

More than just a transaction

Nick Sadowsky, Senior Vice President–Wealth Management
Constellation Wealth Management, Private Wealth Management

Business is personal—and so is the decision to exit your business. Read how one family did it successfully with help from their UBS Financial Advisors.

For business owners, walking away from the company they have spent a lifetime building is never easy. But without a well-constructed exit strategy in place, transitioning to the next generation of management or to new ownership becomes far more difficult.

Such was the case for one family-owned marketing firm in the US Midwest when its owners—a father, a mother and their adult son—faced a liquidity event while embroiled in a bitter feud over the management and future of their company.



A family divided

When a UBS Financial Advisor first met the owners, the family's battles over the company were on the verge of spilling over into court. On one side of the dispute was the adult son, a minority shareholder. He oversaw the company's operations but did not want to stay with the business long enough to weather another recession. On the other side were his parents: his father, who founded the company, and his step-mother, majority owners who were no longer active in the business.

With revenues growing at a healthy pace, the parents felt their distributions from the business should be growing as well. But the son saw things differently, and the two sides had begun to sue each other over the matter. Worse still, the father was terminally ill and the mother had grown increasingly worried about what would happen after her husband passed.

Discovery and planning

Given the depth of conflict, the family's UBS Financial Advisor knew it would be essential to maintain an independent viewpoint as he intervened to help the family find a way forward. "For me, it was about being independent, knowledgeable and capable of finding mutual ground to keep the train on the tracks," the Advisor recalled.

The Advisor started the engagement by having in-depth conversations with the father, mother and son separately, focusing on understanding their individual financial goals and personal values. From there, the Advisor was able to develop financial plans for each family member, including determining the amount of money the son and mother would need to fund their lifetime goals.

Weighing the options

Eventually, the family and the Advisor narrowed the choices to two:

- **ESOP:** An Employee Stock Ownership Plan would allow the family to sell portions of the business to employees, providing tax benefits for both parties in the process.
- **Outright sale:** For some owners, selling their company outright is a cleaner option. Under this plan, the family would sell 100% of the business to a buyer from the same industry or with a complementary business model in an M&A transaction.

Selling the business

Given the family's needs and timeframe, they decided that an outright sale would be best. Their next question: At what price? Like most business owners, the family had an estimate of what they felt the business was worth but did not have a true valuation.¹ After the UBS Advisor and bankers concluded that the company could fetch significantly more than the family's estimate, the bankers began a competitive auction process to find a buyer. When a competitor ultimately agreed to buy the company with private-equity backing, the sale price was higher still—ultimately more than double the family's original estimate.

The proceeds were more than sufficient to support the son and mother's future needs. For the father, the arrangement included a deferred compensation plan to help retain key longtime staff, reward them for their loyalty and ensure greater continuity during the ownership transition.

Differentiated service

What enabled the UBS Financial Advisor to achieve the best possible outcome for a family that had been so bitterly divided? The Advisor believes it was a combination of factors, including the ability to bring the resources of UBS to the client relationship, the ability to offer holistic post-liquidity wealth management and helping the family understand their exit options.

Beyond that, the Advisor said it was his willingness to dig deep to understand the needs of each family member and the personal purpose behind their business. By building relationships with each family member during the multi-month engagement, he was able to ease tensions within the family and help them figure out the right way to move forward.

"It was about listening to the clients, but also understanding what was going to make them emotionally happy in the end," the Advisor said. "It's more than just a transaction."

¹ Source: *UBS Investor Watch*, "Who's The Boss," February, 2018 as well as responses to questions not previously published as part of the Investor Watch survey and therefore not sourced to a previously published document.

Disclosures

UBS Financial Services, Inc. and its affiliates do not provide legal or tax advice. Clients should consult with their legal and tax advisors regarding their personal circumstances and before you invest or implement. This report is provided for informational and educational purposes only. Providing you with this information is not to be considered a solicitation on our part with respect to the purchase or sale of any securities, investments, strategies or products that may be mentioned, including estate planning strategies. In addition, the information is current as of the date indicated and is subject to change without notice. Important information about Advisory and Brokerage Services: As a firm providing wealth management services to clients, UBS Financial Services Inc. offers both investment advisory services and brokerage services. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that clients understand the ways in which we conduct business and that they carefully read the agreements and disclosures that we provide to them about the products or services we offer. For more information visit our website at ubs.com/workingwithus.