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Thinking of selling your company? One of the most important decisions...

There are many important considerations, and one of the most critical is planning to optimize your net take home pay on the sale. Proper tax planning will maximize your net proceeds from the sale. The main tax considerations are whether it is beneficial to sell the assets or sell the stock in the company. What would be your net proceeds upon sale? What are the risks with either structure in the sale?

Making a decision to structure a sale as an asset or stock sale involves considerable review, because sellers and buyers prefer opposing structures. In general, buyers opt for asset sales, and sellers prefer stock sales.

An asset sale as the name implies is the purchase of the individual assets as well as liabilities associated with the assets, as compared to a stock sale which is the purchase of the owner's shares in the corporation. As with any business sale, there are many considerations and decisions critical for success including tax consequences and possible liabilities as primary concerns.

If the business is a sole proprietorship, a partnership, or a limited liability company (LLC), the owner has the only option to sell its assets. There are no shares held in these entities. The owners may sell their ownership interests, yet in effect, the ownership interest is based on the value of the assets associated with their interest.

If the business is an S Corporation or a C Corporation, the owners have the choice to sell either the assets or the shares in the corporation.

Please note: This article is provided for informational purposes only and is not to be construed as tax advice. The readers are strongly advised to speak with qualified tax advisors before attempting to use the information discussed and the concepts stated herein.

Sale of Assets

Individual assets which may include equipment, furniture, leases, goodwill, patents, and other intangible assets. Most asset sales involve negotiation not to include cash and may



or may not include inventory or accounts receivable. Long-term debt is usually not included in the sale either.

From a buyer's perspective, an asset sale allows them to depreciate purchased assets based on the fair market value of the tangible capital assets like equipment and receive tax benefits on the purchase. The depreciation of these purchased assets reduces its income tax exposure and improves cash flow. Buyers also prefer asset sales, because they avoid taking on liabilities held by the seller, especially contingent liabilities such as contracts, warranties, or lawsuits.

There are issues for buyers with the asset sales though. In some industries, contracts or intellectual property rights cannot be transferred to the buyers unless the buyer purchases the entity – stock sale is required.

From the seller's view, asset sales are not preferable in some situations, because they will incur a high tax bill upon the sale. For example, a seller's assets including the following:

Value of the assets for sale are accounts receivable, inventory, and equipment worth: \$1 million and the remainder of assets are goodwill, of \$1 million. If the owner sells all of the assets for \$2 million, then the owner will incur tax due of ordinary income on the accounts receivable, inventory, and equipment of approximately 39.6% or \$396,000. The tax on the goodwill will be approximately 20% or \$200,000. The total tax due would be \$596,000.

Sale of Stock

From buyer's view, a stock sale does not allow him to revalue the assets and deduct accelerated depreciation on certain assets purchased. The basis of the assets purchased are at book value and are depreciated in the same manner and method as the seller maintained. Also, the buyer may be accepting unknown new risks in purchasing the stock including contingent risks like lawsuits, employee legal issues, or other regulatory violations. These risks may be mitigated with representations, warranties and indemnifications clauses in the agreement.

If the seller has valuable customer contracts (e.g. government contracts) or intellectual property considered valuable by the buyer and that are difficult to assign, then a stock sale is preferable to the buyer as well.

The seller usually prefers a stock sale due to lower income tax rates. If the facts as noted above were the same except that it is a stock sale, the seller would pay capital gains tax rate of 20% on the sale of the stock valued at \$2,000,000 or a tax due of \$400,000.

For these two illustrations, the tax rates do not include the IRS's Net Investment Income Tax (NIIT) of 3.8% which would be charged for income in excess of \$250,000 for business owners married filing jointly. In either example, the owner's NIIT would be \$66,500.

Social media tools are essential for customer decisions.

Is social media a necessary tool, a serious sales driver? Yes! The corporations are Tweeting, 'Facebooking' and working over the reviews pages. So should bleeping and blogging be part of your strategy to reach tech savvy customers' pockets?

Social media networks move at alarming speed. Its flexibility outstrips traditional advertising in responsiveness and, as a result, sales and revenues through social media strategies are growing.

Take on your critics

Many online retailers are using reviews to show good and not-so-good feedback on products or services. Having positive and negative feedback assists buyers with decision making in general, as long as the reviews are genuine. A major part of Amazon's long-term success has been to list both good and bad comments and low to high customer product ratings. This social media strategy has been adopted by other smart operators, particularly in the retail sector, who understand that by offering a forum for customers to express their criticism and complaints means less of them will be doing the same on public social media sites and blogs. And those issues can be responded to far quicker.

US, UK and European retailers surveyed in an E-consultancy and Bazaarvoice 'Social Commerce Report' stated that customer generated reviews greatly improved their credibility and trust, conversion rates and average order value. And with so many extra references to their products and services, their search engine ranking and traffic rose too.

Using social media for announcements or to address critics is another neat trick. A tweet, blog or online forum direct to your enthusiastic audience hits the target and through the dialogue it starts, could even make the headlines.

Buyers for all business sizes

What's interesting about social media is that it has the potential to deliver sales and public relations campaigns equally as effectively for the corner café or suburban travel agent as it can for corporations like Dell, Jetstar and Disney. They are all looking for the same result - ROI.

There are many ways of measuring this. Some companies are focused solely on sales or building loyalty amongst existing customers. Another may use it to create awareness of new products or services, or monitor what people are saying about them.

One certainty is that your competitors are likely to be taking notice, if they're not already participating. But just like any promotional tool, you need to decide on clear objectives.

Do you need a PR boost or to renew customer loyalty with more personalized contact? Do you need to generate new leads or combat bad press? Do you just want to sell excess stock quickly?

The new coffee rush

Twitter works for community building when followers become your advocates or when you tap into the right mindset of buyers. Supporters' praise can bring in new customers from peer networks, by their pre-qualified and credible endorsements.

US café, The Coffee Groundz, struggled to distinguish itself from several local competitors. As a casual Twitter user, the shop's owner received a surprise order by 'tweet' from a contact. From there, a Coffee Groundz Twitter community started, with the café since becoming a gathering place for Twitterers. Sales and customer loyalty have soared, with a reputation for being a hip, tech-savvy meeting place. Twitter deals and in-store events are common, with an Obama inauguration party a highlight.

Destination: web traffic

As a prospecting tool, social networks like Facebook can drive traffic to your website in limitless creative ways, converting curiosity or interactivity to sales. Travel Channel created an online trivia game based on cities of the world where players score points by inviting friends to participate. The resulting click-throughs to the company's travel website have soared.

Starting a conversation is a very effective social media PR objective that builds loyalty, allows exceptional feedback and brings web traffic. SMEs can use in-house bloggers, delegate to an agency, or "sponsor" an established media or peer blogger to start a conversation with a target audience.

Power shift

Social media first revolutionized how we socialize with the spin-off changing how we consume. The technology will constantly change, but the marketing power shift to buyers is here to stay. So, join in the conversation before your competition does and find out what your audiences are saying. Next determine your objectives – sales, relationship building, PR, etc. - then choose the social media tools that are right for you and how you will measure success.

A cooperative approach to grow your business.

With marketing budgets continuing to be under pressure, business owners and managers are looking for ways to do more with less. One of the most effective ways to find new customers with minimal expense is cross promotion. Cross promotions as noted below has many benefits. It is critical that the alliance of businesses are open to working together and, ideally, the businesses promote to similar customer target markets.

Cross promotion is simply when two or more businesses combine resources to market their products or services to each other's customers. The main criteria for success in cross promotion are that the businesses serve the same types of customers but don't compete with each other.

There are hundreds of ways businesses can work together to achieve this. Here are a few cross-promotion ideas that can help you expand your market on a small budget.

1. Two businesses can agree to display each other's brochures. An example is a pharmacy that displays brochures for a therapeutic furniture store. In return the furniture store will display brochures promoting the pharmacy. This is a good match because both businesses serve people with health issues.

Businesses can agree to put each other's promotional materials in shopping bags when customers make purchases. Another option is to print promotional messages, or coupons, on each other's cash register receipts.

2. On a business to business level, companies serving the same markets can include each other's brochures when they send out invoices to their customers. For example, a commercial printer includes a brochure from a commercial photography agency that serves the same market. In return, the company providing commercial photography will include the printer's brochure in its mailings.
3. Professionals can also benefit from cross promotion. For example, a financial planner, lawyer, accountant and insurance broker can produce a joint seminar where they speak about wealth creation and risk minimization. Each participant raises their credibility by speaking at the event, gaining access to new clients.

A key part cross promotion is credibility. By working with other respected businesses you instantly gain credibility amongst their clients. You also add value for your clients by letting them know about quality products and services you endorse.

If you haven't done any cross promotion before, you can start by asking, "Who are my potential customers?" Once you have determined this, write a list of non-competing businesses that sell to the same types of customers as you do. You probably already know people in business who would be ready and willing to start a cross promotion alliance. First, it's important you ensure that companies you cross promote with are reliable and offer quality products or services. Getting into an alliance with a company that doesn't meet customer expectations can damage your reputation.

Once you have found a partner to work with, meet and brainstorm ideas on how you can best work together. Discuss the ways in which you currently make contact with your customers. Are there ways you can work together using these existing methods? If you have a retail business, you can focus on in-store promotions such as posters, displays, brochures and coupons.

If you are in a service or consulting business, you can promote each other in direct mail pieces, newsletters, on your website or in any other ways that you connect with your customers. As mentioned, joint seminars will raise the credibility of the speakers while giving them access to each other's customers.

You don't have to limit yourself to one business when cross promoting. For example, separate companies offering home renovation, interior design, painting, flooring, plumbing and electrical services can combine mailing lists and create joint promotions to send to their customers. These companies all provide home improvement services, but don't directly compete with each other.

If you're having trouble coming up with relevant cross-promotion ideas, here are a few more.

- Publish articles about one another's businesses in the newsletters you send to your clients.
- Mention the benefits of each other's products or services when speaking at local events, to the media, or to your customers.
- Promote your partner's products during their slow times and ask them to do the same for you.

- Train your staff to promote your cross-promotion partner's products or services.

Give your partner's product to your customers when they buy a large quantity of yours and ask your partner to do the same for you.

Regular Pieces

How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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