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EquityAccess  
SOLUTIONS

CORPORATE OFFICE

4200 UNIVERSITY AVENUE, SUITE 410 WEST DES MOINES, IOWA 50266

TOLL-FREE: 866.220.1448



# EQUITY ACCESS SOLUTIONS

## PLEASE NOTE THE FOLLOWING IMPORTANT DISCLOSURE.

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Any reference in this guide to potential tax benefits are not guaranteed and may only be available in limited circumstances. Equity Access Solutions does not render legal or tax advice. There are complex legal and tax implications associated with the strategy illustrated here. Further, applicability of the concepts discussed herein may vary widely from state to state. Clients must consult their own legal and tax advisors to determine if this strategy is appropriate for them.

State law may provide both life insurance and annuities with certain asset protection benefits. As a general rule, a debtor may not transfer property with the intent to avoid debt due to his creditors. The laws governing asset protection, however, are complex and the consequences of poor planning may be both civil and criminal penalties. You should not undertake any asset protection plan without the advice of legal counsel.

Withdrawals and other distributions from non-Modified Endowment Contract (non-MEC) policies in the first 15 years may be taxable to the extent they occur in conjunction with (or during the two years immediately prior to) a reduction in benefits. After 15 years, withdrawals and other distributions up to the policy costs basis are not taxable. Policy loans are not taxable for a non-MEC policy provided that it remains in force until the death(s) of the insured(s), the policy (MEC or non-MEC) is surrendered or lapses with an outstanding policy loan balance, the policy owner will be subject to income taxes to the extent the cash surrender value plus the amount of outstanding loans exceeds the policy cost basis. Withdrawals, policy loans, and other distributions will reduce policy values and may reduce death benefits.

Life insurance death benefit proceeds are generally excludable from the beneficiary's income for federal income tax purposes. IRC Sec. 101(a)(1). But in certain situations, the death benefit proceeds may be partially or wholly taxable. These include, but are not limited to, situations involving the transfer of a life insurance policy for valuable consideration outside of a valid exception; and arrangements that lack an insurable interest based on state law.

# YOU'VE PUT A LOT INTO YOUR BUSINESS. WHAT WILL YOU GET OUT OF IT?

The risks of failing to plan for the succession of your business are numerous and unforgiving. Your equity and investment in the business is a valuable asset that should be available to you and your family for retirement. [Access the equity. Plan for succession.](#)

#### Four problems. One unique solution.

Equity Access Solutions is a unique financial program designed to address the major issues successful business owners may face as they plan for retirement. These include:

- Provides easy access to financing business ownership transitions without limiting the new owner's ability to finance ongoing working capital needs
- Replaces an installment sale of the business with a secure asset for retirement and estate planning
- Provides economic efficiencies in transitioning business ownership
- Limited financing and tax options for acquiring a business

#### Access the equity. Plan for succession.

By bringing together the combined experience of distinguished tax, legal, insurance and financial professionals, Equity Access Solutions presents you with sound strategies born from decades of research and experience in the field of succession planning.

Whether you are a seller looking to transition your business or a buyer looking to efficiently acquire a business, you can rely on Equity Access Solutions to provide superior turn-key lending terms, customized tax planning and retirement/estate planning in order to efficiently access business equity for succession planning or acquisition purposes.



# FACE THE CHALLENGES THAT COULD AFFECT YOUR FUTURE.



Outside the regular day-to-day operations, there are a number of considerations successful business owner-operators must consider as they think about the long-term health of their company. **These include:**

- Securing sufficient retirement income for the owner(s)
- Preserving and growing equity within the business
- Protecting business assets from potential creditors
- Maintaining available liquidity to properly fund buy / sell arrangements
- Preparing in the event of the unexpected death or disability of owners or key employees

Sufficiently planning for these scenarios is essential to ensuring future continued growth.

## THE RISKS ARE REAL.

- 50% of all successful business owners are over the age of 50<sup>1</sup>
- 40% of all U.S. businesses are facing a transfer of ownership issue<sup>1</sup>
- Many business owners are depending on the value of their business to fund their retirement<sup>1</sup>
- Only 26% of small business owners have some type of succession plan in place<sup>2</sup>

<sup>1</sup> National Small Business Association

<sup>2</sup> LIMRA International, Small Business Owners 2005 Report

MAKING A SUCCESSFUL TRANSITION. SUSTAINING  
THE BUSINESS. SECURING YOUR RETIREMENT.



# APPLYING EXPERTISE TO THE MAJOR ISSUES.

Applying a wealth of knowledge in successfully transitioning businesses, our staff of accountants, attorneys and financial professionals developed Equity Access Solutions to assist owners with resolving business succession issues in four key areas: **taxes, financing, pre-funding and risk management.**

## Taxes

Of course, specific tax issues need to be addressed on a case by case basis to determine the total tax effect. However, there are several common tax issues that may arise in the transition of your business, including:

- The character and treatment of gains from the sale of “hot assets” such as accounts receivable and appreciated inventory
- The recognition of income in the year of sale resulting from the recapture of depreciation even if no cash is received.
- The allocation of the gain among the assets sold, including goodwill of the business, which affects the taxability and character of payments received.
- The potential of double tax due to the business structure.

## Financing

There are several factors to consider that, if not successfully planned for, can delay or postpone the owner’s access to business equity. These include:

- Accessibility of financing for the incoming owners
- Favorable loan terms
- Analysis of impact on the business operations from incurring additional / new debt
- Risk of owners not realizing full value from transition
- Required guarantees

## Pre-Funding

While for the most part businesses understand the need to establish succession plans, owners often fail to fund such obligations set forth in the agreement due to these common constraints:

- Insufficient free time to manage and execute the plan
- Lack of tax deductibility for traditional funding
- Availability of cash flow
- Negative impact on business operations
- Possibility of traditional funding being subject to creditor claims

## Risk Management

Complete succession planning demands consideration of several risk management issues, including:

- Creditor access to future or existing business and shareholder assets
- Going into business with spouse of a deceased or disabled shareholder
- Insuring the loss of a key employee or partner
- Convincing financing relationships of the future viability of company opportunities for growth, acquisition and ongoing operations
- Retention of key staff

# PLANNING PAYS OFF,



Along with both tax and financing benefits afforded the seller, a well-structured succession plan may help:

- Lower the tax cost to an owner transitioning out of the business
- Provide necessary turn-key financing to fund owner's post-retirement needs
- Supplement retirement planning on a tax-preferential basis
- Provide for smooth transition of business operations
- Provide business owners with tax-free death benefits for family needs
- Grow loan proceeds paid into life insurance or annuities on a tax-deferred basis
- Allow, in certain circumstances, for interest payments on loan to be tax deductible\*

\*Please consult your tax advisor regarding deductibility of loan interest for your situation.

You can begin the process of securing the value of your equity today.

## STEP 01

Call your Equity Access Solutions representative at 866.220.1448 to determine whether your business may qualify.

## STEP 02

Complete Equity Access Solutions confidential client census form.

## STEP 03

Return completed Equity Access Solutions census form via fax or e-mail along with the following documents:

two years of corporate tax returns

year-end corporate financial statements

organization documents related to corporation buy/sell agreement (including articles of incorporation, corporate bylaws, etc.)

## STEP 04

Our evaluation team will review the data, analyze corporate ownership and financials. At this point, we will provide feedback as to the next step in the engagement process.

You have worked hard to build your business.  
You owe it to yourself to explore Equity Access Solutions.

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START  
PLANNING  
FOR YOUR  
SUCCESSFUL  
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