

# Wingsuit Flying

## Managing your money after you sell your business

**Y**ou are an entrepreneur who has worked hard for several years to grow your business—now it is time to sell it. You may feel like you are jumping off a cliff in a wingsuit. You feel both excited and scared. You need advice.

Over the years, the Olympus Wealth Management team has developed some tips to help you manage your new liquid wealth. They are designed for entrepreneurs who want to land softly after they decide to put on that wingsuit and jump.

### Know thyself

Concentration is the great wealth creator. The top spots on the *Forbes* list of world billionaires and wealthiest people in the United States are occupied by those with wealth built by concentration.

But the case for diversification is compelling. According to research by J.P. Morgan, which focused on public companies:

- Since the early '80s, 40 percent of all companies experienced a severe loss and never recovered.
- Measured from inception, two-thirds of all companies underperformed the Russell 3000.
- Risks include those outside of management's control, like government policy changes, technological innovation, or intellectual property infringement.

In summary, concentrate your wealth to create it, and diversify your wealth to protect it. Examine your goals and determine where you fall on this spectrum.

### Know your number

Once an entrepreneur decides to diversify, the number one question is: How much should I diversify to protect my desired spending?

This analysis should account for expected income and expenses. It should also assume persistently weak markets. Then, if markets are weak, you can continue spending as planned. If markets

are stronger, you can spend more.

Once you determine the amount to diversify, any additional wealth is “excess capacity.” You can use this capacity in a number of ways. You can leave it in your existing business, invest it in another business, allocate it to private investments or give it away to others, including charity.

### Plan comprehensively

Some entrepreneurs focus on boosting the value of their business or closing the sale of their business but ignore other important planning strategies like adding tax efficiency, building a legacy for their beneficiaries that will last or managing risk. All of these strategies together are better than any one of them alone. An experienced advisor can help you address them.

Adding tax efficiency involves careful considerations. There are strategies for income tax, alternative minimum tax (AMT) and estate and gift tax. There are strategies for charitable inclinations and excess capacity. There are strategies for stock options, real estate and partnership interests. And there are strategies that preserve more flexibility and control than others. The list goes on and on.

Whatever tax efficient strategies you consider, remember this when planning for the sale of your business: timing matters. Many income tax strategies must be in place as soon as possible *before* a binding agreement of sale. Similarly, many AMT and estate and gift tax strategies are most effective *before* a big increase in value.

Building a legacy for your beneficiaries that will last also involves careful considerations. In short, the best plans tie distributions to core personal values, not to the amount of money that is available. For example, distributions can be tied to educational, entrepreneurial or even philanthropic activities.

Risk management is also important. Strategies include insurance, certain language in ownership documents and asset protection trusts. Fortunately, these strategies can often be integrated

fairly easily with other wealth and estate planning vehicles.

### Do what you do best and delegate the rest

Given your success, you have probably learned and applied this tip long ago. The process of selling your business is no exception. Acknowledge the limits of your expertise and build a team to help plan for your jump off the cliff in that wingsuit.

Your team members should include a corporate attorney and possibly an investment banker to help with the sale of your business. Team members should also include a wealth advisor team, an estate planner and an accountant to help with your wealth and estate planning. Ideally, your wealth advisor team has qualities that include independence, experience and the ability to quarterback this effort, because they are often the best positioned to coordinate your entire team of specialists.

Congratulations on your success. Now it is time to jump. Follow these tips and you can continue your success through the sale of your business and beyond. **UB**

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