

Midwest Roofing Contractors Association 2025 Conference & Expo

Renaissance Schaumburg
Convention Center Hotel

Schaumburg, IL

October 21, 2025

Resnick Succession Group

Assuring the Successful Continuation of Your Company in the New Tax World

Resnick Succession Group

1. Nationally Recognized Business Succession, Estate Planning, and Life Insurance Advisory and Implementation Firm
2. Educational Presenters to over 250 business organizations throughout the United States, including many in Roofing and Construction
3. Co-Founders of the Elizabethtown College Family Business Center and Law School Lecturers

Controlling the “Controllables”

Being Proactive with Planning
Protecting Business/Family
Utilizing Tax Law



Will This be Your Reality?

- 1. Will You Work Decades to Build a Successful Business only to eventually lose it?**
- 2. Will There at Some Point in the Future, be Infighting Within Your Family?**
- 3. Will Your Family and Business Legacy be one to be Remembered?**

A Leading Cause of Business Failure.....

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**INEFFICIENT, INEFFECTIVE AND
NON-EXISTENT BUSINESS
SUCCESSION/ESTATE PLANNING!**

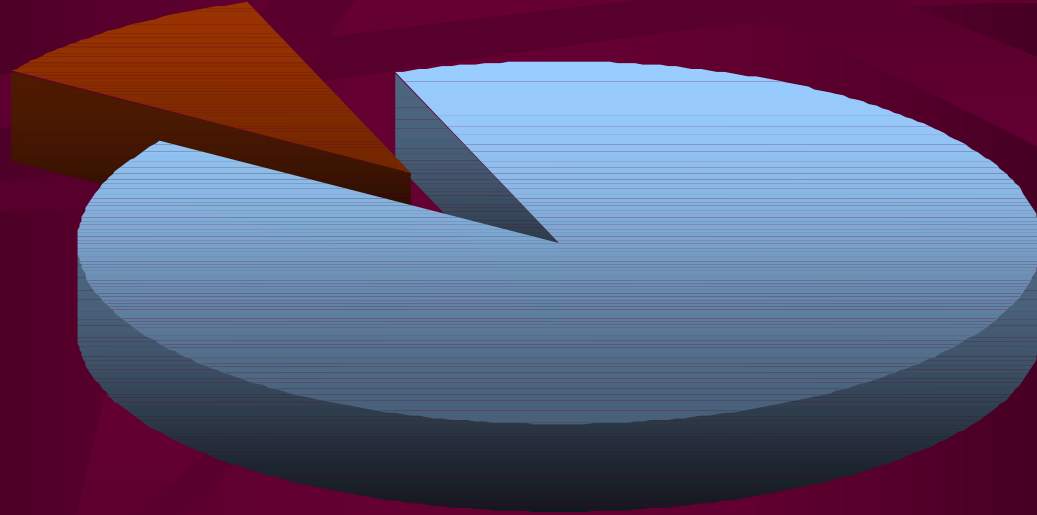
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What is Succession Planning?

A Deliberate and Systematic Effort
by a Company to Ensure
Leadership/Ownership Continuity

23.3 Million U.S. Businesses

10% Public/90% Private



LONG STANDING FACT

**2 OUT OF EVERY 3 FAMILY BUSINESSES WILL
NOT SURVIVE FROM THE FOUNDER TO THE
2ND GENERATION.....LESS THAN 15% WILL
MAKE IT TO A 3RD GENERATION**

A COMMON TRAIT AMONG OUR MOST SUCCESSFUL CLIENTS....

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EXCELLENT COMMUNICATION

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**If Communication is a
Challenge for Your Family, it
Must Become a Primary Focus
if the Goal is to Ultimately
Transition the Business to the
Next Generation!**

Business Succession Checklist

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Item #1

**Define Personal Goals and Vision
of the future / Identify Successor**

Item #2

Techniques to Reduce or Eliminate Estate Taxes

***Tax Cuts and Jobs Act of 2017
to be discussed**

Item #3

**Sufficient Liquidity Positioning to Avoid
the Forced Sale of the Business and
Provide for Estate Equalization**

Item #4

Independent Review of Existing Legal Documents and Life Insurance Contracts to Confirm they will Actually Meet Objectives

Often Missed Business Succession Component

Inability to Retain Key Executives

Nonqualified Deferred Compensation Plans

**Designed Individually for
Selected Executives and
Provides Flexibility**

Layering of Benefits

- * Substantial Supplemental Retirement Income for Exec
- * Benefits to Exec's Family Pre-Retirement

Should Employee Leave Prior to Retirement

- Asset remains with Company
- Plan Can be Transferred to a Current Employee or New Hire

The Tax Cuts and Jobs Act of 2017

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An Inside Look

- **2025 Estate/Gift Exemption Amount is \$13.99m/individual and \$27.98m/marriedindexed for inflation ***Update**
- **2025 Annual Gift Tax Exemption Amount is \$19,000 *** Update**
- **Tax Rate 40% *** Update**

2025 Federal Estate Tax UPDATE

**Exemption increased to
\$15m/person, \$30m/married couple

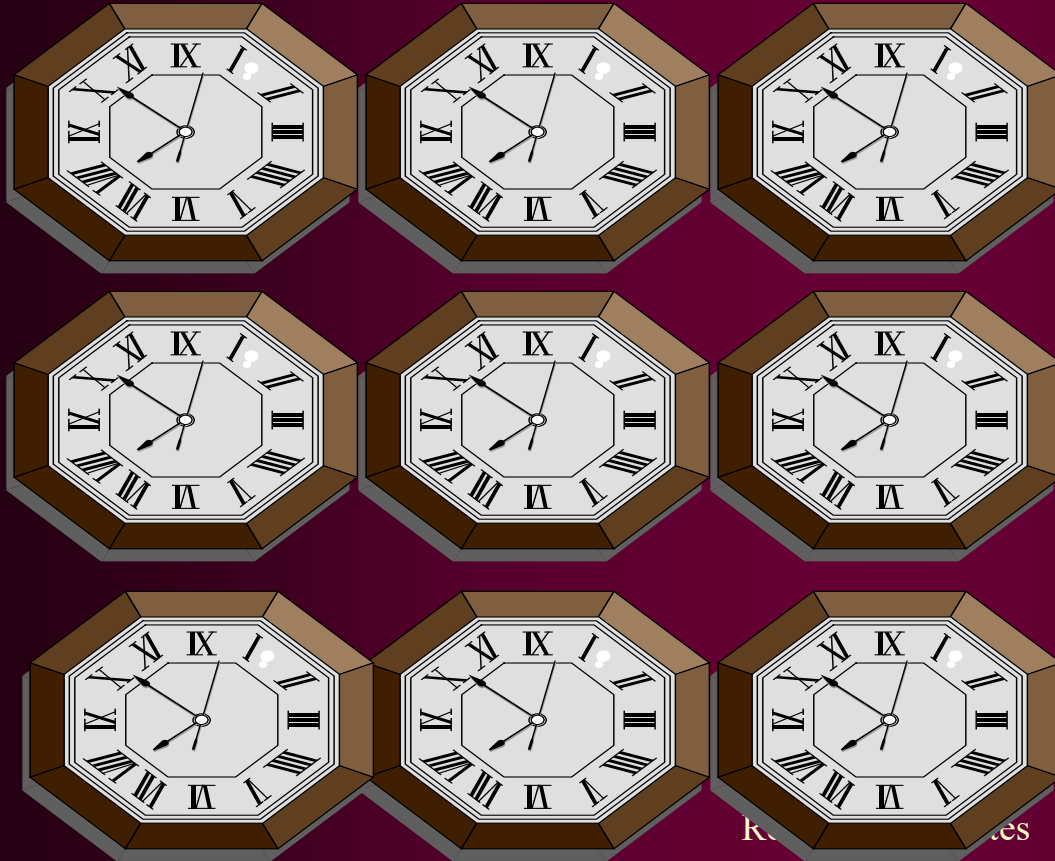
**Indexed annually for inflation

****Permanent*

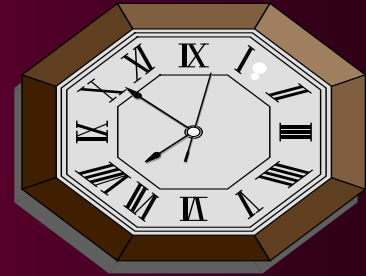
REALITY

**BUSINESS SURVIVAL IS NOT
GUARANTEED.....EVEN IF THE
BUSINESS/ESTATE IS BELOW THE
FEDERAL EXCLUSION AMOUNTS!**

Building Business/Assets



Preservation of Assets



Resources

Most Common Mistakes

- Complacency / Frustration
- Unrecognized Estate Size and Tax Hit
- Poor Liquidity Position
- Improperly Arranged Life Insurance
- Lack of Specialized Planning

“Simplicity” of Business Succession and Estate Planning

- Assets – Both business and nonbusiness
- Assets to go to whom you want, when you want, and how you want
- Current Plan – Are you 100% certain this will happen?

Estate Planning Liquidity Needs

- Administration Expenses
- State Estate/Inheritance Taxes (depending on state of residency – **IL and MN**)
- Federal Estate Taxes (due within 9 months)
...often Deferred to Second Death
- Family Income Needs

Succession Planning

Liquidity Needs

- Buyout of Business Interests
- Capital to Strengthen Business at Transition
- Replacement of Key Executives
- Deferred Compensation Arrangements

Sources of Liquidity



PAYMENT METHOD

Cash



- Reduces Total Bequest to Family
- Reduces Funds Family May Need for Current and Future Expenses
- Future Earnings on Funds are Gone
- Capital to run Company is Gone

PAYMENT METHOD

Sale of Illiquid Assets

- Reduces Total Bequest to Family
- Complete Loss of Future Income
- Unlikely to Receive Fair Value

PAYMENT METHOD

Life Insurance

- Least expensive method to pay estate taxes and other required obligations
- Death Benefit May Be Estate and Income Tax Free if Ownership is structured correctly
- Preserves Assets - including the Business
- Maintains Family Harmony

Life Insurance Ownership

Maintaining Estate Tax Free Status

- Irrevocable Trust
- LLC
- Adult Children

**LIFE INSURANCE
MISTAKES WILL
NEEDLESSLY RESULT IN
A TREMENDOUS LOSS OF
CAPITAL**

Life Insurance is an ASSET

Commonly, the second largest ASSET for business owners is the face value of their life insurance.....

Major Problem!!

Most Business Owners Do Not Understand their Second Largest Asset. This often leads to Significant Business Succession and Estate Planning Problems.

**IT IS
FINANCIALLY CRITICAL TO
COMPLETELY UNDERSTAND
THE CONTRACTUAL
LANGUAGE IN YOUR
POLICIES**

What Type Did/Do You Acquire?

- Term
- Universal
- Variable
- Variable Universal
- No Lapse Universal
- Indexed Universal
- Whole Life
- Whole Life / Term Blend

CONCERN AND CAUTION

- Variable
- Universal
- Variable Universal

Variable Life

Universal Life

Variable Universal Life

The following items are NOT guaranteed

1. Premium
2. Cash Value
3. Death Benefit

Insurance Company Safety/Policy Selection

- Was your life insurance acquisition based upon strict due diligence?
- Do you know the Comdex Score of your insurance company(s)....have you ever heard of a Comdex Score?
- Are you certain, with all the changes in the marketplace, that you have policies with the lowest *net cost*?

“I thought Life Insurance was Tax Free”

- Income and Estate Tax Situations
- Ownership of Policy must be structured correctly
- **Pension Protection Act of 2006!!**
- More.....

There Must Be Complete Understanding of:

Type of Policy

Company Financial Safety

Policy Design

Policy Ownership

Potential Tax Traps

Valuation

Important for Lifetime Gifts and Testamentary Transfers

Fair Market Value

What a Willing Buyer Would
Pay a Willing Seller, Neither Being
under a Compulsion to Buy or Sell
and Both Knowing All Relevant Factors

Valuation

IRS Revenue Rulings

Key Ruling - 59-60

Earnings
Capacity
Book Value
Dividend
Capacity
Marketability

Risk Closely
Held

Market Factor
Publicly Held

**Minority
Discounts**

Control
Premium

Surviving Shareholder Required Financial Obligation

\$ 5 MILLION BUYOUT AMOUNT

What are the Choices to Fund a Buyout?

- **Borrowing**
- **Installment Method – Commonly Used**
- **Life Insurance**

Case Study

F&F, Inc.

- **Frank and Fred are equal owners of F&F, Inc.
– a profitable S Corporation**
- **F&F, Inc. valued at \$10,000,000**
- **Buy-Sell Agreement REQUIRES surviving owner to purchase deceased owner's interest for \$5,000,000 under an installment contract payable over 10 years + interest**

Installment Method Overview

- Installment payments are NOT deductible by F&F, Inc.
- Frank and Fred are individually in a 40% marginal federal and state tax bracket
- F&F, Inc. operates on profit margin of 10% for every dollar of sale

Installment Method

Financial Reality

- **Annual Installment Payment is \$500,000 (not including interest)**
- **Surviving Owner must earn nearly \$850,000 in income to net \$500,000 in a 40% marginal federal and state tax bracket**
- **To earn \$850,000, the surviving owner has to generate annual sales of \$8,500,000, which is \$85,000,000 over the ten-year installment period!**

Installment Method Issues

- **Could either surviving owner generate enough profit to pay the installment obligation AND still earn a good income for his personal needs?**
- **Will the death of an owner have a negative impact on sales? How is that going to be made up?**

More Issues.....

- **Will the survivor have to hire someone to take over the responsibilities of the deceased owner? Where is the cash flow coming for this?**
- **Will the installment obligation affect the ability of the Company to pay salaries, borrow money, expand or fulfill other business purposes?**

What Happens.....

- If the company or surviving owner becomes insolvent during the installment period?
- If the surviving owner dies or becomes disabled during the installment period?

How to Avoid These Issues....

Properly Structured and Properly Funded Buy-Sell Agreements!!

Buy-Sell Agreement

Key Components

- Language that addresses all contingencies
- Valuation
- Funding

What are the Choices to Fund a Buy-Sell Agreement?

- **Borrowing**
- **Installment Method – Commonly Used**
- **Life Insurance**

Advantages of a Formal Buy-Sell Agreement

- Surviving Owner maintains Continuity of Ownership and Management
- Decedent's Estate / Family Converts Unmarketable, Non-Liquid Business Interest to Cash
- Provide Fair and Reasonable Price

Types of Buy-Sell Agreements

- Entity Redemption
- Cross Purchase

Entity Redemption Plan

- Al and Bob Form Corporation & Each Contributes \$500,000
- 10 Years Later Corporation is Worth \$10,000,000
- Al and Bob Enter Into a Stock (Entity) Redemption Agreement
- Corporation Becomes Owner and Beneficiary of \$5,000,000 Policy on Both Al and Bob

Entity Redemption Plan

Al Dies:

- \$5,000,000 Death Benefit is Paid to the Corporation
- Corporation pays \$5,000,000 to Al's Estate
- Al's Estate Redeems Stock Back to Corporation
- Bob's Stock is Now Worth \$10,000,000
(Same # Shares, Twice the Value)

Entity Redemption Plan

- Bob Decides to Retire and Sell Corporation for \$10,000,000
- Bob Must Pay Capital Gains taxes on \$9,500,000 (\$10,000,000 Minus Original Cost Basis of \$500,000)

Cross Purchase Plan

- Al and Bob Form Corporation & Each Contributes \$500,000
- 10 Years Later Corporation is Worth \$10,000,000
- Al and Bob Enter Into Cross Purchase Plan

Cross Purchase Plan

- Al is Owner and Beneficiary of \$5,000,000 Policy on Bob
- Bob is Owner and Beneficiary of \$5,000,000 Policy on Al

Cross Purchase Plan

Al Dies:

- Bob is Paid \$5,000,000 from Policy on Al's Life
- Bob Pays Al's Estate \$5,000,000 for Al's Stock
- Bob now Owns \$10,000,000 of Company Stock

Cross Purchase Plan

- Bob Decides to Retire and Sell Corporation for \$10,000,000
- Since Bob bought Al's Stock for \$5,000,000 and had \$500,000 Original Basis...
- ...Bob Pays Capital Gains Taxes on \$4,500,000
- **RESULT.... Tax Savings on \$5,000,000**

Successful Transition for Al's
Family and Bob.....Right?

WRONG!

WHY???

**The Buy-Sell Agreement was
Never Updated.....**

What's Changed?.....Plenty!

Al and Bob each had a son, Al, Jr. and Bob, Jr. working in the business each wanted their own son to have future ownership

Let's Talk about Al's son's Ownership Future

Not a Very Long Discussion!

Previous Example is only one
of Multiple Traps that Exist in
Many Succession Plans

BE AWARE AND PREPARE!

Connelly vs. Internal Revenue Service

June 6, 2024

United States Supreme Court Ruling

Major Problem!

Life Insurance Proceeds used to
Redeem a Deceased Shareholder's
Ownership Interest Must Now be
Included in the Estate and are Fully
Estate Taxable

What if My Corporation Has a Stock Redemption Buy-Sell Agreement Funded with Life Insurance

Proactive Review of Buy-Sell Agreement and Life Insurance Funding

SPECIAL CASE STUDY

YOUNG FAMILY AND ABC, INC.

ESTATE/SUCCESSION PLAN

Case Facts

- Parents, Louie and Louise Young, Ages 75 and 73 - Both Active
- Three Children:
 - Joe, Age 45 and Unmarried
 - Moe, Age 43 and Married to Nora
 - Helena, Age 39 and Married to Ken
- Louie, Louise, Joe, Moe 25% each of ABC
- Fair Market Value of ABC, Inc. is \$7,000,000
- Louie and Louise Estate Valued at \$10,000,000

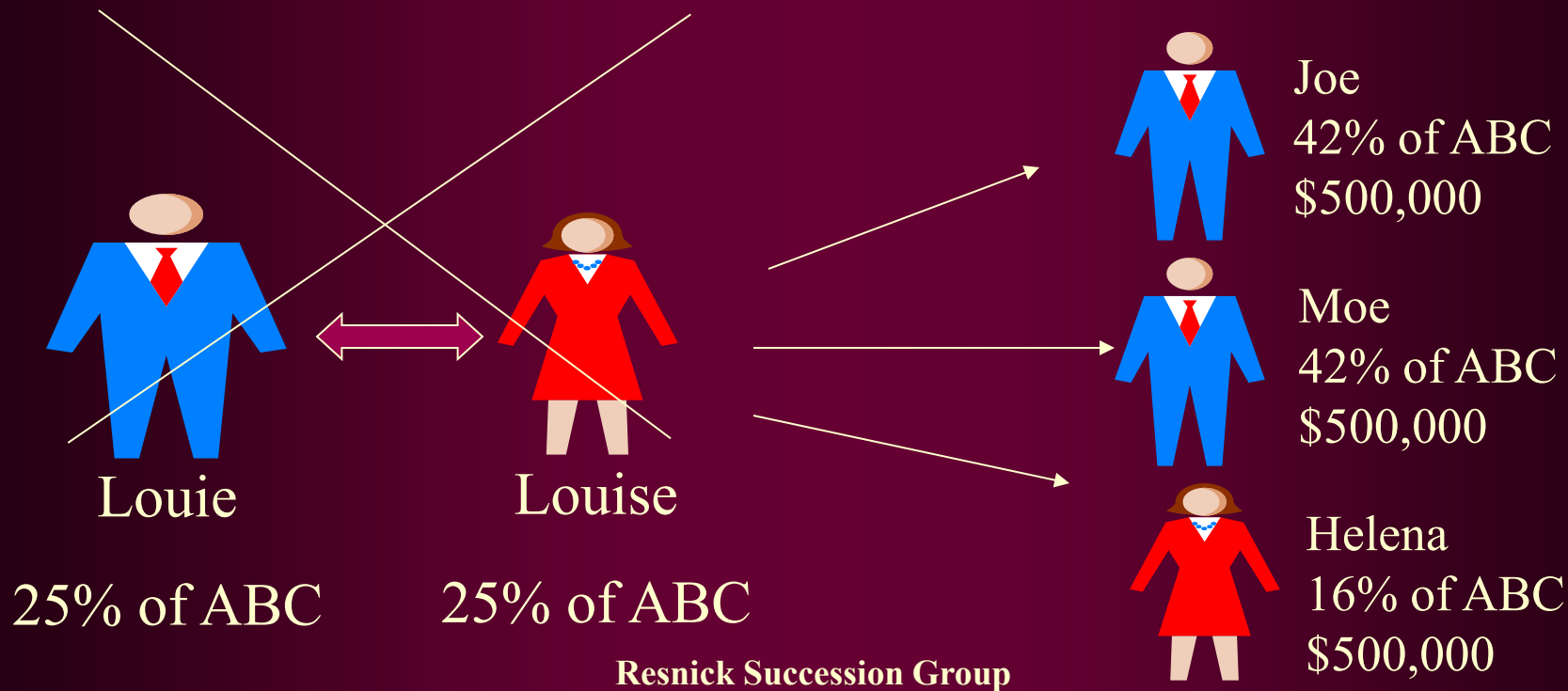
Current Plan

- Louie and Louise have Basic Wills
- At Second Death, Estate is Distributed Equally among the Three Children
- There is no Buy-Sell Agreement
- Children, Moe and Helena have Simple Wills
- Joe, – Single – No Estate Planning

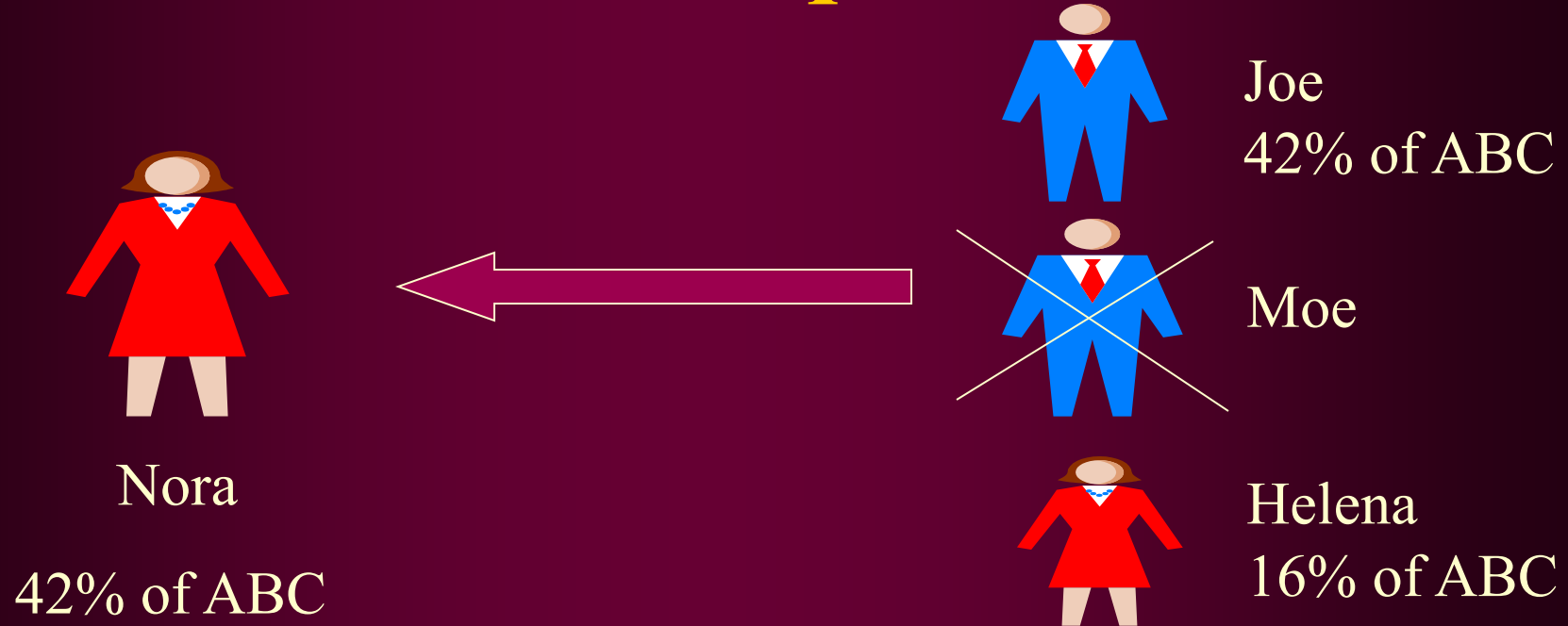
Goals

- Distribute the Estate Fairly Upon the Last to Die of Louie and Louise
- Assure that ABC, Inc. is Run by the Two Sons, Joe and Moe, Who are Active in the Business
- Provide Non-Business Assets to Daughter, Helena

Results of Current Plan after Death



Results of Current Plan At Moe's Subsequent Death



Young Family and ABC, Inc. Business Fallout

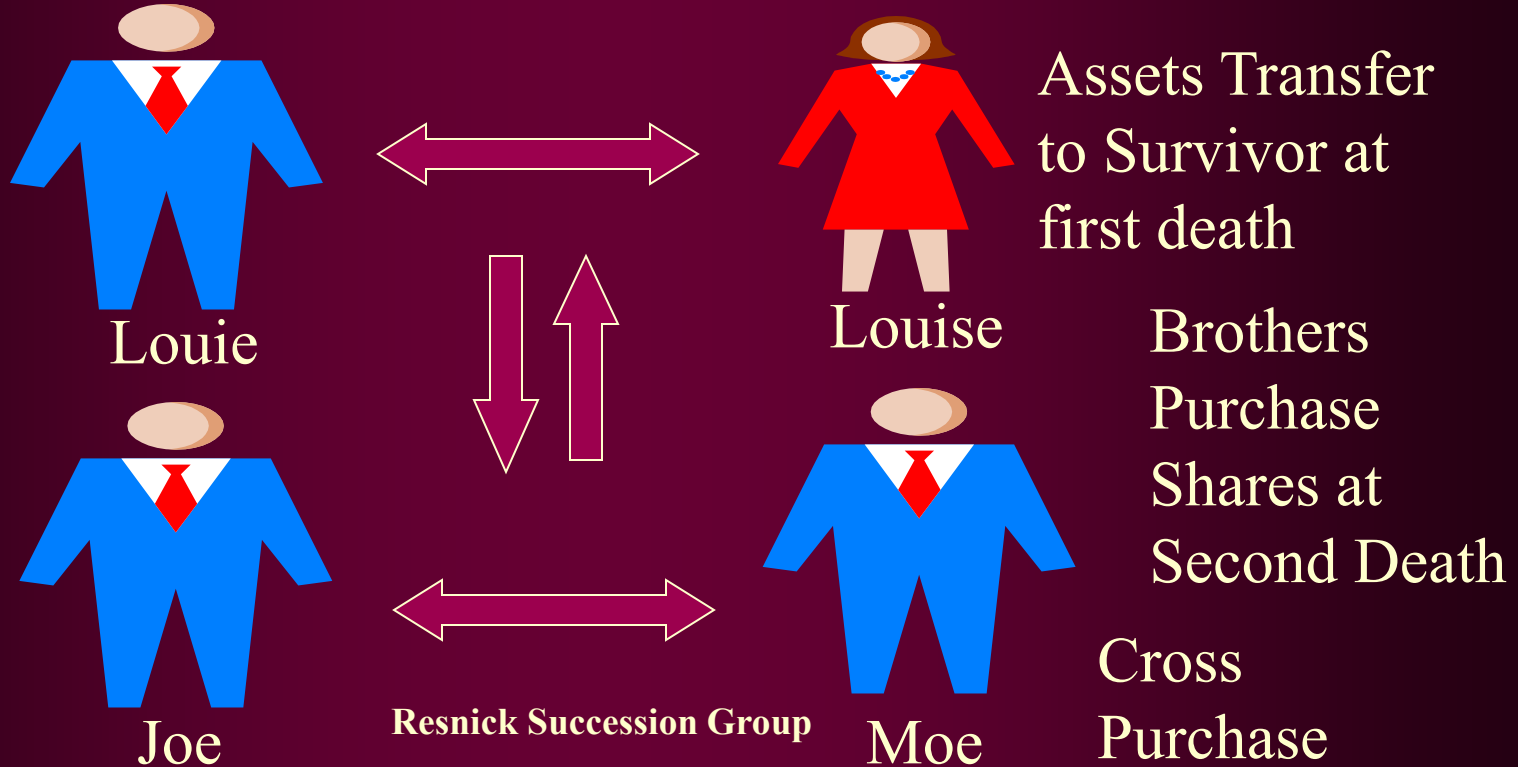
- Nora and Sister-in-Law Helena Together Control ABC, Inc. and can sell the Company
- Joe, the President of the Company, has Lost Control of ABC, Inc.
- Company Culture Erodes - Who is Running ABC, Inc.?

Family and Business Fallout

- Nora and Sister-in-Law Helena Together Control ABC, Inc. and can sell the Company
- Joe, the President of the Company has Lost Control of ABC, Inc.
- Company Culture Erodes - Who is Running ABC, Inc.?

Solutions/Step-One

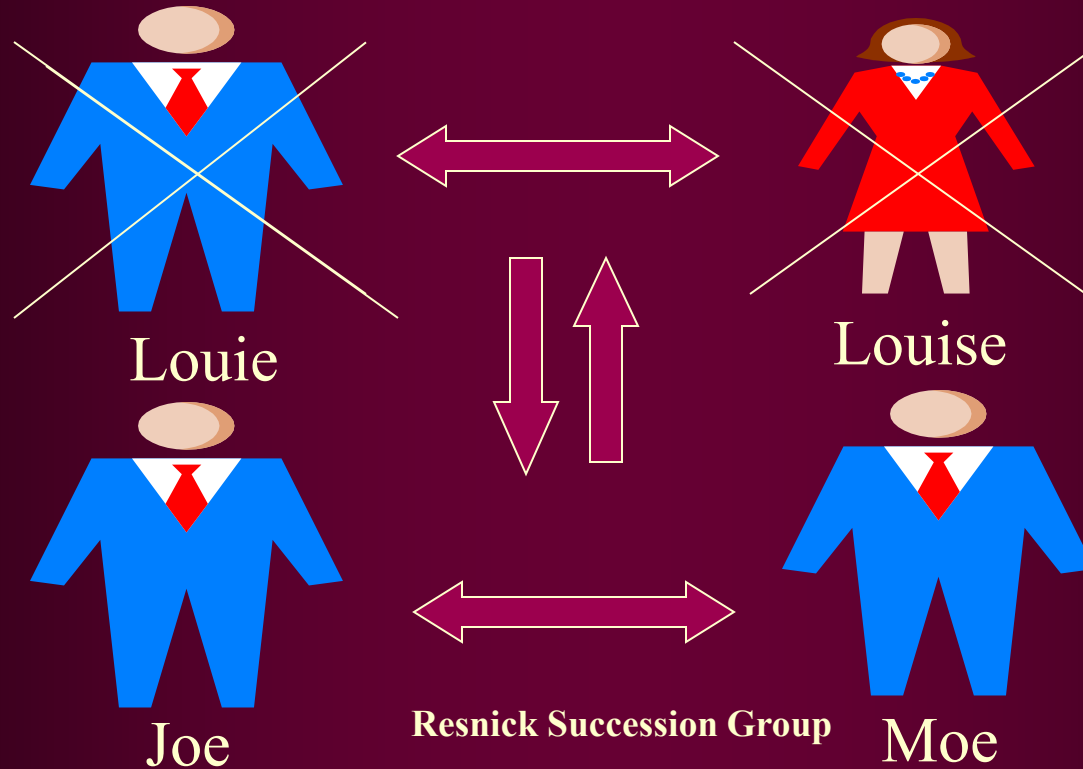
Cross Purchase Agreement



Solution/Step Two

- After Sons, Joe and Moe Buy Shares, Their Parents' Estate Has \$3,500,000 in Newly Created Liquid Assets
- Parents now Have the Ability to Increase Cash Distribution to Helena

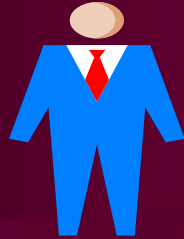
Results of New Plan



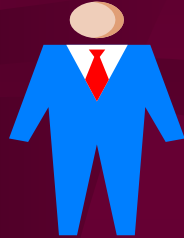
Purchased
Shares at
Second Death

Cross
Purchase

Possible Solution Totals



Joe
\$1,500,000
50% of ABC



Moe
\$1,500,000
50% of ABC



Helena
\$2,250,000
0% of ABC

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Summary of Key Points....

Know more than you have
'something in place' – you
must know **EXACTLY** what
you have

Being Proactive – Periodic Reviews and Adjustment for Material Changes – Tax Law, Business, Family

Importance of Independent, Objective Assessment of Existing Planning

1. Confirm your planning is accurate
2. Discover any concerns now, not after it's too late

Follow-Up

- Complete and turn in Questionnaire and Buy-Sell Agreement Checklist for individualized discussion
- 30 Minute Complimentary Consultations

CONTACT INFORMATION

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