How do I prioritize my personal wealth plan during the sale of my business?

By James R. Cody

Individuals and families considering a business sale typically face a daunting intersection of planning issues. These may include deal structure decisions, legal and regulatory considerations, income tax minimization, capital-sufficiency analysis, wealth transfer and philanthropic goals.

As a deal approaches the closing stage, an owner’s attention will be focused on getting the deal done—and rightly so.

Yet, it is equally important that business owners not lose sight of the impact a company sale will have upon their personal wealth profile. Realizing the full potential of the sale of a business necessitates proper planning early—before the deal closes. To ensure that personal wealth planning doesn’t take a backseat to the company transaction, consider the following action items:

1) Hire a conflict-free financial quarterback to coordinate and execute integrated, personal wealth planning on your behalf. As a business owner, you need a personal “deal team” that is separate from your company “deal team.” Hire a financial quarterback to focus on the issues surrounding the transaction and its direct impact upon your personal wealth. Seek an independent, experienced advisor who can guide you personally and can partner well with your company deal team—corporate legal counsel and company CFO—as well as your other personal advisors—your tax advisor and estate attorney.

2) Conduct a 360-degree review of your financial situation in conjunction with your legal, tax and other advisors prior to the closing. Working with your financial quarterback, ensure that all of your personal wealth planning strategies are buttressed up and executed. For example, you may still have time to gift/transfer ownership to your children at a discount to the ultimate selling price of your company. In some instances, it might make sense to exercise stock options early to mitigate ordinary income recognition. Your personal deal team can help you determine effective planning strategies.

3) Assess and implement the tax, legal and other planning structures that will be necessary immediately after the sale. Liquid wealth following the sale of a company brings new complexity and often necessitates a new legal, tax and financial operating structure for the management of your personal wealth. Key considerations are: asset protection, anonymity and a clear separation of business assets and operations from your personal wealth.

4) Identify a safe placeholder for your initial liquidity with an independent custodian that is financially sound and has the requisite trading, operational, service and technology platform to serve individuals and families of material wealth. An independent custodian will not attempt to sell you solutions during this critical period following a liquidity event. You will separate the institution holding your assets from the underlying third-party investment managers you might ultimately choose to manage those assets. Whether you select a bank or a broker-dealer as your custodian, choose wisely for the placement of your initial wealth.

5) Develop the business plan for the overall management of your liquid wealth. Working with your financial quarterback, develop your new investment plan for the immediate deployment of the transaction proceeds and the long-term management of your family’s investment capital. Consider taking a purpose-based approach that matches your goals with the investment strategies intended to fund them:

- Short-term strategy (near-term planned outlays and lifestyle needs)
- Intermediate-term strategy (deployment of proceeds into new investments)
- Long-term strategy (income needs, wealth transfer and philanthropy)

While this plan may be preliminary, having an outline of your objectives in advance of the closing will provide you with peace of mind, safety and clarity.

The transition from company owner to wealth owner can be a transformative event. If you execute these outlined steps effectively, you will be in command of your personal wealth and will make great strides toward optimizing the outcome of your company sale.

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—James R. Cody

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**MY FAVORITE VACATION SPOTS ARE...**

Lake Tahoe, the Kona coast of Hawaii and the Eifel region of Germany

**MY HOBBIES ARE...**

Amateur vintage automobile racing, skiing, boating and spending quality time with family and friends

**About James R. Cody**

James R. Cody joined CTC | myCFO in 2000 and has more than 30 years of professional experience. CTC | myCFO is a wealth-consulting firm offering independent investment advice and the comprehensive services of a multi-family office. Mr. Cody specializes in philanthropy, estate and trust planning for the ultra-affluent clients of CTC | myCFO, and counsels clients on sophisticated tax-saving, wealth-preservation and wealth-transfer strategies. Prior to joining CTC | myCFO, he led the estate and trust practice group for a San Francisco area law firm, where he practiced law for over 17 years. Mr. Cody earned a BA degree in economics from Yale University, an MBA from the Graduate School of Business at the University of California–Berkeley and a JD from the University of California Hastings College of the Law in San Francisco. Mr. Cody and his wife make their home in Burlingame, California.

**Financial Services Experience**

32 years

**Minimum Fee for Initial Meeting**

None required

**Largest Client Net Worth**

$5+ billion

**Number of clients**

335

**Website**

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**Compensation Method**

Fixed and hourly fees (planning services); asset-based fees (investment services)

**Primary Custodian for Investor Assets**

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**Professional Services Provided**

Planning, investment advisory, capital advisory and comprehensive family office services

**Minimum Net Worth Requirement**

$100 million net worth (for planning services)

$25 million in investable assets (for investment services)

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