

From turbulence *to triumph*

Three success stories from
business owners



Business owners are a rare breed—and that is a sincere compliment. Owners know the difficulties of building a business from uncertainty to success and the importance of long-horizon planning. In an increasingly complex and dynamic business landscape, one truth remains constant: unforeseen events can unravel years of success.

For business owners, comprehensive wealth planning can be the difference between surviving and thriving. Here are three stories in which real business owners encountered unprecedented challenges and worked with Wealth Enhancement advisors and specialists to turn the tide from failure to flourishing and pursuing their full potential.

Success stories are based on real client situations. Names have been changed to protect their privacy.

#1: Bouncing back from a devastating *property loss*

The Client

James is the owner of a Pennsylvania packaging materials business with online and direct sales. He had operated out of a historic building he purchased and renovated. James had owned the building for more than 30 years. The packaging business was owned by his family limited partnership.

The Challenge

After decades of ownership and operation, James was notified that the local water authority was taking over the property through eminent domain, which gives governments the right to expropriate property for public use, paying the owner “just compensation.” This action resulted in significant business disruption, and James had developed a strong attachment to the building after renovating it and working there for many years. Worse, the compensation provided by the government was less than fair market value, and it created substantial capital gains and the associated and unexpected tax burden.

The Strategy

Feeling frustrated and unsure of his options, James met with Paul Brahim, a Wealth Enhancement financial advisor.

- Their consultation revealed that when someone is required to relinquish their property through the use of eminent domain, the IRS provides an opportunity for tax relief. The owner was able to defer capital gains taxes through the exercise of a 1033 exchange into a Delaware Statutory Trust (DST) that owned real estate. All of the assets could continue to grow, despite losing property.
- Then, after a 2-year holding period for tax purposes, Paul coordinated the use of a 721 exchange, also called an Umbrella Partnership Real Estate Investment Trust (UPREIT). A 721 exchange is basically a property acquisition transaction in which a property owner contributes a property to a Real Estate Investment Trust (REIT) in exchange for ownership in the trust. There are no taxes on this transaction either, and the UPREIT is liquid, unlike the DST.

The Outcome

By working with his financial planner, James effectively made a taxable event non-taxable, potentially for the rest of his life. The funds will remain liquid and then can be passed on through the family's limited partnership without any tax consequences.

Takeaway

When facing the government's seizure of his property, James felt like he had no choices or options to deal with a difficult situation. By working with a Wealth Enhancement financial planner, he was able to make the most of a disruptive event, avoid an onerous tax burden, and preserve the proceeds for his current needs—and his family's financial future.

#2: Adapting to a life-changing *tragedy*

The Client

Nicole is a successful business owner. After going through a difficult divorce, Nicole met someone and fell in love. She subsequently sold her business and enjoyed an incredible lifestyle with her new partner, owning multiple properties and boats. The two never married but lived together for 17 years, traveling around the world as they ran his international business.

The Challenge

Unfortunately, Nicole's world came crashing down after her partner was seriously injured when disembarking from a boat. After six weeks in the hospital, he passed away. His tragic accident revealed an underlying issue: the couple hadn't addressed the estate planning basics, leaving her with a complex financial situation, uncertainty about her future, and no ownership of his company, which had been her main source of future income. From unallocated assets to the sudden windfall of cash from a substantial life insurance policy, the lack of a comprehensive estate plan put her long-term financial security at risk.



The Strategy

At the outset of the financial chaos, a financial advisor with Wealth Enhancement stepped in to provide guidance and help Nicole build a solid financial foundation for the rest of her life.

- The initial discovery process involved Nicole and her advisor spending three days assessing her financial situation, sorting through documents, and developing a complete understanding of her assets and obligations.
- Together, Nicole and her advisor crafted a customized plan to organize her current financial disarray and set her on a path to stability. She paid down her existing debts and set up a robust retirement income plan tailored to her desired lifestyle.

The Outcome

Wealth Enhancement comprehensive planning approach addressed short-term challenges and created a comprehensive plan with the goal that the client would never have to worry about money again. From a state of confusion and uncertainty, Nicole was able to rebuild her financial life with clarity. Her collaboration with Wealth Enhancement allowed her to turn a potentially crippling situation into a new chapter of financial confidence.

Takeaway

Life's unexpected twists can turn dreams into nightmares overnight. With the right guidance and planning, even the direst of circumstances are navigable. This experience showcases the importance of not only enjoying success but preparing for the unexpected: Don't put off planning because you think it doesn't seem important—but even if you do delay, the right advisor may help you put your life back together. Working with a Wealth Enhancement advisor at her most critical hour, Nicole was able to transition from uncertainty to financial stability.

#3: Crafting resilience *and opportunity*

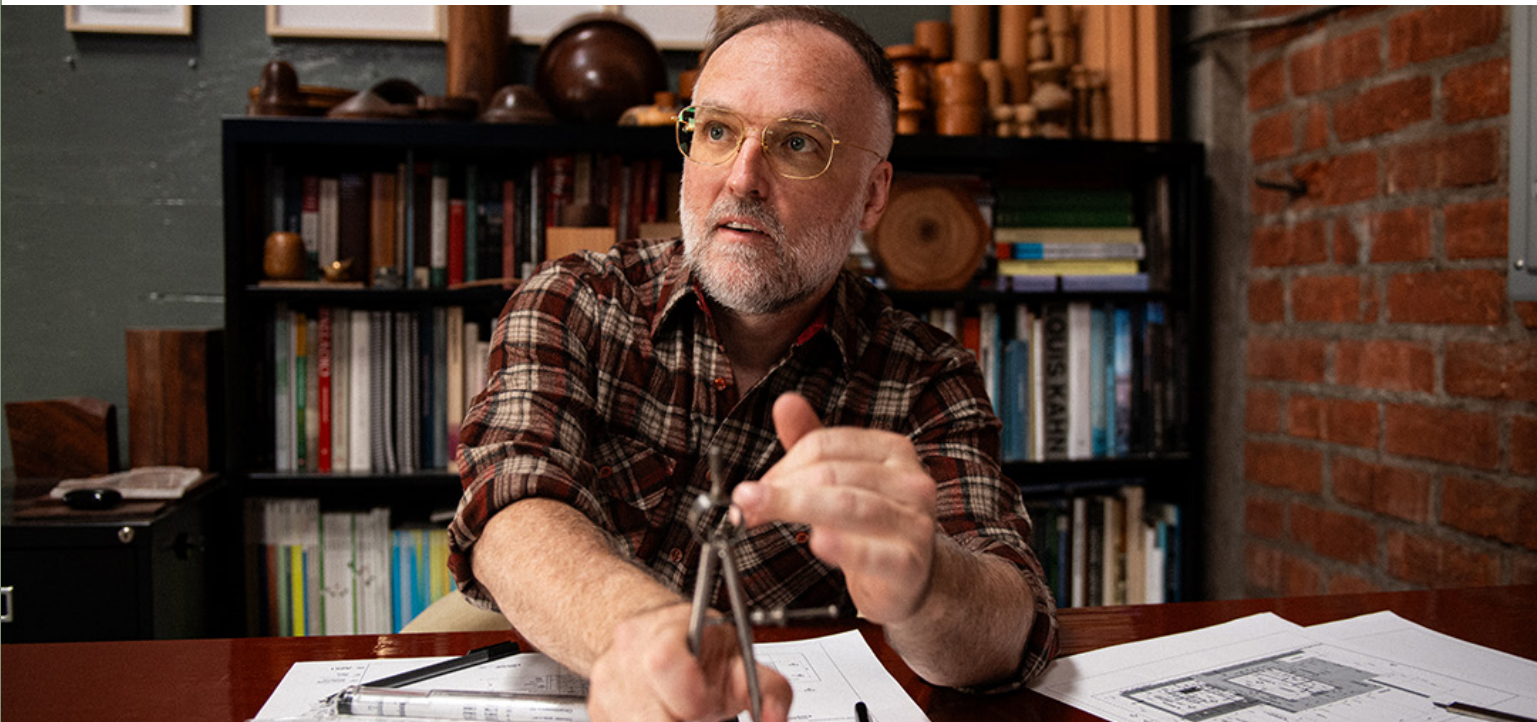
The Client

Bryce, a business owner and mining engineer, took over his father's successful coal mining operation after a decade of learning the ropes. Despite the volatile nature of the coal industry, he managed to grow the company and bring millions of dollars into the business. He and his wife, an attorney, were poised for enduring success.

The Challenge

Bryce and his spouse faced three main challenges in their ownership and operation of the mining business:

- Concentration and vulnerability: With nearly all of their wealth tied up in the business, any setback could have disastrous consequences for the couple.
- Retirement plan limitations: The existing corporate retirement plan included heavy taxation on his significant compensation.
- Tragedies and industry shifts: The company faced unexpected obstacles, including a fatal mining accident and the company's sole client switching from coal to natural gas.



The Strategy

Working with a Wealth Enhancement advisor, Bryce was able to take timely actions to build a resilient financial plan that afforded him the optionality he needed to continue his life.

- Diversification and asset protection: Bryce was able to move millions in after-tax cash held by the company to a joint account controlled by him and his wife. This move sustained the safety net required for mining operations while providing legal protection for the cash during the mining accident.
- Retirement plan overhaul: Bryce then established a Safe Harbor retirement plan through his company, which enabled him to maximize his contributions and tax benefits while retaining his high compensation.
- Business strategy: After the mining accident payout was settled by insurance, the company lost its only client. Thanks to the contingency plans developed in conjunction with the Roundtable™ team at Wealth Enhancement, Bryce was able to lease out his mining equipment and secure cash flow while he searched for a new business to enter.

The Outcome

Financial stability was achieved by diversifying, protecting, and wisely managing the family's assets. They successfully transitioned from the mining business to a flourishing company that creates custom countertops. This couple and their children now enjoy the fulfillment of a growing business venture.

Takeaway

Regardless of your industry, business landscapes can transform in the blink of an eye. This sudden loss of business could have been catastrophic for the family's financial well-being. Thanks to intentional planning and guidance, the family's story became one of flexible optionality. It's not about just safeguarding what you have—it's about building new pathways to the future.



Wealth Enhancement®

Get in touch *today*.

Wealth Management for Business Owners

Business ownership doesn't come with a manual. But it does offer boundless opportunities for wealth creation if you have the right people in your team.

Wealth Enhancement is an independent wealth management firm with an endless passion for enriching the lives of our clients. We continually seek to perfect our craft of personalized financial planning for business owners as they face the unique challenges that ownership brings. Through our Roundtable™ approach, Wealth Enhancement provides you with a team of experienced professionals to address all aspects of your business from every angle.



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