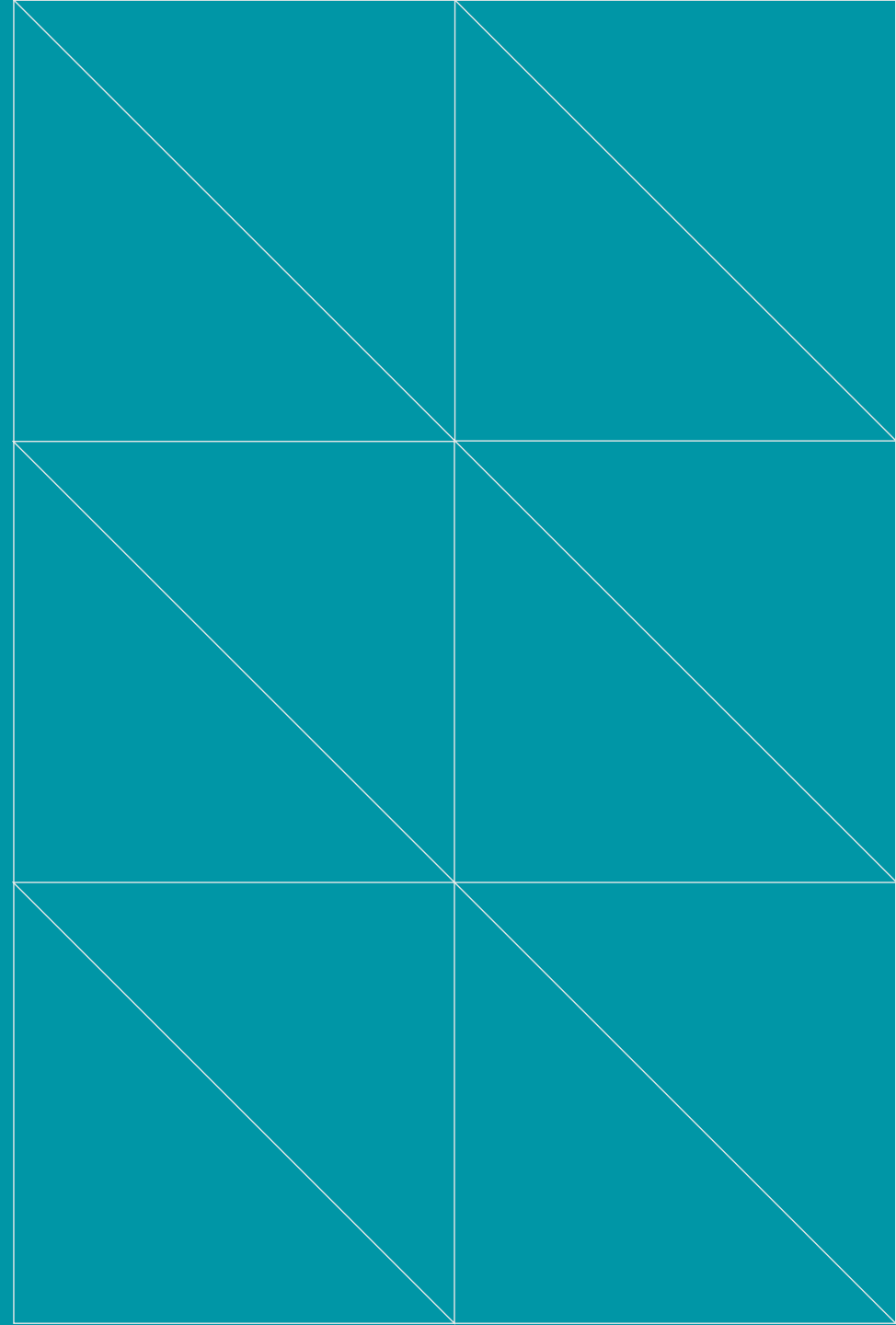




# SRG Off Script *Live*

## RIA Tax Considerations with Succession and Selling



# Who is SRG?

Recognized as one of the top 100 fastest growing private companies in Oregon, Succession Resource Group (SRG) is a consulting firm committed to providing turnkey customized acquisition and succession planning solutions to financial advisors, including RIAs, independent advisors/ reps, as well as firmwide solutions for custodians and broker-dealers. We have served thousands of clients nationwide, with almost four decades of combined industry specific experience.

Our suite of services includes business valuation, business structuring and equity compensation strategies, employment and compensation, contingency planning, acquisition support, deal support, and succession planning. We provide our clients comprehensive solutions, including consulting, financing assistance, deal structuring guidance, tax strategies, checklists, form contracts, and more.



# Agenda

## Housekeeping

1.

All about your questions. Use Q&A!

2.

Webinar recording will be available in 24 hours.



# Speakers



David Grau Jr.  
President  
Succession Resource Group



**"After federal, state, and local taxes,  
you get one-third of a wish."**

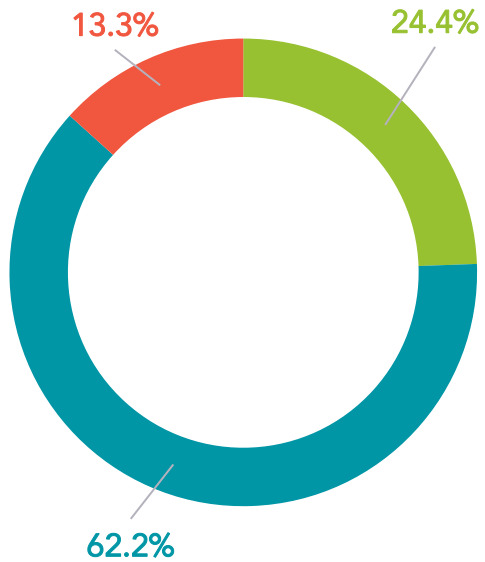
# Tax Strategies when Selling

- What kind of transaction?
  - Internal sale?
  - External sale?
- Sale or revenue share?
- Asset Sale or Equity Sale (LLC/Corp.)
- Installment sale or lump sum

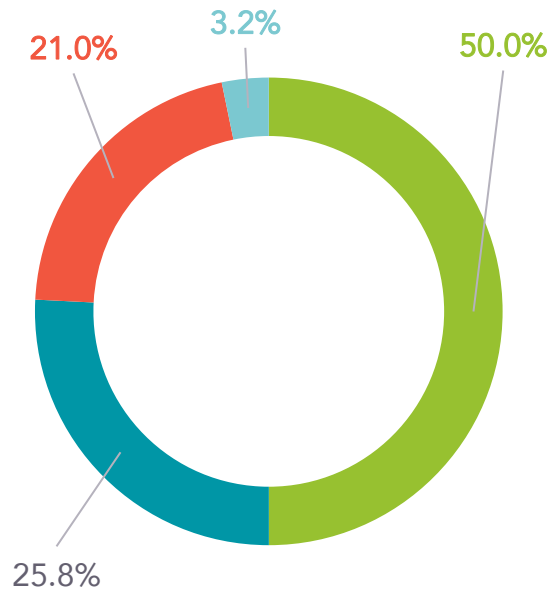


# Entity Structures

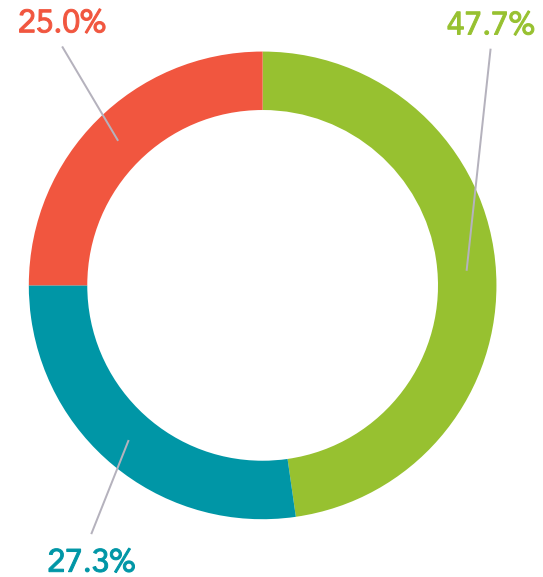
Under \$500k



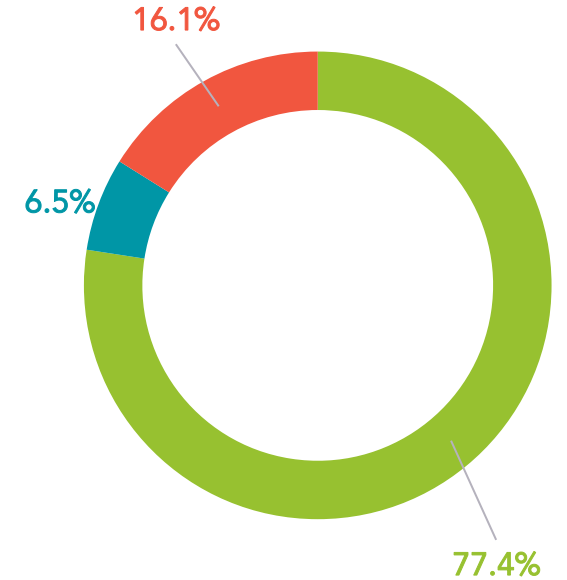
\$500k to \$1.5m



\$1.5m to \$2.5m



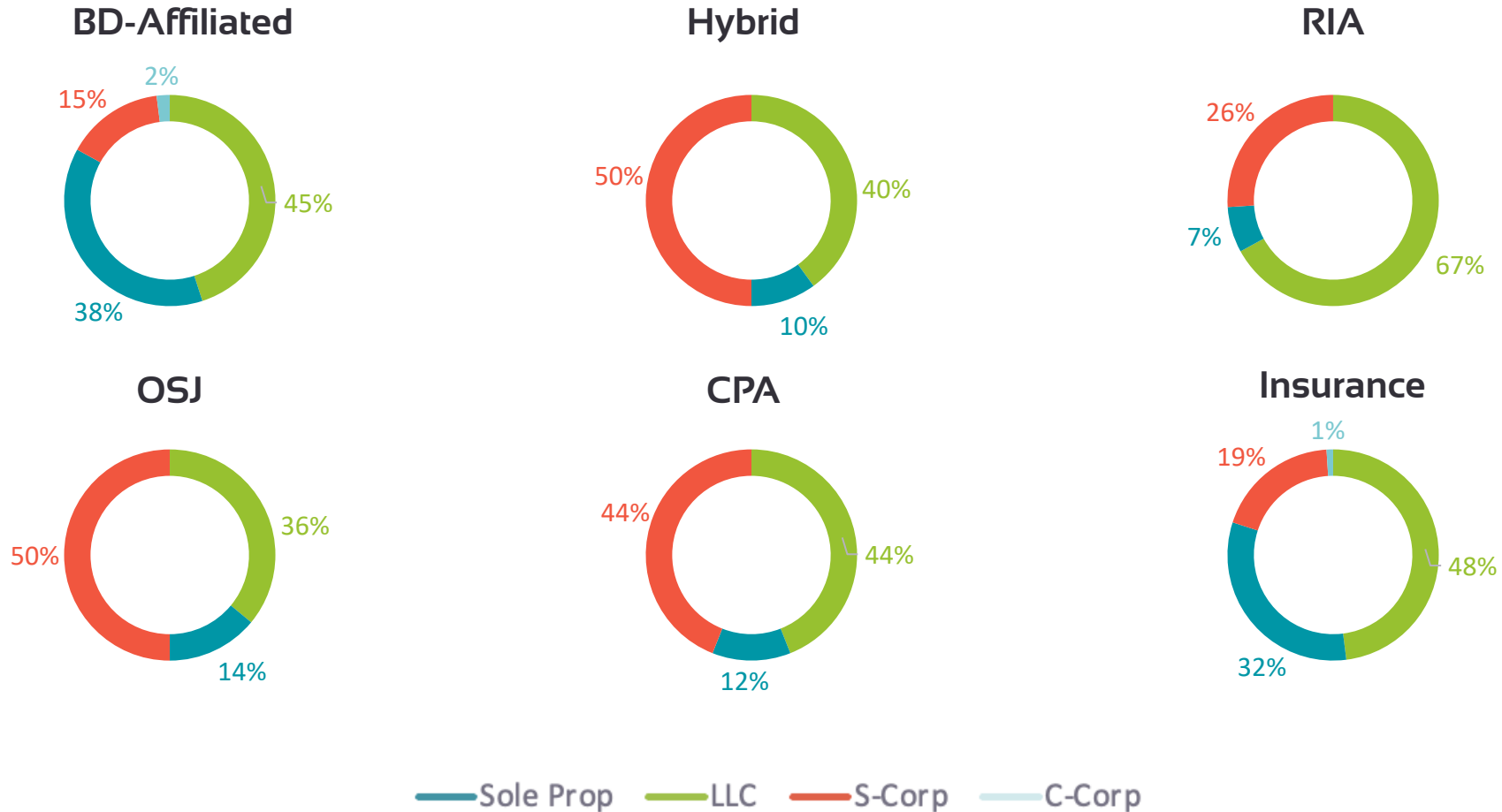
Over \$2.5m



— Sole Prop — LLC — S-Corp — C-Corp

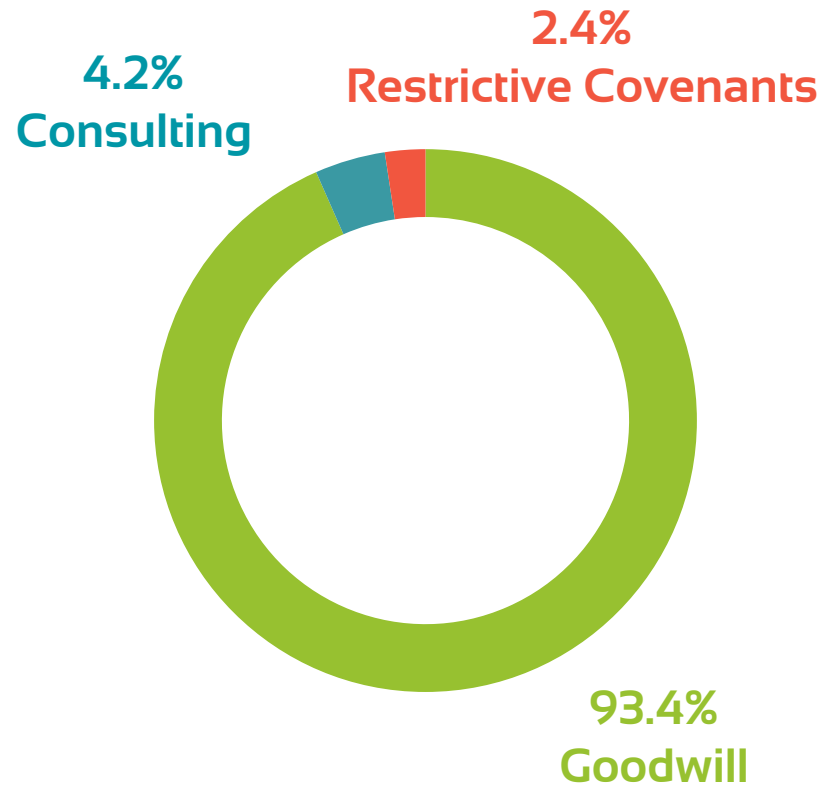


# Entity Structures Popularity by Firm Type



# Average Tax Structure

Goodwill vs. Consulting vs. Non-Solicitation/No-Serve



Deals with  
Tangible Assets  
10.0%

Average Tangible  
Assets Allocation  
0.8%

Deals with  
Equity Purchase  
11.7%

Average Equity  
Allocation  
96.7%





# Basic Tax Elements of a Deal

	Buyer	Seller	Allocation Preference?	Typical Allocation
Personal Goodwill	15 year amortization	Long-term capital gains	Seller	85-97% of sale price
Restrictive Covenants (Non-compete/Non-solicit/No-serve)	15 year amortization	Ordinary Income, No Self Employment Tax	Neither, but necessary	1-5% of sale price
Consulting	Ordinary Expense, Immediate write-off	Ordinary Income, Subject to Self Employment Tax	Buyer	Varies; If part of purchase price: 3-10%
Interest	Interest expense; deductible	Ordinary income	Buyer	4-6% interest; Bank financed deals are 2% + Prime
Stock/equity	Acquire basis*	Long-term capital gains**	Seller	
Revenue sharing	Ordinary Expense, Immediate write-off	Ordinary Income, Subject to Self Employment Tax	Buyer	



# Special Notes

- Coordinate with your CPA before the deal closes
- Be sure to document the tax treatment
- No net investment income tax
- Typically Form 8594 filed by both buyer/seller
- Special tax elections (examples)
  - 338(h)(10), 336(e), 754





# Your Questions, Answered

SRG Off Script: RIA Tax Considerations with Succession and Selling



# What Else? Chat in Your Questions Live

SRG Off Script: RIA Tax Considerations with Succession and Selling

# What's next!

April

4/18/2023

Valuing Your Financial Practice: What you need to know in today's market

May

5/11/2023

SRG Off Script: Lending with PPC Loan

5/17/2023

Fundamentals of Exit Planning

June

6/8/2023

SRG Off Script

6/16/2023

Deal Making



# Connect with Us



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**Thank you for  
your time!**

