

LONG RANGE FINANCIAL PLANNING CONCEPTS RELATING TO THE TIMBER SUPPLIER INDUSTRY

ILLUSTRATIONS OF THE IMPACT OF TAKING HOLD OF YOUR FINANCIAL FUTURE

- 1) We are approaching the point where we will see the first generation to retire from this industry as an intensively capitalized business.
- 2) IRS depreciation allowances have encouraged high rate of capital spending and rapid write-off.
- 3) The deferred income tax liability is becoming one of the largest factors impacting the successful transition to retirement.
- 4) This industry is intense in category referred to as "Hot Assets" by income tax professionals. Be careful not to get burned by these hot assets.
- 5) IRS rules effectively prevent installment sales of equipment at retirement.
- 6) Incorporating the business and expecting to do an installment sale of the stock of the business is a flawed strategy. The theory of the strategy is not flawed, but the practicality of this approach is flawed.
- 7) You have worked a lifetime to build up your business (possibly with the expectation that your business can work for you someday). Be sure that you manage the wind-down phase of your involvement in the business in a manner that provides you with the best chance of fully benefiting from the investment that you have made.

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- 8) Consider a strategy of keeping your before tax equity working for you as long as practical in order to achieve a better financial outcome.
- 9) Consider keeping some of your investment dollars working for you in an industry where you can earn a better return and in an investment that you understand.
- 10) In order to implement this strategy you typically need a solid business ownership succession strategy.
- 11) Developing a solid business succession strategy will typically take at least 5 years. Get started early if you expect to be able to execute this strategy.
- 12) Monitor your business growth trajectory and know your financial independence target. If you don't know your financial planning goal, it is difficult to know where you are at and what you need to do to attain a satisfactory standard of living in retirement.
- 13) The reader will note that the financial planning illustrations provided during this meeting take two identical operators and after a 10 year period their decisions allow one operator to achieve a living draw that is almost double that of the operator that choose a different path.
- 14) Strategic positioning of your business, capital budgeting decisions, and financial planning are likely to be the key factors that impact the standard of living for the next generation of operators that retire from this industry.