

**FOR MANY BUSINESS OWNERS,
A BUSINESS SALE IS MORE
THAN A TRANSACTION. IT'S A
MAJOR LIFE TRANSITION.**

Their business is often the largest asset that they own, as well as the key part of their financial and estate plans. What's more – their business has likely played an important role in shaping their daily life and identity. A failure to fully align the sale of a company with their personal plans could potentially undermine the long-term wealth preservation and family engagement opportunities afforded by the business deal. This is especially true for owners with charitable components to their plans.

Preparing for a business sale involves assembling a team of advisors, reviewing financial and estate plans, assessing the transition and creating a plan of action. Often, due to the number of considerations and people involved, the

advisor that is leading this work tries to keep the team and scope focused. This focusing is often done with the hope that it leads to a greater chance of a successful outcome, but it is important to consider what overall success looks like for the client and their family.

For advisors guiding clients through this change, comprehensive and coordinated planning is critical. An integrated team is necessary to assemble a complete picture of the business owner's broader goals. A cooperative approach will maximize client benefit and satisfaction.

With effective charitable planning, potential advantages include reducing estate tax, avoiding capital gains tax, creating a charitable income tax deduction, reducing tax to heirs and generating charitable resources to help the now former business owner and their family achieve their desired impact.



TOM GRIFFITH
Vice President, Development

HOW DOES IT WORK?

In the simplest case, a cash gift to charity can be made either before or after the sale of the business. As long as this is done in the same year, this will provide a tax deduction to help offset the income from the sale. The needed tax deduction is often much greater than the client's annual charitable giving. Using a donor-advised fund, the gift can be made in the year needed and grants may be given from the fund to support charities of the client's choice for many years into the future.

The cash gift, while simple, does not maximize the tax advantages of gifting. A preferred approach would be to gift stock or ownership shares to a donor-advised fund prior to the sale. Then, when the sale occurs the fund receives the proceeds from the sale for its portion. This creates a charitable deduction similar to gifting cash, and also avoids taxation on any capital gains embedded in the ownership since the fund is administered by a tax-exempt public charity.

Using a donor-advised fund at the community foundation also provides ongoing charitable planning support. Whether it is legacy planning or engaging future generations in giving, the community foundation has extensive resources to deploy. For example, our flexible discernment process allows donors to work at their own

pace with a range of tools to develop their legacy plans. Our experienced staff members are available to facilitate family meetings and to help donors maximize use of their fund as their needs change over time.

There are also more complex planning tools that can be incorporated into the business sale. For example, charitable remainder trusts can be used to create income streams for heirs while ultimately creating a charitable resource. This type of trust planning can be useful for wealth distribution and addressing spendthrift or creditor concerns with heirs. Another tool is the charitable lead trust, which creates an initial charitable resource but allows for tax-efficient transfer of the trust corpus to heirs in the future.

Regardless of your clients' charitable needs, the community foundation can be a partner in business sale planning. The result is a more tax-efficient and comprehensive result for their financial and estate plans as well as the inclusion of a steward to their charitable plan.

When we work together, everyone benefits. When our community thrives, we all thrive. We encourage you to connect your charitable clients with the community foundation.

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WITH YOUR
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