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Have Personal and Business Goals? Discover How the Right Tax Plan Helps You Meet Them

Do you own a closely-held business? If so, the goals you may have for both your personal desires and your business growth may be connected. Decisions you make and goals that you set for your business impact your company's finances, as well as your family's financial profile. At the same time, changes that you are making in your personal life can impact your ability to operate your company successfully.

Tax planning is the process of looking at what your overall goals are and how to achieve them in a reasonable fashion while lowering your tax liability. As a strategic tool, it can be used to help you create realistic, financially feasible financial goals for both your business and personal accounts. It also helps you achieve these goals on a reasonable timetable. Let's take a look at how you can use tax planning to achieve your personal and business financial goals.

Moving Your Personal and Business Financial Goals into Alignment

The types of goals you're setting for yourself and your business will often change based on a few different factors. Where are you in life? Are you just starting out, getting your kids through school or planning for retirement? What stage is your company at in the business life cycle? If the company is just starting out, you may be focusing on creating efficient operations, addressing administrative issues or finding new leads to continue generating growth. If you have small children at home, you may instead be trying to reduce your business hours so that you can provide more time and attention at home. If you're getting ready to retire, your goals may be getting your business to a point where you can reduce hours or sell your company to enjoy your golden years.

Possible Challenges to Address in Tax Planning

Whether you're just starting out or are getting ready to wrap up, you need to take the time to decide how your goals will impact your personal and business finances. If you reduce the number of hours you spend at the business, are there parts of your operation that may suffer during your time away? Will you need to train your people to pick up the load or allocate funding so that you can hire a new employee? If you're going to transfer your business to a family member, you need to ensure that you can meet your future financial needs without the cash flow from your business. Will you and your family member have sufficient support financially as the sale moves forward across its timeline? Are there cash flow or liquidity concerns that need to be addressed? Are you ready to deal with the financing covering a longer time period or the transaction taking longer than it may for a third-party sale? These types of challenges will need to be addressed as you move forward with your tax planning process.

Developing a Tax Plan Strategy that Supports Both You and Your Business

No matter what your business and personal financial goals may be, you're still going to need to develop a solid strategy so that you can reach your goal without impacting either your personal financial situation or your business operations and financing. When you use tax planning to help you through this process, you'll be able to better budget, forecast and project likely scenarios that are an active part of the process. For example, if your goal is to reduce your overall work hours, you can use tax planning to optimize how your personal spending and business income are structured to maximize benefits.

Preparing for a Family Transfer of a Business

Alternatively, if you're working towards transferring your business to another family member, you'll want to undertake different tax planning strategies that will help you optimize liquidity, cash flow and transferable business value. This will help you minimize taxes from the transfer while shortening the transaction timeline. Careful tax planning lets you leverage all the tax deductions, credits and benefits you have available so that you'll have more control over the amount and timing of tax payments. Strategies can also be used to reduce taxable income and the rate you're taxed at by deferring income or shifting some of that income to other family members.

Contact Us for Tax Planning Assistance

If you're concerned that you may not have sufficient knowledge of tax planning strategies to achieve your goals, it's understandable. Tax planning is a complex subject that is constantly being changed.

If you need help finding the right solutions for your business and personal tax planning goals, or if you have any questions, please contact Frankel Zacharia, LLC at 402.496.9100.