

WHY PEOPLE DON'T PLAN AND FAILURE TO PLAN – HIDDEN COSTS

- Why People Don't Plan
 - Time
 - High importance/low urgency
 - Mortality
 - Don't want to face our own mortality
 - Cost/Benefit
 - Don't have to do it
 - Pay money up for uncertain benefit
 - Don't want to rock the boat
 - Don't want to address potential family conflicts

- Hidden Costs of Failure to Plan
 - Lack of Development of Successors
 - Leads to reduction on value of winery/vineyard
 - Income and Estate Taxes
 - Leads to less after tax cash to owners and heirs
 - Lack of Understanding of Personal Financial Needs
 - Holding on too long to retain cash flow can lead to intergenerational conflict
 - Equal Ownership in Next Generation
 - Family conflicts and reduction in value

SUCCESSION PLANNING PROCESS

Integrated Process Steps – Not just an event

Business Planning, Management Succession, Ownership Transition, Estate Planning, Personal Financial Planning

1. Who? When? – Attys, CPAs, Trusted Business Advisors, Family
 2. Prioritization of goals and objectives – Where do I want to be?
 3. Diagnostic (assessment) – Where am I?
 - Business Financial Planning
 - Management Succession
 - Estate Planning
 - Personal Financial Planning
 - Ownership Transition
 4. Based on where I am – what alternatives are available to me?
 - Based on prioritized goals and objectives
 - What alternatives are available to me
 - Consistent with my goals and objectives
 - Consistent with my business and personal financial health
 - Consistent with my industry
 - If no alternatives are satisfactory
 - Are there things I can do in the short term to accomplish goals
1. Design – How do I get there?
 2. Reviewing the plan
 3. Implementation – Getting there?

DAUNTING PROCESS

Take in steps

- If don't know what exit strategy is, just try and identify and prioritize business and personal goals and objectives and assess where you are relative to those goals and objectives
- If you know you are going to sell, concentrate on maximizing value
- If you know you would like to transition internally, concentrate on those key areas

EXTERNAL OR INTERNAL TRANSITION

- External Transition
 - Am I maximizing value? **The Top Line**
 - Business Financial Planning
 - Management
 - Am I maximizing after tax value? **The Bottom Line**
 - Income Tax Issues – how am I structured (winery/vineyard, S corp, C corp, LLC)
 - Estate and Gift Tax Issues – have I quantified – what am I doing
 - Current income and estate tax law changes
- Internal Transition
 - Personal Financial Planning
 - How much do I need, or want?
 - Estate Planning
 - Most effective estate and gift tax efficient methods
 - Will ownership deter from management's ability to run a profitable business? Family squabbles ?
 - Management Succession
 - Are my children or key employees capable of managing the business? Can they (a) provide cash flow you need and (b) preserve and grow the value of the business?