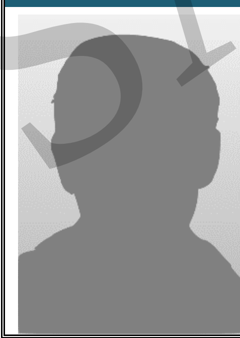
Needs Analysis

If you sold today is it enough?

Life plan for your business

Prepared for:	Sample Client



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Maintaining Your Standard of Living in Retirement

At some point, every business owner will leave his/her business—voluntarily or otherwise.

Business succession planning involves a process of preparing for this inevitable event, i.e., developing an "exit strategy." Without the proper planning and implementation, you or your family may be forced to sell the business for a low value and be left with inadequate funds.

Ensuring an Adequate Sale Price

In positioning your business for future sale, one concern when selling to a third party is obtaining a price that the owner feels is adequate. Price may be determined more by what purchasers are willing to pay than what the owner thinks the business is worth. Being able to "cash out" at a fair price may require significant planning. You should generally attempt to sell on your own time schedule and avoid selling on short notice.

You may wish to develop a detailed knowledge of prices at which similar businesses are being sold and other information that would help you to evaluate a price offered by a third party. In general, two basic elements determine the value of a business to a potential buyer: (1) current profitability and (2) the prospect of future profitability. Obviously, a business with strong earnings and low perceived volatility will command a premium purchase price. In assessing the business's profitability potential, a prospective buyer will examine a number of factors, including:

- Liquidity and the adequacy of resources to sustain future growth;
- Transparency of accounting and earnings records;
- Transparency of regulatory compliance records;
- Perceived risk or burden of existing contractual arrangements;
- Dependence on key personnel (yourself included) who might or might not remain with the company post-sale;
- Competition for the purchase of your business; and
- Relationships with business brokers and business valuation specialists.

When the time comes to sell, you will need extremely savvy tax counsel to help you through the negotiations. An experienced buyer will generally have a superior understanding of the income tax implications of a business purchase. The allocation of tax benefits and burdens often spells the difference between a fair sale price and a lopsided one.

Retirement Needs Analysis

A calculation has been prepared projecting your retirement income, based on the following assumptions:

- Sale of the business at age 67;
- Business Sales price of $2,000,000;
- Monthly Social Security benefit of $2,500 beginning at age 67. (Social Security inflation rate – 2.0%);
- Monthly pension benefit of $1,200 beginning at age 67. (Pension benefit inflation rate – 0.0%);
- Additional available funds of $0;
- Average 5.0% after-tax return on investment; and
- Average 3.0% rate of inflation.

Based on these assumptions, sale proceeds of $2,000,000 at 67 would produce the following annual income adjusted for inflation until you are age 85.

Annual Income Needed	Annual Income Generated	Annual Income Gap
$150,000	$119,248	($30,752)