



KDVR



BUSINESS PLANNING

When Can I Retire?



Presented by the Central Minnesota
Business Transition Advisory Group

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When Can I Retire?

Presented by Dave Hinnenkamp, KDV Wealth Management, LLC



How Much Money Will I Need to Retire?

- **When Should I Ask This Question?**
 - As early possible, AND
 - BEFORE you sell your business!
- **Lifestyle Expectations**
 - Choices and balance
 - Separating “needs” from “wants”
- **More Needed in Early Retirement Years**
 - Travel
 - More active

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Will My Money Last as Long as I Do?

- **Newborn Life Expectancy**
 - 1935 – 61 years
 - Today – 79 to 80 years
- **Life Expectancy at Age 65**
 - Today – 83 to 84 years
 - Non-smoking couple age 65 today of average health and average family history of longevity –
 - ✓ 50% chance one will live to age 92
 - ✓ 30% chance one will live to age 96
 - ✓ 10% chance one will live to age 101

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What Risks Could Jeopardize Retirement?

- **Longevity** - We live too long
- **Inflation Risk** – Investments too conservative
- **Market Risk** – Lack of diversification
- **Reinvestment Risk** – Investments mature, new returns low
- **Sequence of Returns** – When dollar cost averaging hurts
- **Fraud** – Trusting the wrong people, or trusting no one
- **No “Quarterback”** – Investments scattered
- **Taxes** – It’s not what you earn, it’s what you keep

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How Do I Minimize My Retirement Tax Bill?

- Have a financial plan
- Have an asset distribution plan
- Review it annually
- Have an advisor who understands the Tax Code or ensure that your Advisor and CPA communicate regularly
- Have your CPA manage tax brackets
 - Goal is to pay the least amount of tax over time, not necessarily in any given year

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What Causes a Sale Not to Close?

- **Purchase price doesn't meet with seller's needs and/or expectations**
- **Seller is unwilling to accept a disproportionate amount of risk**
 - Representations & Warranties
 - Earn-Outs
 - Claw-Backs
 - Subordinated Seller Financing
- **Due Diligence Issues**

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Alternatives to Selling to a Strategic or Financial Buyer

- Sale to key employee or family member (internal sale)
- Leveraged recapitalization
- Retain professional management and maintain current income

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How to Hire, Attract and Retain Professional Management

- Hire good executive search firm
- Compensating key employees with stock
 - Not tax efficient
 - Minority shareholder status not desirable

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Compensation Alternatives

- **Non-stock compensation alternatives**
 - Stock appreciation rights
 - Phantom stock plans
 - Deferred compensation arrangement
 - ✓ Watch out for new 409A regulations
 - ✓ Medicare taxes must be paid as plan vests

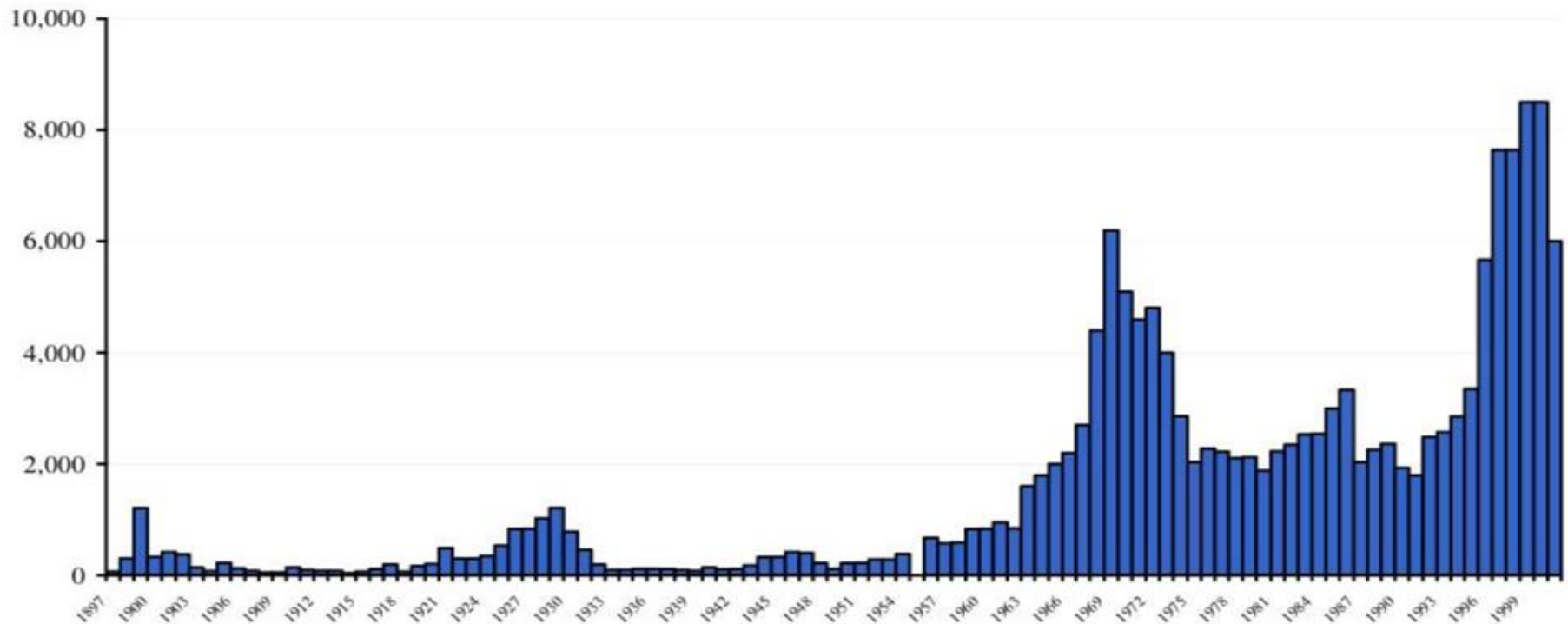
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100 Years of Merger Volume

Presented by Dan Mulvaney, Sunbelt Business Advisors

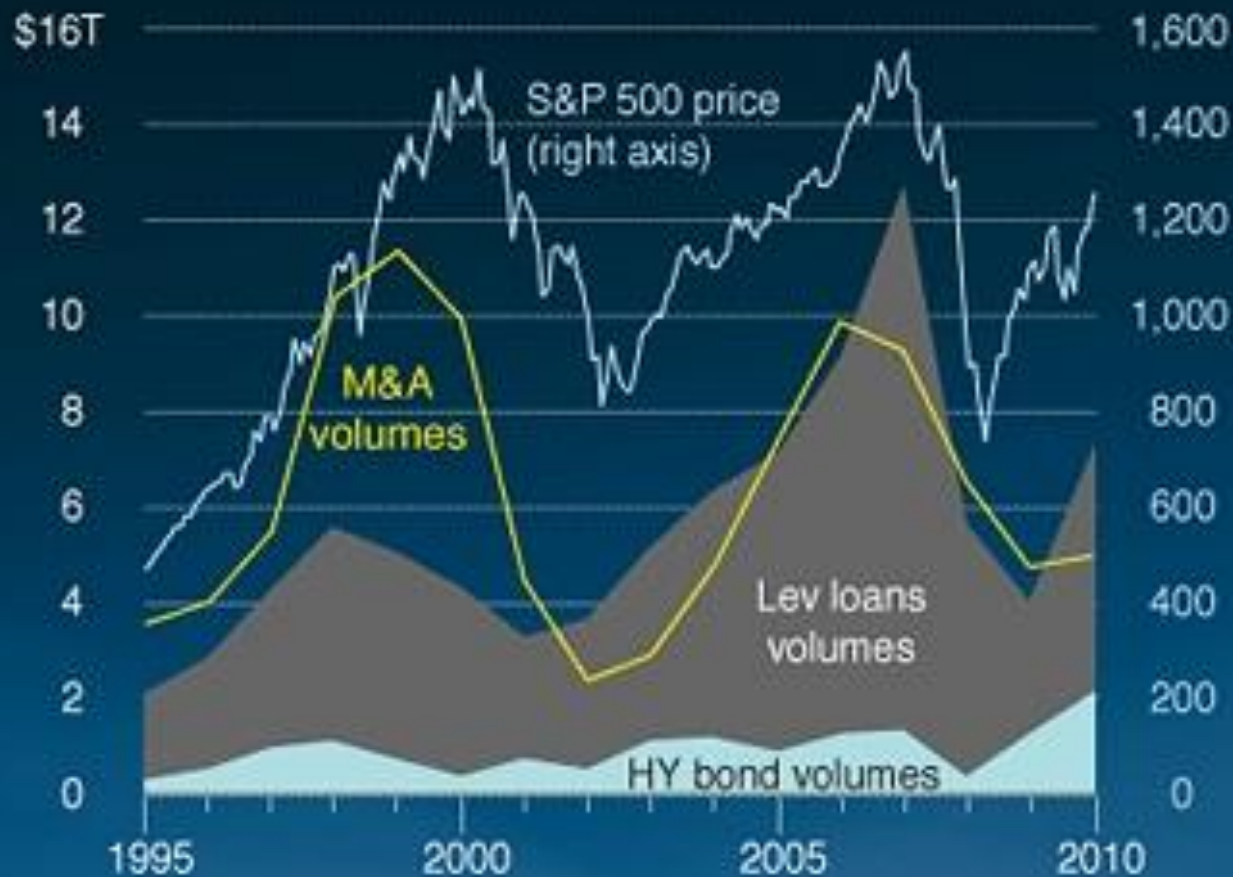
Figure 1 – US Merger Waves



*Source: A Century of Corporate Takeovers, Martynova, Renneboog (2008)

Where Are The Deals?

M&A volume, high yield issuance, and stock prices in the U.S.



Source: Dealogic, FactSet

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- How is a business' value determined?
- Valuation using cash flow versus assets
- Goodwill versus no goodwill

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- **Valuation using cash flow**
 - $\text{EBITDA} \times \text{Multiple} = \text{Value}$
- **Valuation using assets**
 - Fair Market Value – Less Than You Think

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The M&A Marketplace

- **Who makes up the Marketplace?**
 - Buyers
 - Sellers
 - Lenders
 - Investment Bankers

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Transaction Structures

- **Business value has been determined**
 - Cash at closing
 - Post-closing payments
 - Fixed payments
 - Variable payments (earn outs)

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Resources

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