



Case Study: **Mid Career Business Owner Needs Long Term Strategy**



Summary of Services Provided

- Guide the articulation of mutual financial goals
- Develop an integrated investment plan considering liquid and illiquid assets
- Analyze and consult on the design of the company benefit package
- Coordinate with legal and insurance advisors
- Implement updated estate planning strategies

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Wealth Management

Steve and Donna are longtime clients. Steve is the primary owner of a successful business and in the middle of his career. They have invested most of the family resources into the business and Steve spends a great deal of his time focused on running and growing the business. With three children still at home involved in school and a variety of extracurricular activities, Donna spends much of her time focused on running and managing the family household. With such busy lives, Steve and Donna have had little time to strategize about their personal financial planning. While retirement is still many years off, they wanted to make sure they were doing everything possible to take care of their financial future. After several meetings, we helped them clarify and articulate their primary goals:

- 1) To develop a retirement income strategy;
- 2) To incorporate the value of the business within their overall investment plan;
- 3) To evaluate corporate benefit options for the employees and other owners of the business;
- 4) To mitigate the risks of business ownership including business continuity;
- 5) To update their estate plan to address the increased value of the business

The Fairhaven Solution

Working with Steve and Donna in the goal identification process revealed two different mindsets; Steve considered the business itself to be the family's financial plan and he assumed he would always work. Donna, however, considered the business more a "means to an end" and looked forward to a time in their life when Steve would work less and they would travel more and spend time with future grandchildren. Through thoughtful questions and discussion, we were able to help Steve and Donna mutually develop a blueprint for their longer term financial future.

Even though the business was their major asset, Steve still preferred to reinvest extra capital back into the business, feeling he had more control over returns. We explained the risk associated with illiquid assets, such as a closely held business. We helped Steve and Donna to think about the business as a component of their overall investment portfolio. Rather than continue to reinvest excess capital in their largest asset, we discussed diversification and its ability to reduce overall volatility. We prepared a plan to regularly reallocate excess capital from the business into a globally diverse basket of stocks, municipal bonds, REITs, MLPs and other securities to complement their investment in the business.

We worked with specialists in corporate retirement plan design and insurance consultants to evaluate potential components of a total benefits package for the business. We prepared an analysis of the funding requirements and other pros and cons of a Safe Harbor 401k Plan, a non-qualified deferred compensation plan and a Section 125 Cafeteria Plan.

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We identified gaps in their overall risk management. While Steve had some basic life insurance in place, there was no defined plan for the business should something happen to him. In addition, there was no life insurance at all on Donna. We helped them work through a business continuity plan, which included a buy/sell agreement, key person life insurance, and disability protection. The business entity was already structured to provide protection from personal liability. After a thorough review of Steve and Donna's property and casualty insurance, we recommended a higher level of umbrella liability protection.

The business continuity discussion was key in updating the estate plan. While Steve wanted to minimize tax liability, Donna was concerned about liquidity and making sure the trust language protected their younger children over the long term. We discussed various estate planning strategies specific to their family circumstances and coordinated the selection of a new estate planning attorney who specializes in working with private business owners. After the estate plan documents were updated, we led the process of appropriate asset re-titling and updating beneficiary designations.

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