

# THE LOOMING REVERT

**N**obody is talking about the fact that the tax provisions in the Tax Cuts & Jobs Act of 2017 are due to revert back, after December 31, 2025, to what they had been in 2017—just 26 months from now. But if and when that threshold is crossed, it could be a rude awakening for a number of taxpayers.

For example? One of the most dramatic shifts would be the estate tax rates. The federal estate tax exemption in 2017 was \$5.49 million; that is, the first \$5.49 million that a taxpayer passed on to heirs would pass estate-tax free. Today, that exemption is a whopping \$12.92 million; for married couples, the combined exemption is \$25.84 million. The 'revert' would bring exemption down to something

like \$6.5 million—a third as high as currently.

The Tax Cuts & Jobs Act also doubled the standard deduction, which led to fewer people going through the hassle of itemizing deductions. The standard deductions for the 2017 tax year were \$6,350 for single filers; \$12,700 for people married filing jointly. Today, the standard deduction is \$13,850 for single filers; \$27,700 for those filing jointly.

The tax table revert would generally put people in higher brackets; most Americans would pay 1-4 percent more in personal taxes under the old reverted-to tax tables than they are currently.

Yes, we still have two years (and two months) to prepare for this. But anyone whose

net worth is above the old estate tax threshold should start making plans now for how to get money out of the estate, and everybody should brace themselves for once again having to go through the chore of itemizing deductions—unless Congress comes up with a new tax bill. At that point, anything is possible.

*Source:*

<https://finance.yahoo.com/news/trump-era-tax-cuts-set-160750197.html>

# PREPARING FOR A SUCCESSFUL THIRD-PARTY SALE

**M**any business owners choose to sell their businesses to third parties for several reasons. If you're thinking about pursuing a third-party sale as your business exit strategy, consider these four steps to prepare yourself for a successful third-party sale.

Of course, as with any plan for a successful future, your first step is to determine what it takes to achieve financial independence with help from your Advisor Team.

## **Install Next-Level Managers**

It's difficult to overstate the importance of next-level managers. This is especially true if you're considering a sale to a third party.

A strong next-level management team is the foundation of your company's value to outside buyers. They often drive operations, create new efficiencies, and, most importantly, keep the business thriving after you leave it.

If your company relies on you for its success, buyers may hesitate to consider your business. Generally, buyers are most interested in businesses that run smoothly

without the owner at the helm. Next-level management teams position you to leave the business on your terms.

In some cases, business owners who have thriving businesses but no next-level managers must either postpone their retirement or stay with the company after they've sold it. This is often not ideal for many business owners.

## **Create Business Continuity Plans**

Business continuity plans are non-binding guides that help your family and business address an unexpected event, such as death, incapacitation, or something else that prevents you from running the business.

Having this kind of plan can provide clearer guidance about your goals. For many business owners, planning for a successful future doesn't end with achieving financial goals. They may have other aspirational goals they'd like to achieve in tandem.

For example, say you were in the middle of planning a third-party sale and were suddenly incapacitated. Your family and advisors may know that you wanted a cer-

tain dollar amount for the business. What they may not have known is that you also wanted to keep the business in your community.

But the only way to achieve your financial goal at the time you were incapacitated would be to sell to someone who wanted to move the business out of the community.

A business continuity plan can help you elucidate your goals in instances where you cannot speak for yourself.

## **Assemble A Negotiation Team**

Third-party buyers almost always assemble top-notch negotiation teams when purchasing a business. Though business owners are good at a lot of things, negotiating a business sale is an entirely new arena for many.

Negotiations are often complex and require more time than a business owner has to fully dedicate themselves. This is especially true if you don't have a next-level management team.

It's no secret that buyers want to maximize their value with any business they purchase. They'll do comprehensive due diligence and use their findings to pursue this goal.

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## Business Owner Newsletter

# PREPARING FOR A SUCCESSFUL THIRD-PARTY SALE

Assembling a strong negotiation team can help you find weaknesses in your business and then strengthen them before a buyer finds them and tries to leverage them against you. They can also represent your goals, both financial and aspirational, at the negotiation table.

Negotiation teams do everything they can to get you the best deal you can get. They also have specialized skills, such as in valuation, tax reduction, and law, that can protect your interests.

### **Avoid False Starts Whenever Possible**

When pursuing a third-party sale, your first chance is often your best

chance. This doesn't mean you must accept the first offer proposed. What it does mean is that you don't want to pull your business off the market because you didn't get an offer you liked.

This is called "tainting the marketplace." When a business comes off the market without selling, it tells potential buyers that there may be something wrong with the business. This may make future buyers more hesitant to purchase your business. Fortunately, by installing a next-level management team, creating business continuity plans, and assembling a negotiation team, you reduce the likelihood of tainting the marketplace.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. If you have questions on this topic, we can help with more information or a referral to another experienced professional. Please feel free to contact us at your convenience.

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