



## **Estate Planning for Business Owners**

These Strategies May Alter the Future of Your Business

Estate planning isn't just about documents and legalities - it's your roadmap to preserving your legacy and the future of your business. As a business owner there are many reasons why you should have a comprehensive estate plan in place.



## Ask yourself this:

What would happen to your family and your company should you pass away unexpectedly? Chances are your loved ones and business interests may face significant challenges. Having a plan is important; making sure it's correct and updated is critical.

Take a look at this [Supreme Court case between the Connelly brothers](#):

Consider your own business and its succession/continuation in light of the facts of this case.



### The Business

Two brothers, Thomas and Michael Connelly, owned a building materials company together.



### Keeping it in the Family

The goal is for the surviving brother to buy the deceased brother's share of the company.



### Planning Ahead

To make sure the surviving brother had the money to buy the shares, the company bought and owned life insurance on each brother (Entity Redemption Buy-Sell Plan).

Michael died and Thomas now owns 100% of the company. The question is:

**How much is Michael's share worth for Estate Tax purposes?** Does it include the money from the life insurance the company received?



**The IRS says yes**, the life insurance money counts towards the value of Michael's share, making his estate value larger and the resultant estate tax bigger.



**Thomas argues** that there is an offsetting liability against the asset (life insurance). The life insurance money shouldn't count because it's a separate asset of the company, not part of Michael's ownership.



### The Supreme Court's Role

They decide who's right. This decision affects how family businesses and any business with an entity redemption buy-sell arrangement plans and funds for ownership changes in the future.

On 6/6/2024, the Supreme Court determined that the IRS is correct and the Estate of Michael Connelly does owe additional estate tax.

Keeping this real-life example in mind, here are five insights worth exploring:



### **Probate**

Picture this... your hard-earned assets tangled in probate, draining resources and time. With a strategic estate plan, you can bypass this costly ordeal, striving for an efficient transfer of assets.



### **Control**

Appoint successors and define management guidelines in your estate plan, maintaining direction and control even when you're not there.



### **Creditors**

Without proper protection, your business is vulnerable to creditor attacks. A custom estate plan will help shield your assets, strengthening your legacy against unforeseen financial storms.



### **Tax Management**

Death and taxes are inevitable, but strategic estate planning can help manage tax liabilities so the business can continue on while preserving more wealth for your loved ones.



### **Buy/Sell Agreement**

For businesses with partners, a buy-sell agreement outlines a clear roadmap for ownership, aiming to minimize conflicts and facilitate a smooth transition.

## **What could happen if you passed away without a will or estate plan?**

State laws could take control, leaving your loved ones and partners facing plenty of uncertainty. Probate becomes complex, leading to disputes and delays that could harm your business.

## **Preserve your legacy and minimize aggravation with a solid estate plan.**

We've helped business owners protect what they've worked so hard to build. And we would appreciate the opportunity to collaborate with you too.

## **Do you currently have a buy-sell agreement?**

We're here to evaluate your buy-sell agreement and share the remedies available if you are at risk. Call now to get started.

## **The first step is a conversation!**

If you don't yet have a buy-sell agreement or an estate plan for your business, then contact us today to schedule an initial discussion at no cost to you.

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