

***We needed to be sure our business would support our wealth accumulation, while protecting our livelihood and future lifestyle.***

Our client had recently turned 50, and as is often the case when a milestone is reached, he reflected on past achievements while looking to the future. When we first met him, the conversation was along the lines of: *"I've been following your articles for some time now..."*

He had realised the financial planning topics we addressed in our monthly communications went straight to the heart of his own circumstances. As a successful business owner, his financial affairs - both business and personal - were tightly entwined, raising concerns that needed to be addressed. He needed to feel confident that his business opportunities would support his wealth accumulation, while protecting his livelihood and future lifestyle.

For privacy reasons, we'll refer to him as Steve.

Steve is married to Jane and together they have two adult children. They built a successful business based on Steve's expertise in specialised software development. The products offered by this small Brisbane business were in demand by mining and resources corporations around the world.

During our initial discussions with the couple, we understood that their success had allowed them to accumulate substantial wealth and their business had grown to a reasonable size.

We asked Steve to complete our 'About You' questionnaire. This prompted him to consider his current situation carefully and deliberate answers to a number of questions he hadn't known he needed to ask.

### **Overview / Needs Assessment**

This exercise enabled Steve and Jane to prioritise their financial requirements into short and medium-term goals.

The short-term matters (those to be attended to within 12 months) included:

- Building business assets and investment worth;
- Establishing a SMSF investment strategy;
- Structuring their business affairs to achieve three key outcomes:
  - (i) tax effectiveness,

- (ii) sale-ready should they wish to sell; and
- (iii) shore up their future in retirement
- They also needed to address estate planning matters, starting with their Wills.

Their medium-term goals (those to be achieved over one to three years) included:

- Building their net worth through better personal investments; and
- Rationalisation of their existing real estate and share portfolio.

We also recognised that Steve was concerned about paying more tax than necessary and protecting his business and family from legal challenges or creditors. Steve had also indicated to us that he had never sought business or legal advice particularly in regard to contracts he had signed with major corporations.

### **Our Process**

As experienced financial planners specialising in the mining and resources sectors, the breadth of our knowledge extends well beyond personal financial and risk advice to identifying key matters that require specialised involvement from aligned professionals.

For example, we recognised that without advice, tax and challenges to Steve's IP could have significant impacts on his future wealth.

With a strong understanding of Steve's circumstances, coupled with insights gained over many years working in complex business environments, we were aware of several possible solutions for Steve's concerns. These included small business capital gains tax discounts, retirement exemptions, business ownership structures and asset protection strategies.

To achieve the best possible outcomes for Steve and Jane, we assumed the role of the central coordinator of a multi-faceted advice solution and formed a team of highly qualified advisors.

This team comprised ourselves representing the couple's personal financial affairs, investment management and wealth creation, personal risk and retirement planning strategies; an experienced business accountant to advise on the business sale, ownership structures and complex tax matters; and a lawyer with specialised knowledge in IP, business contract law and estate planning.

Collectively, the advice team promptly addressed each of Steve and Jane's short-term requirements in order to embark on the long-term planning, originally timetabled over three to five years, by which time the couple would consider selling their business.

The combined effort of the advice team resulted in outcomes for medium-term objectives being brought forward and achieved within 12 months, so when an unexpected opportunity to sell was presented less than six months later, Steve and Jane were well-positioned to take the offer seriously.

Additionally, we were able to provide Steve and Jane with a clear indication of their financial position should they sell. Using our Retirement Funding Modelling software, we assisted them to plan for financial independence based on the business selling price and tax payable once available exemptions were applied.

We consolidated Steve and Jane's share portfolio on a professional management platform after discussing the CGT implications of transferring to a trust or superannuation. Being time poor, they had no desire to prepare tax returns for numerous different entities at year end. The platform we recommended would astutely manage their multi-million-dollar portfolio while minimising their administrative burden.

We also considered their real estate portfolio. Upon discussing and evaluating the possible rationalisation of their residential properties, it was agreed that no changes would be made due to CGT and stamp duty implications because significant tax would be saved and their financial independence objectives would be met by maintaining their diversified mix of assets.

## The Outcome

Steve and Jane's business sold within 12 months of working with them. As financial planners and the central coordinator of their advice team, we were certain our clients' best interests were served and the best possible outcomes were achieved as a result of the team's combined expertise, particularly throughout the sale negotiations.

The accountant and lawyer, whom we recommended due to their significant experience in selling businesses, particularly software development businesses of substantial value, to large private equity and listed entities, also worked closely with the purchaser's advice team. We led discussions to ensure open and clear communication which allowed the process to flow and achieve settlement rapidly.

Settlement occurred with significant tax saving, and not just for Steve and Jane. The purchaser also benefited from future tax savings thanks to advice provided by the accountant on our advice team.

The business structures that had been implemented early in the process were put into play for holding assets and this reduced tax immediately and in the future.

Our advice team lawyer, provided advice that assured their fixed assets protected and Steve's IP was assured.

As their financial planners, we recommended contributing a significant sum of the sale proceeds to Steve and Jane's superannuation and that they invoke the small business contribution exemption to create an immediate and future long-term and tax effective saving outcome for achieving financial independence.

Having consolidated their share portfolio and recommended professional management on a reputable management platform, we were able to give Steve and Jane confidence that their portfolio would be astutely managed, while relieving them of the significant time pressure had they self-managed, and for an affordable annual administration fee.

For more information about this case study and our role as financial planners and central coordinators of this advice team, please contact Brett Cribb on 07 3007 2000.

**Resources Unearthed is a solutions hub that provides integrated financial, business and legal services for executives, professionals and business owners in the mining and resources sectors.**

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