



GC Wealth

A D V I S O R S

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.

GC Wealth Advisors, LLC

200 W. Roseburg Ave., Suite B2, Modesto, CA 95350

209-921-GCWA (4292) | gcwealth.net