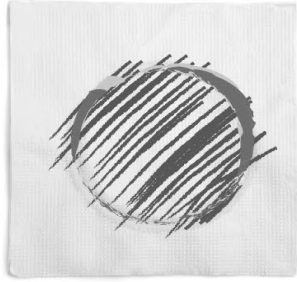
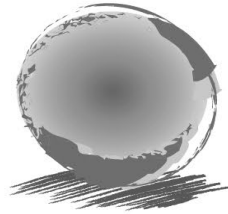


*shift.*



**focus.**



**evolve.**



*Control your future with* **STRATEGIES**

CONTROL YOUR FUTURE™

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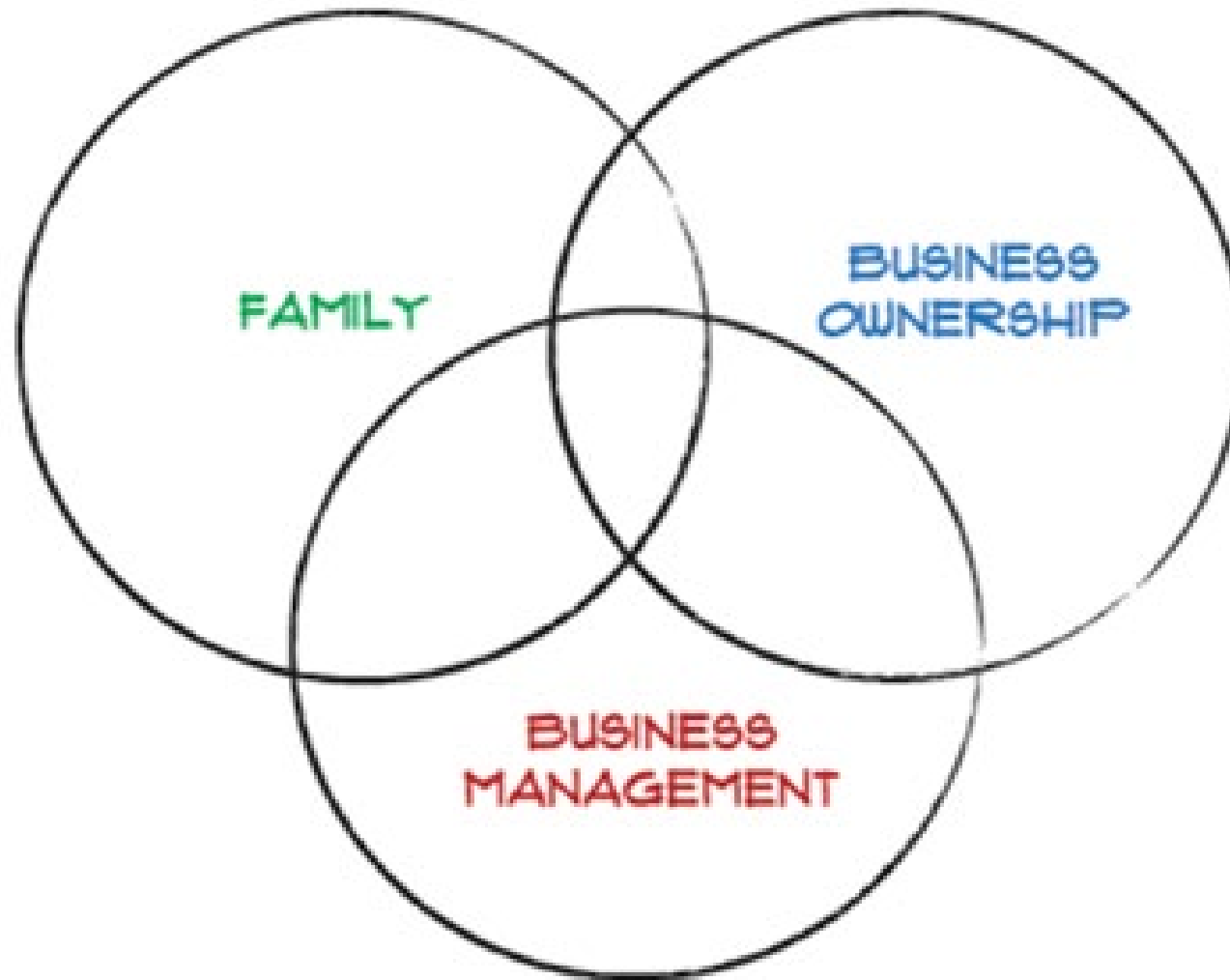












**25**  
percent

**93**

**56**  
percent

**33**  
percent

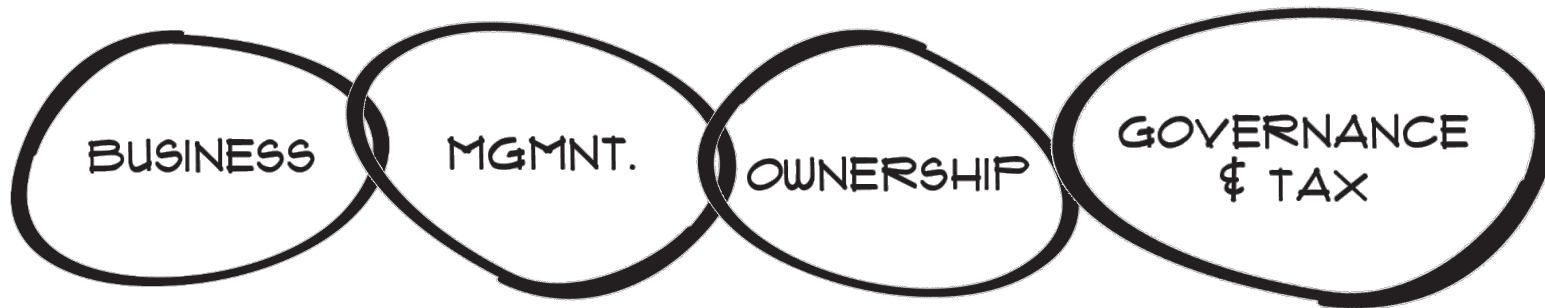
percent





# DEVELOPING A PLAN

CURRENT GENERATION



NEXT GENERATION

# CURRENT GENERATION



## Essential Elements of the Current Generation Plan:

Current Generation's role – Today & Future

Business afterlife...

Transfer of power

Financial independence from the business

Eliminate need to sell company/assets to pay estate taxes

# CURRENT GENERATION



MONARCH	Won't let go
GENERAL	Needs a battle
AMBASSADOR	Retires and advises
GOVERNOR	Retires and disappears

## Essential Elements of the Next Generation Plan:

Preparing to be **effective owners**, not just heirs

Education on **stewardship** of the family wealth and legacy

Development as **managers/leaders** of the family enterprise

Understanding **succession responsibilities** (not just rights)

Preparing for **wealth diversification** beyond core business

Developing resilience to **handle conflict, entitlement, and fairness issues** among siblings/cousins



CURRENT GENERATION



BUSINESS



NEXT GENERATION



# Family

- Based on Need
- Relationship Focused
- Qualitative
- Not by Choice
- Permanent

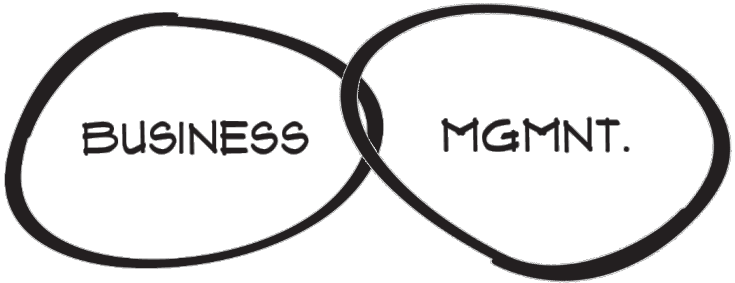


# Business

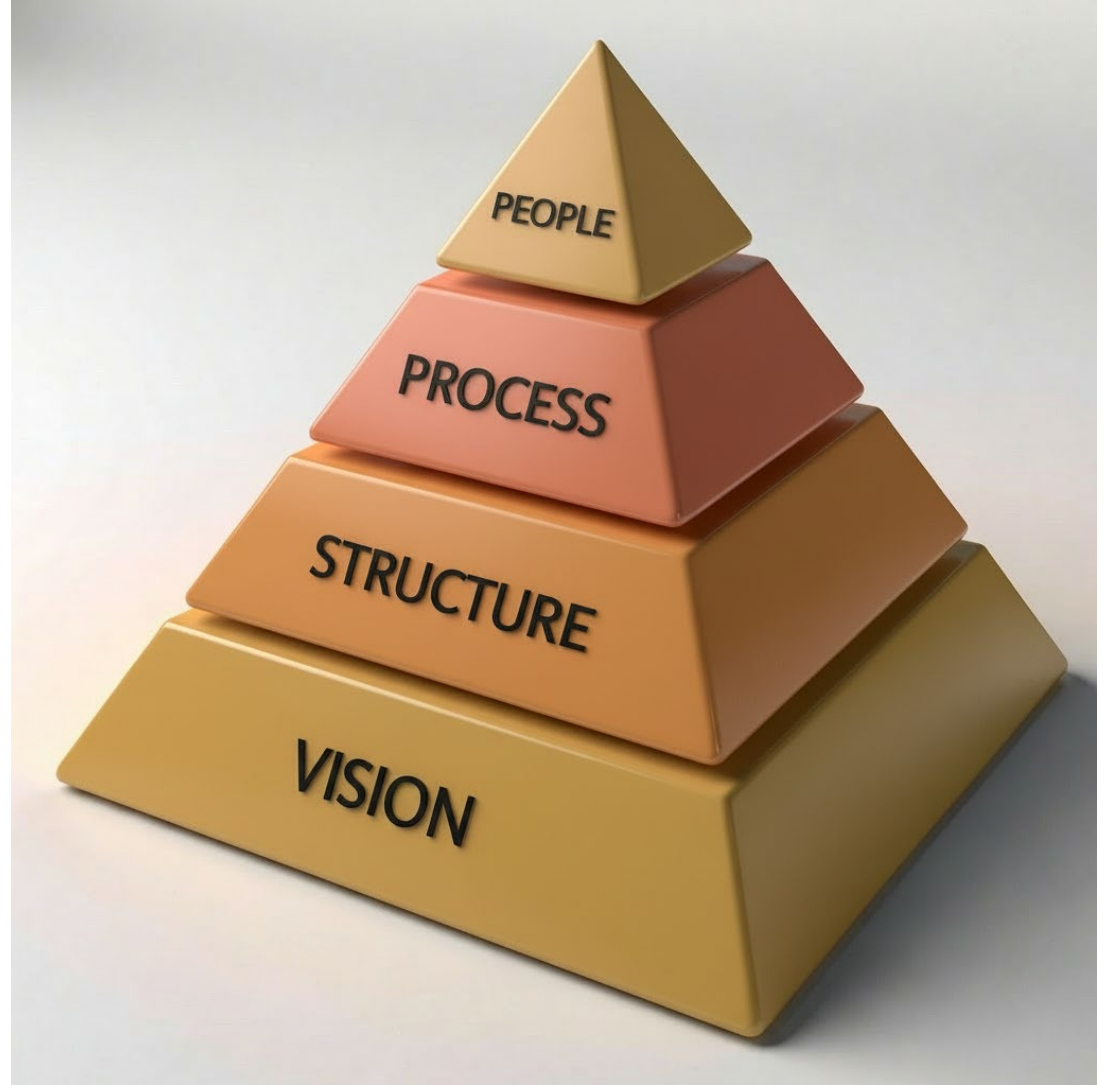
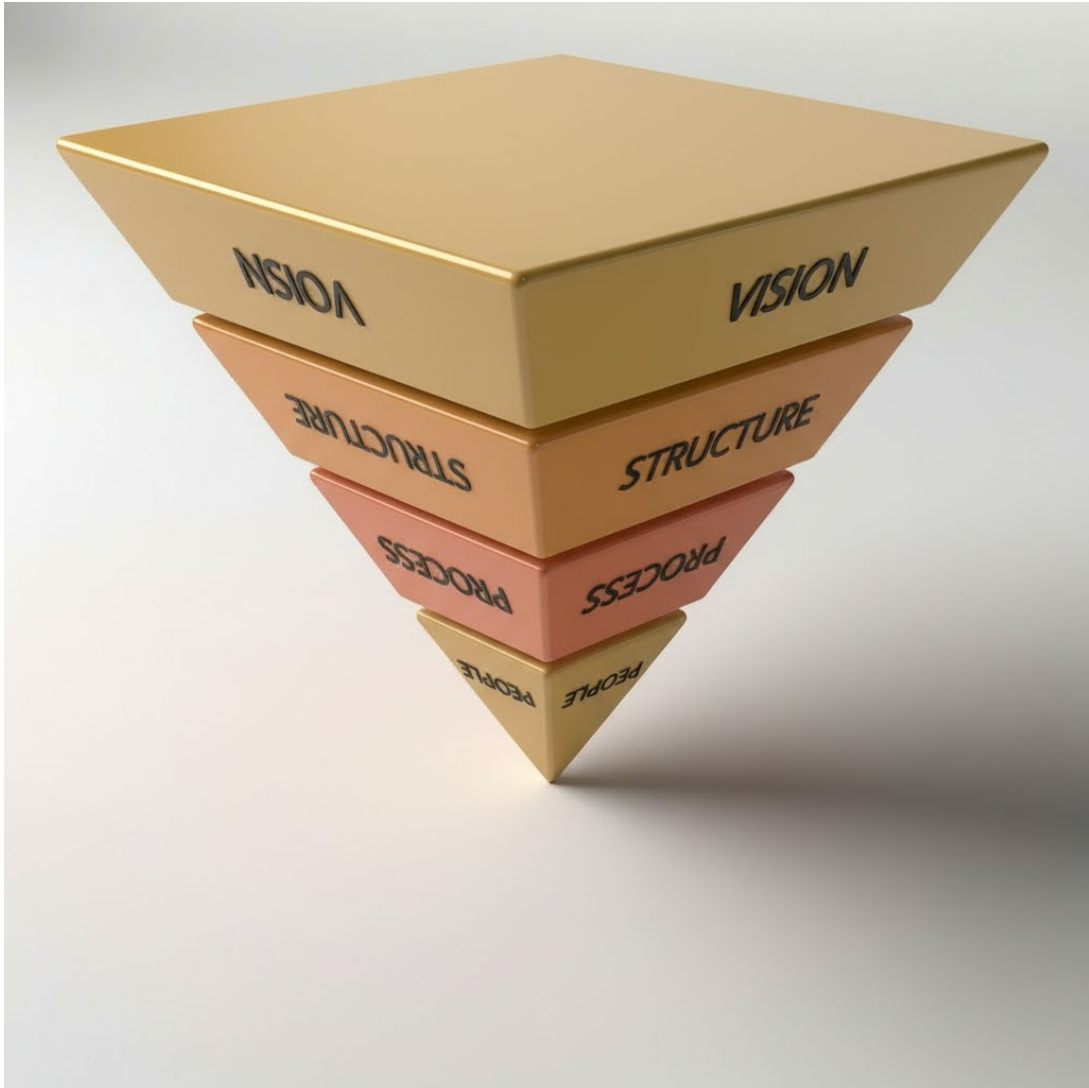
- Based on Merit
- Results Focused
- Quantitative
- By Choice
- Temporary



CURRENT GENERATION



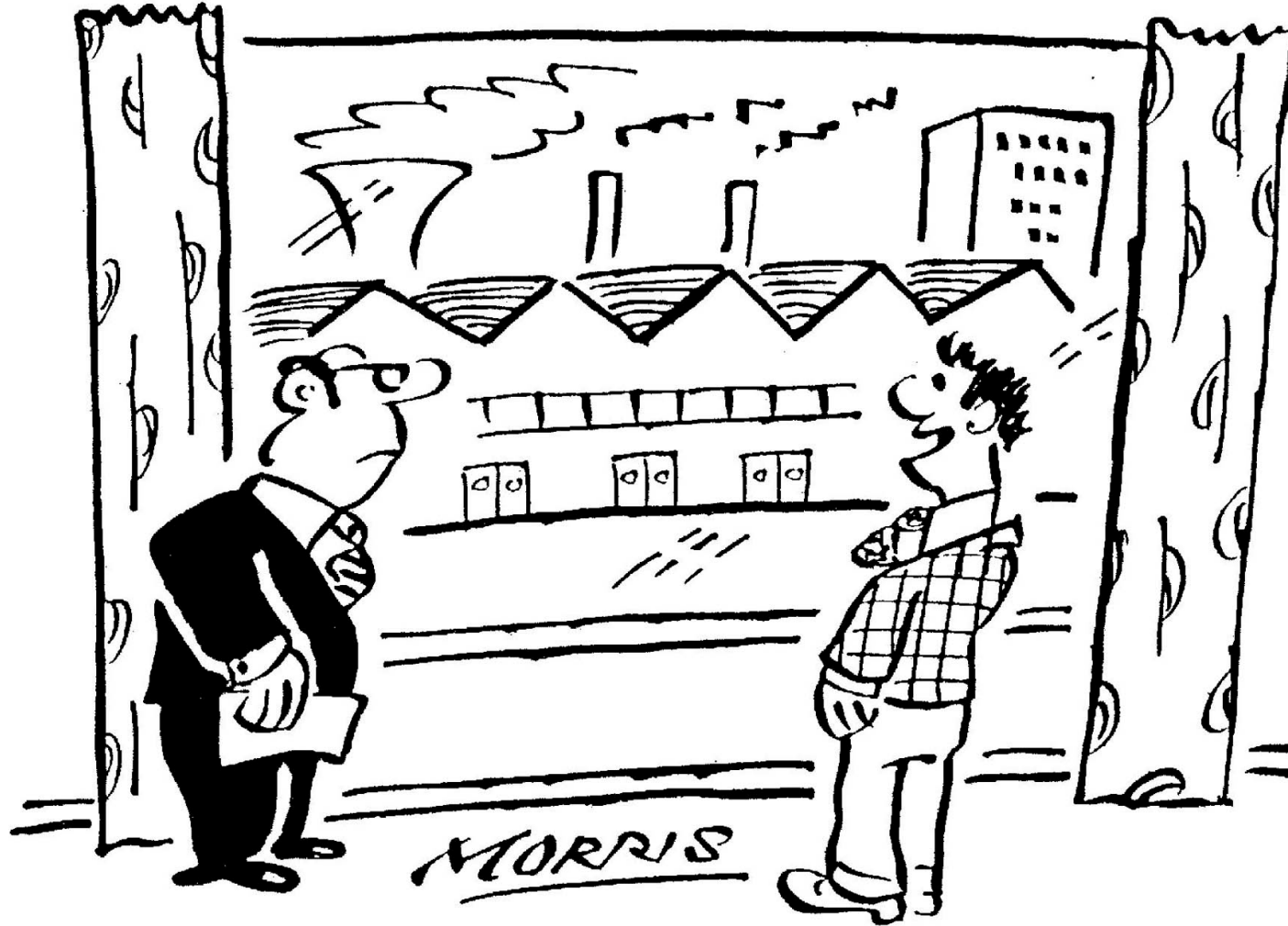
NEXT GENERATION



CURRENT GENERATION



NEXT GENERATION



**“Yes dad, I’ll take an interest in the company - how does 50% sound?”**



# Types of Owners - Philosophies Guiding Who Owns Shares

<b>Operating Owner</b>	Owner/Manager or employed owner involved in day-to-day operations.
<b>Governing Owner</b>	Full-time overseer but not involved in operations (e.g., chairman of the board).
<b>Involved Owner</b>	Not employed in the business but takes genuine interest and is attentive to issues.
<b>Passive Owner</b>	Merely collects dividends. Makes no conscious decision to stay an owner.
<b>Investor Owner</b>	Like a passive owner, but consciously retains ownership if satisfied with returns.
<b>Proud Owner</b>	Not knowledgeable about the business or engaged in it, but proud to be an owner.

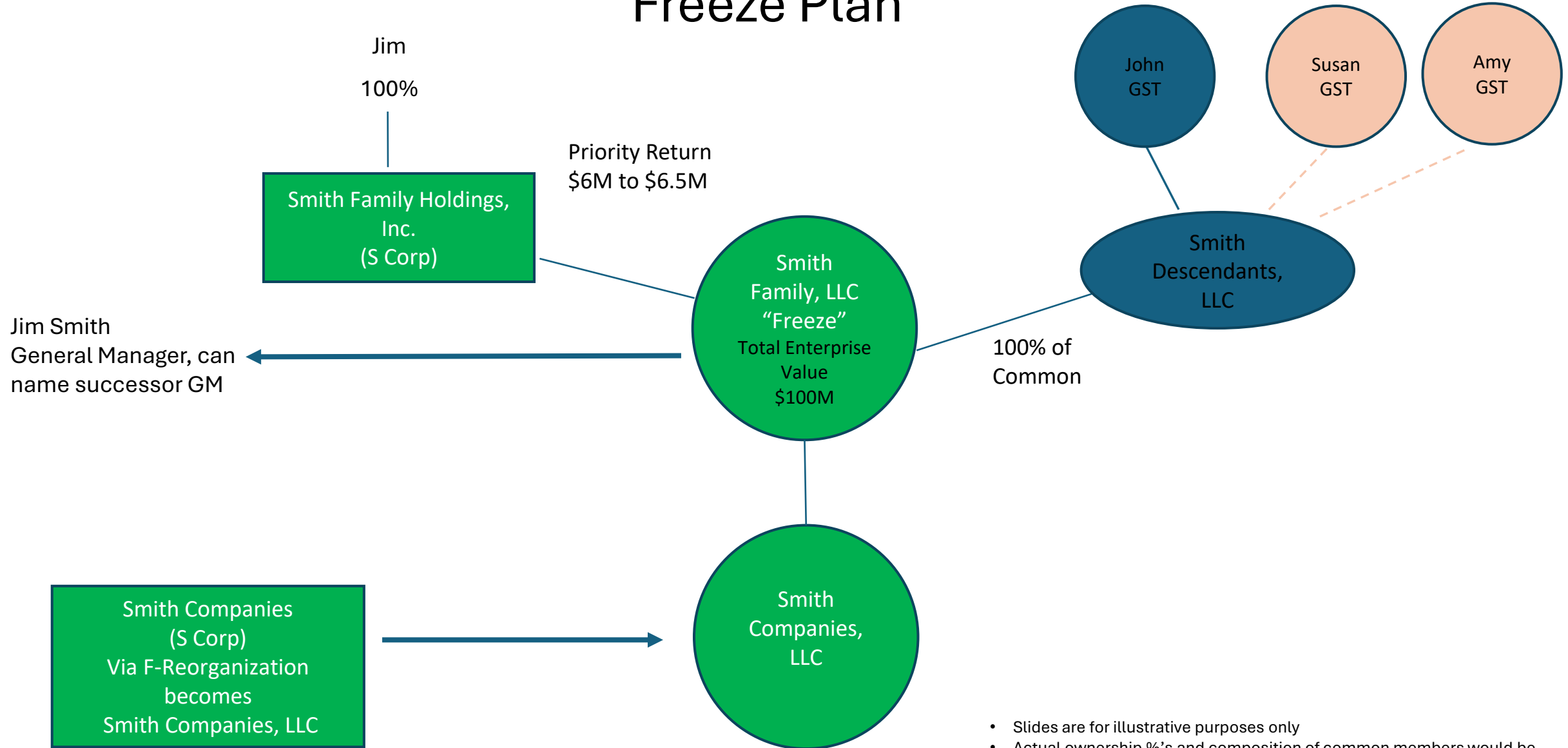
# Comparison of Family Ownership Transfer Techniques

	<u>Freeze Plan</u>	<u>IDGTs</u>	<u>GRATs</u>	<u>Direct Installment Note</u>
Does formation result in a gift?	No, although gifting can be part of formation	Yes, for the amount of the grantor's original seed money	Yes, except for zeroed-out GRATs	No if @ FMV, although gifting can be part of how note structure is paid
Interest rate	Preferred capital rate (6% to 10%)	AFR 3.86% as of February 2026	Sec. 7520 3.86% as of February 2026	A minimum of AFR to avoid gift tax – can set rate higher if desired
Gift tax	Not with proper valuation	Yes, disclosure of Form 709	Yes, disclosure on Form 709	Not with proper valuation
Tax treatment	Partnership – pass thru	Grantor trust (Grantor pays income taxes). No Capital Gain.	Grantor trust	Ordinary Income on interest and Capital Gain on principal
Mortality risk	No	Yes	Yes	Maybe – ways to manage, e.g., use of a Self Cancelling Installment Note “SCIN”
GST tax exemption	Yes	Yes	No	No
Appreciation outside of estate	Yes	Yes	Maybe	Yes
“Step-up” in basis at death	Yes	No	No (unless grantor predeceases term)	No
Flexibility	Yes, ability to amend and avoid busting	No	No	No
Own life insurance	Yes, thus avoid the need for an ILIT	No	No	No
Creditor protection	Yes	No	No	No
Maintain control	Yes (control is separate from economics via GM provision)	No	No	Yes, via creating of voting and non-voting shares
Business governance	Yes	No	No	No

# Freeze Plan



# “Freeze Plan”



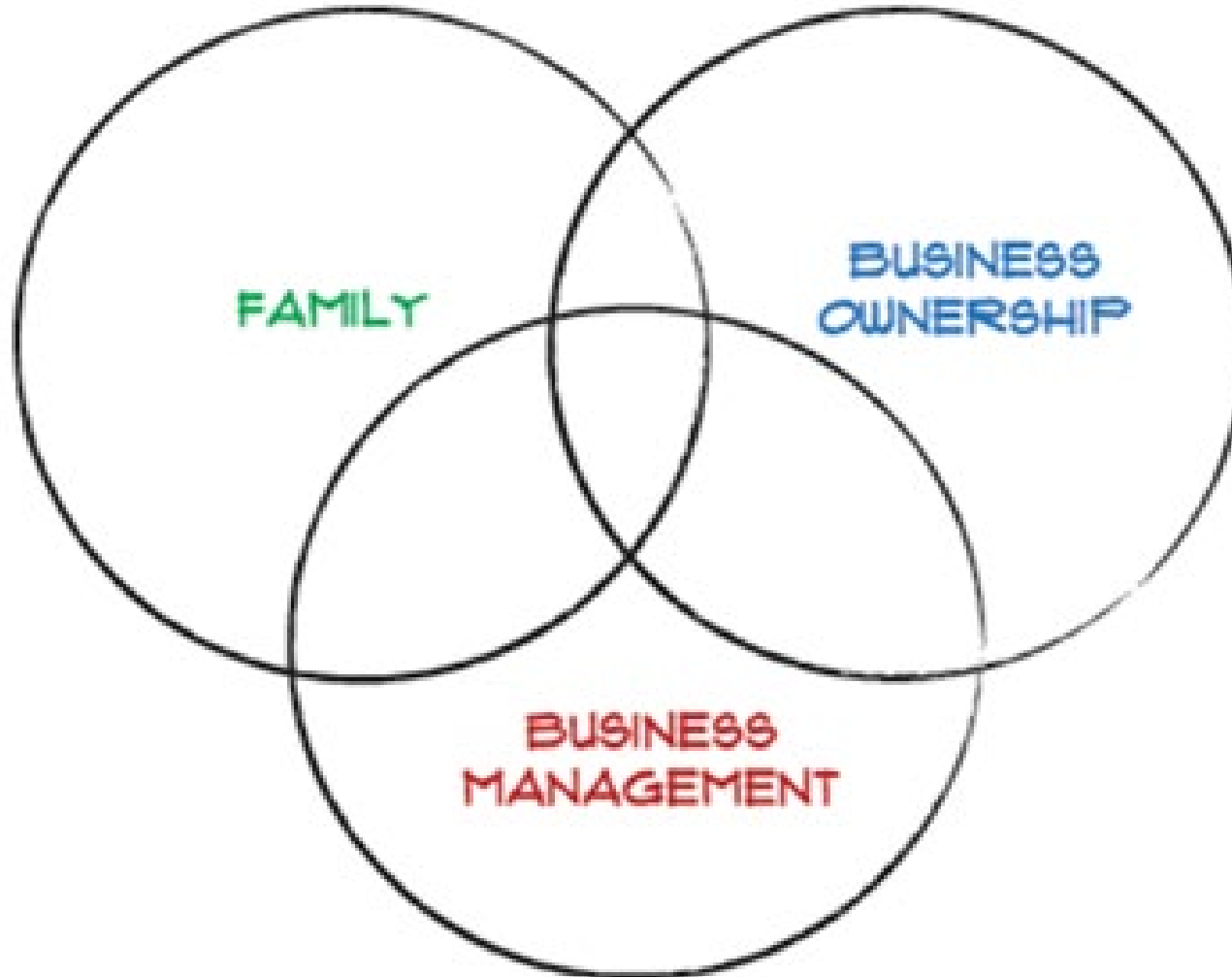
- Slides are for illustrative purposes only
- Actual ownership %'s and composition of common members would be determined based on assets contributed to the freeze structure.

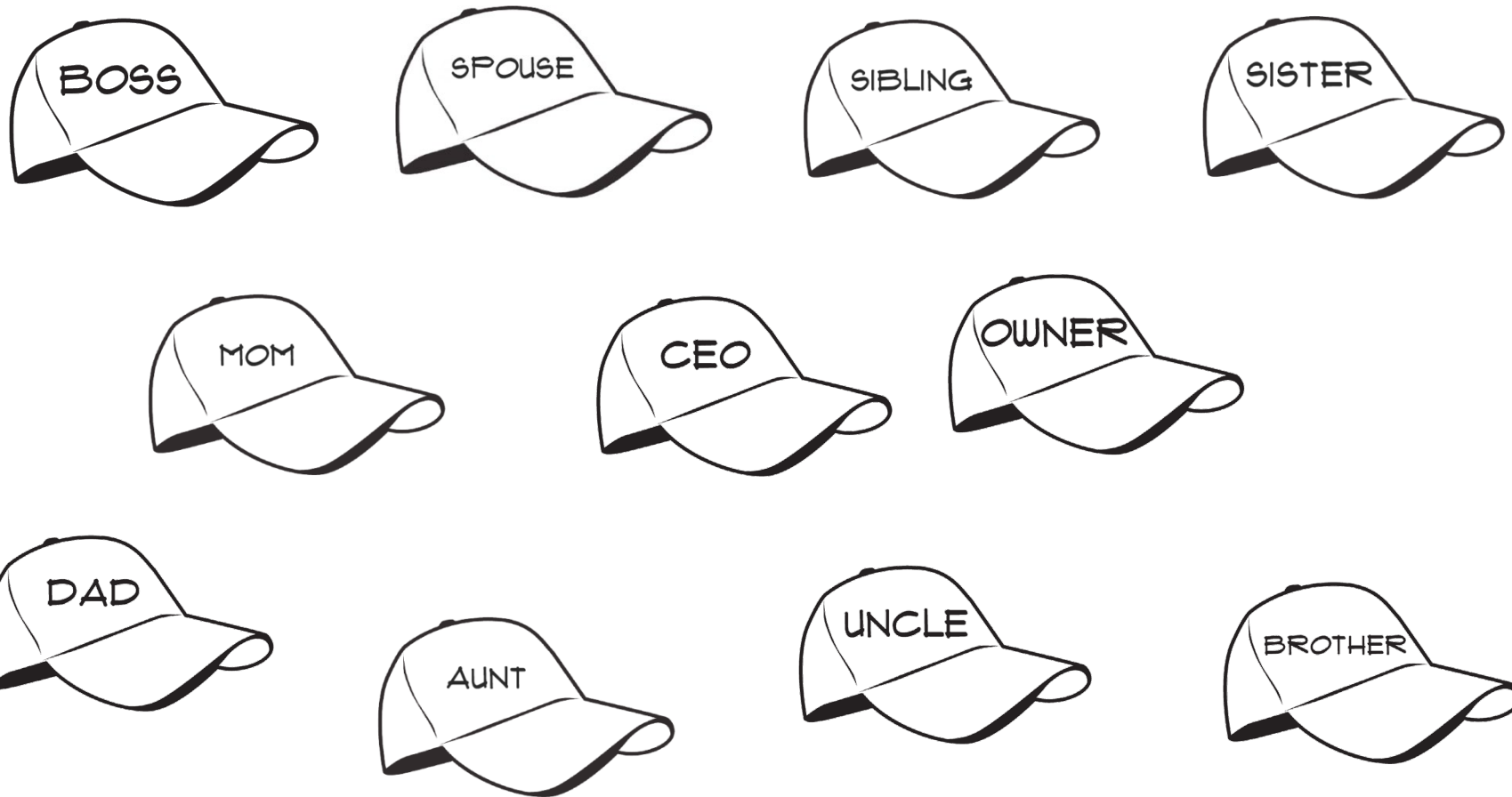
CURRENT GENERATION

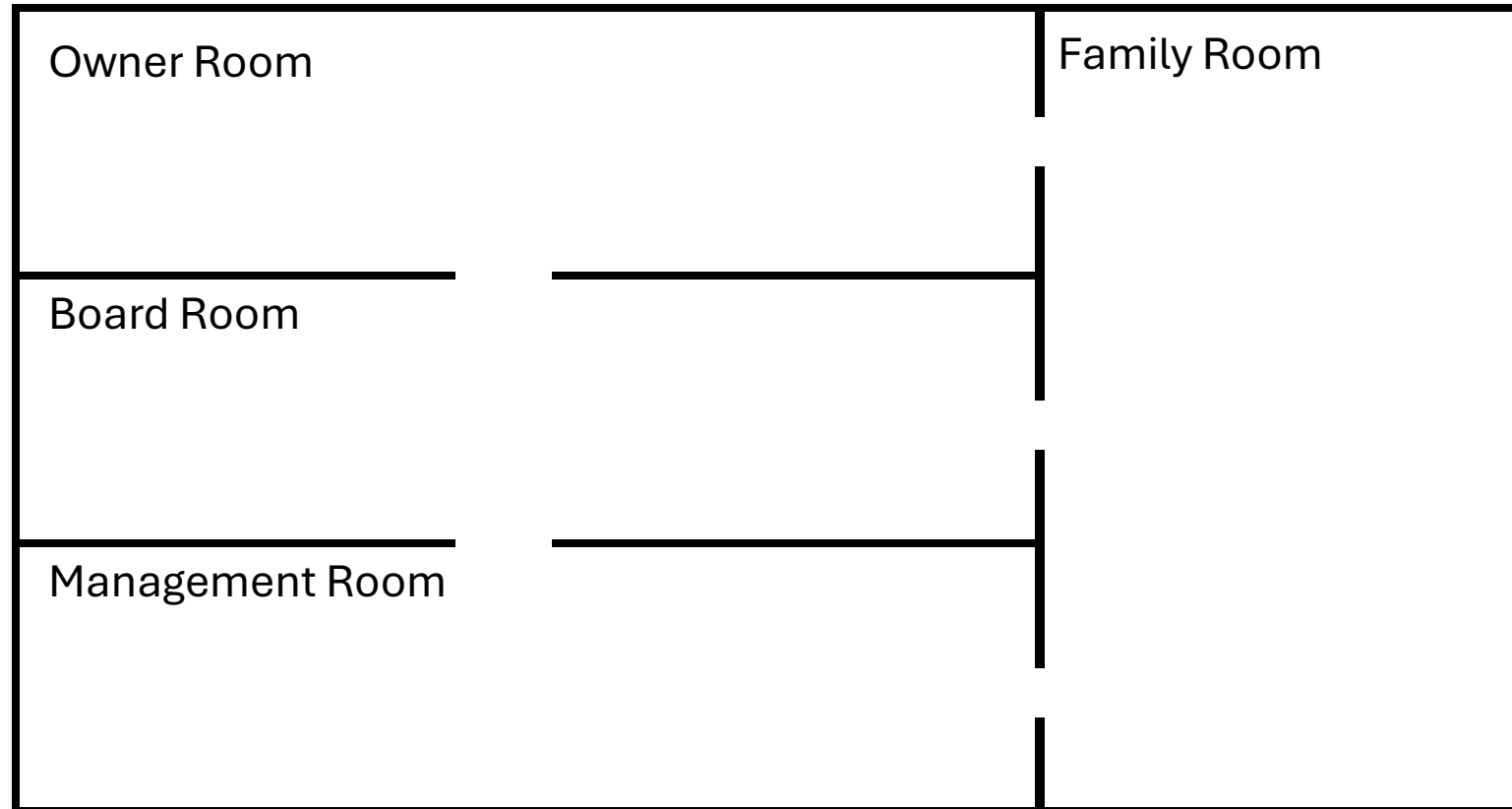


NEXT GENERATION

**Effective Governance (EG) = Transparency (T) \* Governance Structures (GS) \* Principles, Policies & Process (P<sup>3</sup>)**







A great succession is a process and one that hardly anyone notices.

It is iterative process arising from careful planning and the artful management of expectations over a period of years.

It is not a legal and financial transaction alone, nor just an insurance funded plan – rather it is a process which includes various disciplines which should work in concert to address the six required plans.