after the sale of a business, a liquidity event or retirement

How we helped our client preserve his wealth for generations

With wealth comes new issues, such as the potential to create dependency that can hinder the progress of future generations. Overcoming these issues requires prudent planning and knowledgeable advice.

The situation

Most first-generation wealth creators are often primarily focused on investments. Many are yet to identify their family purpose. It's therefore important to work not only on the post-liquidity planning, but also the creation of a governance framework for stewardship of the wealth for generations. This was the case with our client immediately following the sale of his business.

The strategy

Helping the family identify its true purpose.
Like most successful families, our client had grown his financial capital substantially. But in order to help our client fully express his desires for his family, we helped the family craft his purpose and a vision that included their or their family's aspirations, including their family's social and human capital. To accomplish this, we had to reframe the client's view of the family as an enterprise.

Through a detailed family questionnaire, we interviewed each family member, including second and third generations, to gain insights for developing a framework for governance to create a sustainable family enterprise model. Some of the key questions we considered included:

- What were the core principles of each family member?
- What was our client's view of their heirs, and how much wealth did he want them to inherit?
- What were the client's personal goals and professional goals for each of his family members?
- What are his own goals for his money? What were his plans for helping his heirs deal with the inheritor's dilemma—i.e., those who have never experienced a lack of wealth?
- How could he make sure his inheritors were aware of how the family created its wealth, as well as the challenges and sacrifices they made?
- How well did the family get along?
- How did they define family success, and how did they address conflict?

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- What did the family's succession look like, and what were their plans for developing the next leader?
- What was the state of his current estate documents, in order to define the family's purpose and governance?
- What were the long-term health issues of family members or those with special needs?
- Where did the family's philanthropic interests lay?

Using a sustainable family enterprise model and framework, we created a road map to help identify the client's family's needs across generations. This included investment management, financial planning, wealth transfer, philanthropy, family advisory, stewardship, leadership, family unity and governance. We helped put a plan in place to educate and groom each successive generation to be responsible stewards of wealth and also become wealth creators themselves.

Results

Today, the family has prepared its current and future generations to be good stewards of the capital they will receive. In addition, the family has a written family vision (governance), identified and ready to capitalize on their financial, human and social capital. They realize what they have and what they want to keep for future generations. But none of this is possible without an experienced advisor—one with the credentials, education and experience to help the family create the legacy and purpose it envisions.