ACEC INDIANA PRINCIPALS AND OWNERS WINTER SUMMIT

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Instructions

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Exit Planning
Exit Planning

Demographic experts predict that

- 50% of privately owned businesses will change ownership in the next 10 years.
- These companies have an estimated value of over $6 trillion.
- That’s the largest generational transfer of wealth in history.
- 75% of these business owners don’t have an exit plan!
- 25% of these business owners have not done any financial or estate planning!
- This is a recipe for DISASTER!
General Categories

“INSIDE”

- Intergenerational Transfer
- Management Buyout (MBO)
- Sale to Existing Partners
- Sale to Employees (ESOP)

“OUTSIDE”

- Sale to a Third Party
- Recapitalization (Recap)
- IPO
- Orderly Liquidation

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Value Acceleration Process

EPI Value Acceleration Process

DISCOVER
- Business Valuation
- Assess Personal Financial Business
- Prioritized Action Plan

PREPARE
- VALUES
  - Personal & Financial Planning
  - Business Improvements
  - DE-RISKING
- Assemble Proof
- Prepare Master Plan

DECIDE
- Grow or Exit?
- Go to Advanced Value Creation
- KEEP
- SELL
  - Initiate Selected Transaction Program

www.exit-planning-institute.org
Why Do Deals Fail…

• Undervalue the company
• Unable to control the exit
• Pay too much in taxes
• Fail to achieve the owner’s personal goals
• 12 months after selling, three out of four owners surveyed, “profoundly regretted” the decision.
• 70-80% of businesses put on the market do not sell.
• Only 30% of all family-owned businesses survive into the second generation.
Employee Retention
Retaining Employees

• You’re not alone!
• How do you retain your best and brightest?
• How do you develop future leaders and owners?
Key Considerations

• Attract, retain and reward top, key talent
• Complete flexibility in design (customize to meet goals / needs)
• Not a take away
• *May be FAR allowable*
Overhead Rate Considerations

• The FAR specifically allows for deferred compensation
• Must be within overall compensation limits
• Must be performance based
• What would an increase in your rate mean to future revenues?
Incentive Funding

Profit $

- Over Budget by 10% →
- Original Budget →
- Under Budget by 10% →

Pools are funded simultaneously

Inverted Curve

Support Growth – Equity, Taxes, Banking, investment in infrastructure, etc. (No incentive)

Total Incentives $ (no upper limit)

- Performance Bonuses
- Deferred Compensation
- 401k Profit Sharing

Financial Foundation

Incentive $
Tax Credits/Deductions: How to Use Them to Benefit Your Business
Tax Credits/Deductions

• Research & Development credits – UPDATES!!
• Section 179D deduction
• Indiana Specific Incentives/Grants
  • Economic Development for a Growing Economy (EDGE)
  • Reimbursement for Intern Wages
  • Property Tax Abatement on New Real Estate
  • Workforce Development Training Grant
Questions?

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