



## Estate Planning: A Small Slice of a Bigger Pie

Business owners commonly associate Exit Planning with estate planning, and they aren't too far off. Good Exit Plans and estate plans both aim to assure that the owner's family is provided for after the owner is gone. Both an Exit Plan and an estate plan might address a transfer of ownership to an intended recipient following the death of the business owner.

But one thing that owners may overlook when committing to estate planning is the notion of *transferable value*. While transferring ownership can be relatively straightforward, creating transferable value so that an ownership interest carries the benefits the owner hopes for can be a greater challenge. Transferable value is the value a company has without its owner, and it's incredibly important to consider when we are looking at what ownership is expected to provide once it's transferred through an Exit Plan or estate plan.

It's this aspect that makes estate planning a small but significant slice of a larger planning pie.

Estate plans focus on transferring assets upon an owner's death. They typically assume that the owner will live past his or her expected exit date and thus have the opportunity to transfer all assets as planned. But what happens when an owner dies prematurely? What happens when the business—which is most likely the most valuable asset to be transferred—relies so heavily on the owner's presence that its value plummets when the owner dies? How can you help your family receive real value rather than just ownership rights?

That's where Exit Planning picks up the slack, because Exit Planning focuses on three key elements that estate plans often overlook.

1. **Transferable Value:** Exit Plans include action items to help ensure that the business runs smoothly whether the owner lives, dies, or becomes incapacitated.
2. **Financial Security:** Exit Plans implement strategies to give owners the best shot at financial security regardless of the unexpected.



Peter Racen, CLU®, ChFC®, CASL®,  
CFP®, AEP®  
[peter.racen@nm.com](mailto:peter.racen@nm.com)

Northwestern Mutual Wealth  
Management Co., LLC  
[www.peterracen.com](http://www.peterracen.com)  
424 S. Woods Mill Road  
Suite 110  
Chesterfield, MO 63017  
[314-744-5270](tel:314-744-5270)

3. **Choice of Successor:** The Exit Planning process encourages owners to choose a successor long before the business needs that successor.

Estate plans may presume survival and integrity of business value, whereas Exit Plans anticipate the unexpected. When the unexpected occurs, businesses with strong transferable value (i.e., those businesses that don't rely entirely on the owner's presence) usually position themselves to deliver greater value to the owner's family. Businesses without transferable value tend to die along with their owners, which can cause much-needed financial security for the owner's family to evaporate. For owners who derive most of their wealth from their businesses, the Exit Plan's emphasis on transferable value can be a critical component of a successful estate plan.

If you'd like help incorporating your estate plan into the larger pie of Exit Planning, contact us today. We have experience in helping owners establish the processes they need to give themselves and their families an opportunity at financial security, regardless of the circumstances.

*The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial advisor. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial advisor. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.*

*This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.*

*Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.*

---

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Peter Andrew Racen is a Representative of Northwestern Mutual Wealth Management Company® (NMWMC), Milwaukee, WI (fiduciary and fee-based financial planning services), a subsidiary of NM, and federal savings bank. All NMWMC products and services are offered only by properly credentialed Representatives who operate from agency offices of NMWMC. Representative is an Insurance Agent of NM and Northwestern Long Term Care Insurance Company, Milwaukee, WI, (long-term care insurance) a subsidiary of NM, and a Registered Representative of Northwestern Mutual Investment Services, LLC (NMIS) (securities), a subsidiary of NM, broker-dealer, registered investment adviser and member FINRA ([www.finra.org](http://www.finra.org)) and SIPC ([www.sipc.org](http://www.sipc.org)).

The products and services referenced are offered and sold only by appropriately appointed and licensed entities and Financial Representatives. Financial Representatives and their staff might not represent all entities shown or provide all the services discussed on this Web site. Not all products and services are available in all states.

Peter Andrew Racen is primarily licensed in Missouri and may be licensed in other states.

CA License: #0D29950

AR License: #3201464

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

The Chartered Advisor for Senior Living (CASL®) designation is conferred by The American College of Financial Services.

©2017 Business Enterprise Institute, Inc. All rights reserved.