US Bank Financial Series Event #3
Keeping Your Assets: Building Multi-Generational Wealth
June 27, 2023

Notes
Moderator: Dan Nguyen
Panelists: Yen Yi, Michael Denzinger, Mai Poole

Initial comments: 80% of high earning individuals are small business owners

Agenda:

- What is the Exit Strategy/Endgame of the business - Mike
  - Business Succession strategies - This is the end game, one asset is goodwill, can be taxed as a capital asset. Important thing to note, be concerned about timing and make sure to have a plan well before you retire.
  - Sell
    - Pre-sell tax planning - get and idea of what the owner wants to do, what does the buyer look like, might have a strategic buyer who wants to use the product, or might be a buy to sell
    - Good to have time
    - Evaluation - want as low as possible to begin with. You discount the interest -
  - Succeed to the next generation
    - Average family run business only last 24 years
    - Not only do you need to succeed the equity, but also the management
    - Control management (voting shares) - keep in revocable trust, but if you divide up equally the equity amongst the heirs, you should keep one person as the manager
    - Tax disfavors service industry
  - Close the business
    - you have to rely on your sources of income for retirement. Key is define on the front end the components you need for retirement before you close the business
- Business succession strategies - Mike
  - Independent valuation of business
    - If the attorney hires the valuation individual it fall under the attorney client privilege
  - Trust and Estate Planning for Business Succession
    - If you set up a trust, kids can't touch

        - Dynasty trust - continues from generation to generation without ending (except in California - there is a law against in perpetuity, so it has to terminate in 99 years)
- Revocable/irrevocable Trust - Mai
    - Revocable
        - Vehicle used to management assets after the owner has passed away
        - You can have a trustee: relative, bank, attorney
        - So that assets can be distributed in the way the owner intended
        - Assets can go in and out of the trust
        - At the owner's death, the revocable trust then becomes a irrevocable trust
    - Irrevocable
        - Once asset is in the trust you can't change it - permanent
        - Usually for state funding purposes
        - Protected from predators or lawsuits
        - Removes an asset from being taxed with your estate
        - You gain protect from being sued
- How to Share the wealth with your employees - Yen
    - Create an ESOP (Employee Stock Ownership Plan)
        - Like a trust vehicle, employees can contribute, like a 401K plan, but with stock.
        - Plan to incentivize, retain, and share company growth
        - Companies tend to grow faster after establishing this by 4 to 11%?
        - Generally expensive: establish, maintain and do a fair market valuation every year
        - Examples Co.: Supermarkets (publix, Winco.,) Solmas?
- Retirement Plans for the Business Owners/Employee
    - Four types retirement plans
        - SEP IRA
        - Soto 401K
        - Simple IRA
        - Defined Benefit Plan
    - Two ways employers to help employees
        - Employer sponsored 401K - most basic
            - Employer match typically
            - Could be your biggest asset as an employee
        - Employer sponsored Cash Balance plan
            - Not typical
            - Business owners will set aside a specific amount of profit for employees into a separate account for a year.
            - On a discretionary basis
- Go over 3 forms of taxation -

- Estate
- Business Succession
  - Gift tax
  - Generation skipping transfer tax - if you try to skip a generation of taxing by naming grandchildren
- Capital Gains
  - 21% federal currently
  - CA taxes at 13.6% no matter how long you've had it

- Keeping your assets to sustain your wealth
  - Hire the right wealth investment advisors to create invest plan and retirement plan
  - Insure your wealth /investment advisor, CPA and Attorney understand your goals and are inline with each other
  - Titling your assets are aligned with your wealth, goals and family dynamics - make sure things are labeled correctly
  - Educate the next generation and ensure they know who your advisors are.

Roundtable

Q: You said you had to pick the right person for your planning goals, how do you choose the right person?

A: Identifying a state attorney, pick three options and then interviewing. Really based on the complexity of your plan, find out what a typical client for them is, if it matches, probably a fit. They should have state and corporate tax experience

Q: Getting an valuation with an attorney? Do you recommend that?

A: Attorney finds an valuation expert, the attorney assumes the legal obligation and its under attorney client privilege.

Q: Would you recommend having an informal chat, interview with an attorney before retaining them?

A: yes, most are comfortable with having an off the record conversation to give advice or feel if you want to work together

Q: How do I prepare my parents and myself for end of life tax planning?

A: you need to understand a balance sheet, what are the assets and liabilities and that is where you need to start before you do anything else

Q: Can you put foreign properties in a trust

A: Yes, US includes assets outside the states in trusts

Q: Does US Bank automatically find all your assets and house them in one place?

A: Its limited, you can upload external accounts to the US Bank account, but not all assets

Book recommendation: Mom, Dad We Need to Talk