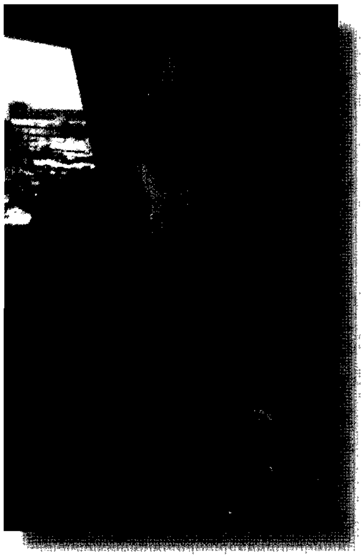
A 2010 RESOLUTION: A CORPORATE SALE STRATEGY BENEFITS EVERYONE



Johnne Syverson, CFP®, AEP, CAP
Principal
Syverson Strege & Company
West Des Moines

IF YOU INTEND TO SELL YOUR CORPORATION IN 2010, DON'T OVERLOOK A CHARITABLE STRATEGY THAT CAN BENEFIT YOU, YOUR BUYER, AND YOUR COMMUNITY—AT UNCLE SAM'S EXPENSE. HERE IS AN EXAMPLE.

John and Judy Owners, both aged 65, have owned their corporation for 35 years, starting from scratch. A number of their competitors have made inquiries regarding John and Judy's desire to sell. They are now at a point where they want to retire, so they need to do the best they can with the sale of their corporation, which is their largest asset. They would also like to do something significant for their community, where they built their company and their personal wealth.

John and Judy's corporation is valued at $10 million and their total net worth is $12 million. John and Judy capitalized their corporation 35 years ago with $100,000, which now becomes their cost basis for calculating a capital gain upon sale.

After considering their retirement and estate planning objectives with their team of advisors, John and Judy decided to:

- Sell 70% of their corporation outright to an outside buyer.
- Sell the other 30% through a Charitable Remainder Trust (CRT) in which they would be the Trustees controlling all aspects of the CRT.

John and Judy will be the Income Beneficiaries of the CRT, receiving a 5% income stream for their lifetimes, thus giving them a supplemental retirement income. They also set up a Family Foundation at their local Community Foundation, which will receive the remainder of the CRT assets left at their death and be controlled by their children to carry on their philanthropic giving to many community causes dear to the family.

THIS CORPORATE SALE APPROACH APPEALED TO JOHN AND JUDY MUCH MORE THAN IF THEY HAD SIMPLY SOLD THE CORPORATION WITHOUT PLANNING.

The result of this sale strategy for John and Judy is as follows:

- John and Judy will **avoid $572,000 of capital gains tax** by selling 30% of their corporation through their CRT.
- They will enjoy a charitable income tax deduction in the amount of $1,049,000 in the year in which they contribute 30% of their corporate stock to the CRT. This will save them another **$419,600 in income taxes** as a result.
- By removing $3 million from their taxable estate using the CRT, John and Judy's heirs will save **$1,350,000 in Federal Estate Taxes** at their death.
- If they live to their life expectancy and if the CRT achieves a 7% average investment return, the amount remaining at John and Judy's death which will benefit the community could grow to **$5,216,000**.

This corporate sale approach appealed to John and Judy much more than if they had simply sold the corporation without planning, which would have produced an involuntary gift of **capital gains taxes** to the federal and state governments totaling **$1,980,000** for which it is doubtful they would even receive a Thank You note!