

# LegacyPlan for Business Sale Case Study



Joe had a small business he owned and operated for 30 years. Upon retirement he sold the business for \$1.3 million. Joe is 60 years old and had funded a SEP and has an annuity, both of which he could receive income. He is also aware that because his business was an S-Corp he will have a capital gain issue to contend with.

**PROBLEM:** Joe's CPA has informed him that he owed about \$300,000 to the IRS for income tax and capital gain taxes. Because it was in an S-Corp, the income from the sale of the business flowed down to his personal tax return. Joe has a tax problem.

## A LegacyPlan proved to be a suitable option for Joe and his family.

Here's what Joe did:

- Upon closing the sale, Joe kept \$300,000 to invest and to start a small business venture.
- He then transferred \$1,000,000 to LegacyTree Foundation (LTF).
- LTF issued a LegacyPlan based on the current value of the assets.
- Joe received an immediate \$427,695 income tax deduction that helped offset the tax consequences. The unused deduction was carried forward.
- Joe chose to defer the income for 5 years and wants it to pay him for 20 years once the income starts. This will generate \$4,981 per month or \$59,777 per year for 20 years. The overall amount paid to Joe will be \$1,195,540.
- Joe was also able to recommend an immediate \$50,000 grant to his favorite charity.

**Current Value of Asset:**

\$1,000,000

**Tax Deduction with LegacyPlan:**

\$427,695

**Potential Tax Savings at 37% tax bracket:**

\$158,247

**Income with 5 year deferral/20-year Pay:**

\$1,195,540



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