



Holistic
BREAKWATER CAPITAL'S
GUIDE TO *Business*
Planning



BREAKWATER
CAPITAL



Business Planning

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Breakwater Capital is a part of an elite national group of advisors that specialize in very specific, high-level tax planning strategies designed for the small to mid-sized business.

We work with CPAs, Business Owners, Executives and Employees at all levels to structure and implement plans that seek to keep employees incentivized and motivated to help the business continue to flourish. Our clients tell us they want to build relationships with real people where they receive outstanding personal attention. They don't want to be a number in a corporate structure, or deal with excessive bureaucracy. We can ensure that you develop actual relationships with real people.

We provide individuals and business owners with proactive and holistic planning services. Rather than clients receiving disjointed advice from multiple independent advisors, we bring all of the necessary professionals together to work as one TEAM, essentially providing a "one-stop-shop" for all business planning needs.

As a result, our clients are able to strive to reach their personal and professional goals in a more efficient and enjoyable process.

At Breakwater Capital We Strive to Help CPAs:



INCREASE THEIR REVENUE PER CLIENT WHILE KEEPING THEIR WORK LOAD THE SAME



EXPAND THEIR "BRAIN-TRUST" BY WORKING WITH SOME OF THE COUNTRY'S BEST SPECIALISTS



REDUCE THE RISKS THAT COME FROM REFERRING CLIENTS TO OTHER ADVISORS



ADD SIGNIFICANTLY MORE VALUE TO THEIR CLIENTS BY PROVIDING MORE PROACTIVE PLANNING

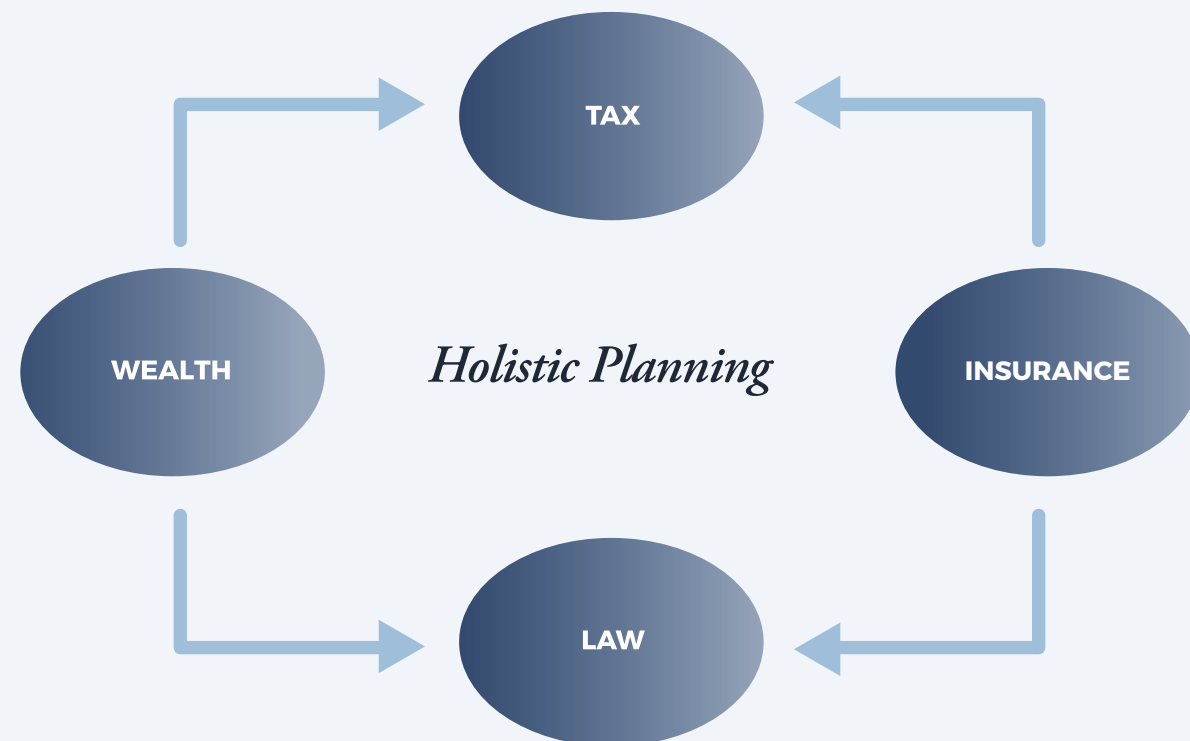


REDUCE THE RISK OF LOSING CLIENTS BY BEING MORE PROACTIVE AND HOLISTIC



INCREASE UP TO 50% IN REVENUE WITH ADVANCED TAX PLANNING TECHNIQUES THAT ARE NOT AVAILABLE TO MOST CPAs

YOUR VIRTUAL FAMILY OFFICE



THE PROBLEM TODAY FOR CPAs

The economic conditions over the last 5-10 years has placed a serious demand for CPAs to become much more proactive and act as the "trusted business advisor" for their clients.

The majority of CPAs are not able to keep up with these shifting demands in addition to all of the tax laws changes. As a CPA Team Based Model Consultant, my team and I seek to help with this new reality.

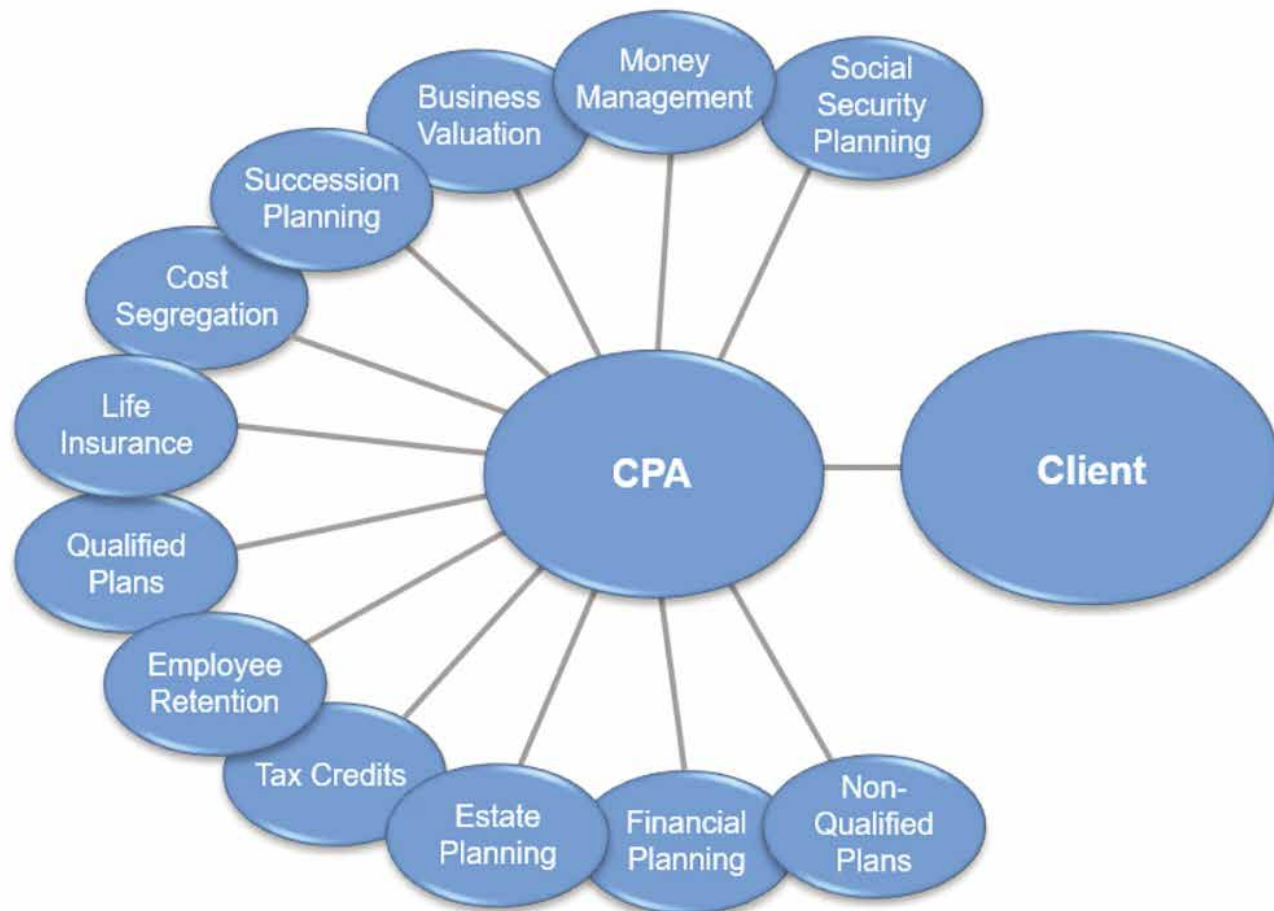


Third Party vs. Team-Based Model

It is obviously unrealistic for one professional to be responsible for all this knowledge and work. We have found that most CPAs would like to help their clients more, but either do not have the time or anyone they can trust to collaborate with. Breakwater Capital aims to change this by helping CPAs switch from a referral method to a team-based model.

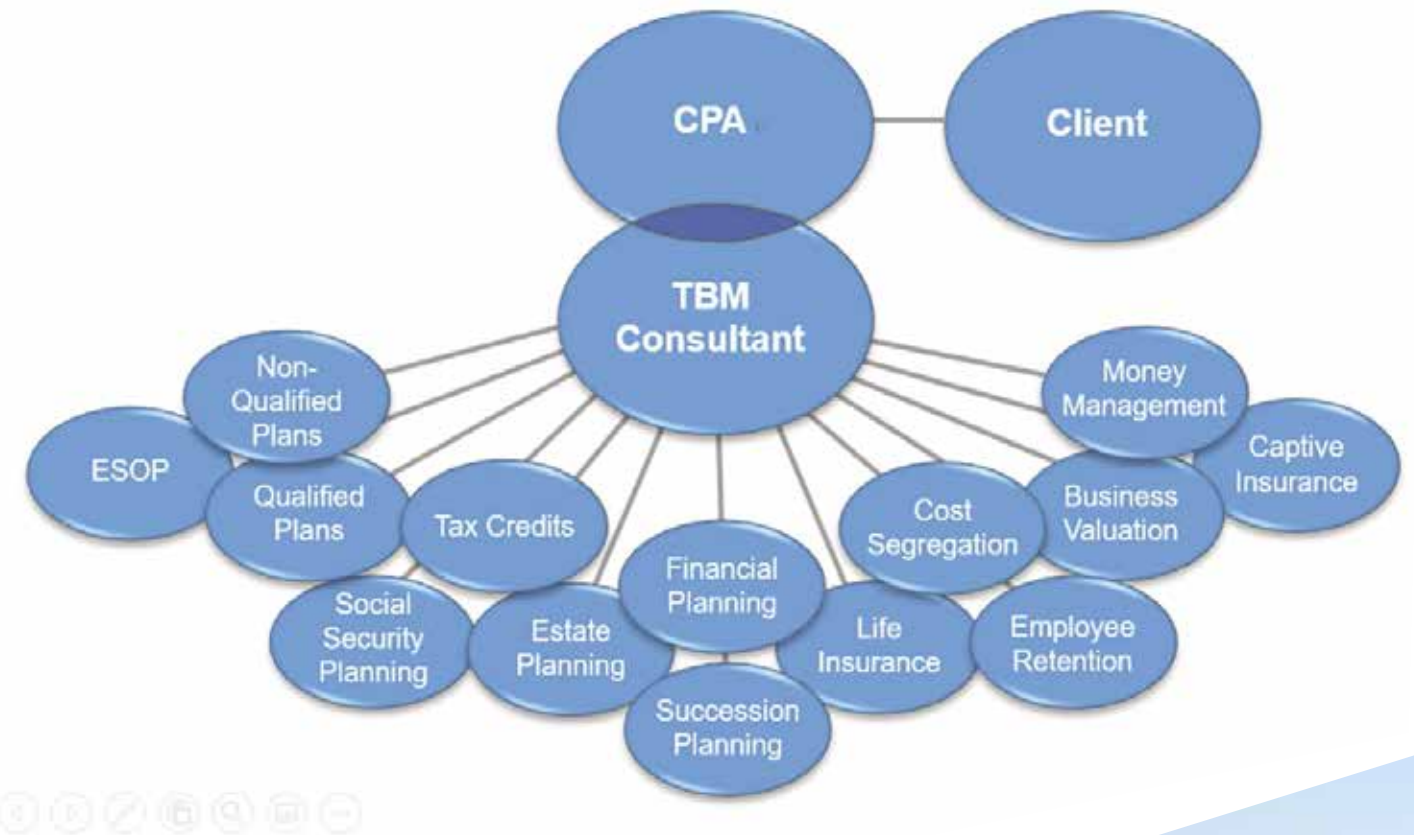
THIRD PARTY REFERRAL MODEL

When a client has a special need or opportunity that the CPA does not specialize in another expert would need to join the fold. However, most CPAs are hesitant to do this because it creates a liability for them. How can they be sure the professional they are referring their client to will act in their best interest and represent the CPA in a positive light? Furthermore, they would need to create and maintain many different relationships which creates an even bigger time drain for the CPA. It is not a very efficient model for the practice even if it would be greatly beneficial to the clients.



TEAM-BASED MODEL

In our Team Based Model the CPA retains control over the entire process. We act as a “one-stop-shop” for the CPA by providing a concierge service to some of the best specialists in the country. We work with the CPA to educate and discover opportunities, then provide access to very valuable resources that specific client situations call for. This allows the CPA to focus on the core services of their practice while creating immense additional value for their clients.



Exiting the Business Successfully

Business exit/succession planning helps business owners develop an exit strategy to maximize their after-tax cash proceeds while meeting non-financial objectives. Succession and exit planning strategies will vary based on the particulars of the business (size, industry, management structure, and cash flow), the state of the economy, the M&A market, and personal objectives of the business owner. Our specialists will work with businesses of all sizes – ranging from those with less than \$1,000,000 in revenue to those with sales in excess of \$100,000,000.

BUY-SELL AGREEMENT

A buy/sell agreement is a legally binding agreement between co-owners of a business that governs the situation if a co-owner dies or is otherwise forced to leave the business, or chooses to leave the business. It may be thought of as a sort of premarital agreement between business partners/shareholders or is sometimes called a “business will”. An insured buy/sell agreement (triggered buyout is funded with life insurance on the participating owners’ lives) is often recommended by business-succession specialists and financial planners to ensure that the buy/sell arrangement is well funded and to guarantee that there will be money when the buy/sell event is triggered

ESOP

An ESOP is a type of qualified, defined contribution plan designed to invest primarily in the stock of the sponsoring employer. ESOPs are “qualified” in the sense that the ESOP’s sponsoring company, the selling shareholder and participants receive various tax benefits. ESOPs are often used as a corporate finance strategy to create a liquid marketplace for closely held stock which provides a viable tax advantaged exit strategy for shareholders under Section 1042. A common misconception is that by installing an ESOP an owner has to give up control of their company to their employees, which isn’t the case. A properly structured ESOP allows an owner to sell some or all of their privately held stock, creating liquidity, while still maintaining 100% control of the company.

ESTATE PLANNING

Estate planning is the process of anticipating and arranging, during a person’s life, for the disposal of their estate. Estate planning can be used to eliminate uncertainties over the administration of a probate and to maximize the value of the estate by reducing taxes and other expenses. The ultimate goal of estate planning can be determined by the specific goals of the client, and may be as simple or complex as the client’s needs dictate. Guardians are often designated for minor children and beneficiaries in incapacity.

PREMIUM FINANCING

Premium financing involves the lending of funds to a person or company to cover the cost of an insurance premium. Premium finance loans are often provided either by banks or by third party finance entities known as a premium financing company. Typically, clients that engage in this transaction range in age from 29 to 75; with a net worth of \$3,000,000 or greater. Younger clients benefit in the current environment due to the advent of premium financed indexed universal life (IUL) policies. The growth inside IUL policies often exceed the interest rates charged on the loan resulting in a positive arbitrage. Premium financed policies can be used in a number of ways, including: As a buy/sell agreement; As part of a Gifting Strategy (Leveraged Gifting); Inside an Employee Stock Ownership Plan (Leveraged ESOP); Inside an Irrevocable Life Insurance Trust to mitigate estate taxes upon death

ASSET VALUATION

Asset valuation is commonly performed prior to the sale of an asset or prior to purchasing insurance for an asset. It is simply a method of assessing the worth of a company, real estate, security, antique or other item of worth, and may consist of both subjective and objective measurements. For example, in valuing a company, there is no number on the company’s financial statements that tells how much its brand name is worth. On the other hand, net profit is an objective measurement based on the company’s income and expense figures. The value, complexity, and future plans of an asset should be taken into account when considering whether to hire a general valuator who will give you a rough estimate, or a specialist whose results will be well researched and verifiable.

Attracting & Retaining Key Employees

Attracting, retaining and rewarding key employees can be challenging. If you have clients that are business owners, then you may know first-hand just how hard it can be to hold on to top employees. But since they are vital to the life of every business, keeping them committed is essential. Loyal employees are hard to come by, and with recruiting and training costs on the rise, keeping reliable, quality employees is more important than ever.

KEY MAN

Almost every business has key employees who are essential to its overall success. A key employee can be anyone who, among other things, is responsible for management decisions, is highly paid or has a significant impact on sales. This employee could be the owner of the business or an employee whose services or knowledge are crucial to the business and costly to replace. If a key employee quits or passes unexpectedly, replacing his or her knowledge, experience and potential loss of earnings can be costly, time-consuming and sometimes fatal to a business. Key person insurance is used to protect a business against the financial loss sustained by the death of an individual who is vital to the success of the business.

EXECUTIVE BONUS PLANS

Executive Bonus Arrangements are used by businesses to supplement existing qualified plans and provide additional benefits to key personnel and highly compensated employees. When key executives are presented with a strong monetary incentive package, they are more likely to stay and utilize their talents where they feel appreciated and appropriately rewarded. Well-structured incentive plans can help keep key executives in place and motivate them to higher levels of performance. In small businesses, these plans usually include the owner & founder.

QUALIFIED PLANS

In their simplest form, Qualified Plans are plans that meet specific requirements of the Internal Revenue Code, and as a result, are eligible to receive certain tax benefits. There are two types of qualified plans – defined-benefit plans and defined-contribution plans (such as 401ks and profit sharing plans). A defined benefit plan is “defined” in the sense that the benefit formula is specified and known in advance. Conversely, for a “defined contribution pension plan”, the formula for computing the employer’s and employee’s contributions is defined and known in advance, but the benefit to be paid out is not known in advance.

VOLUNTARY BENEFITS

Finding quality employees is half the challenge. Keeping them – and keeping them well motivated – is the other half, especially in today’s tight labor market. One way to do that is to provide competitive benefits. We can help you establish a creative employee benefit package to help your business attract and retain your key asset, the employees. This can include a combination of the following benefits:

- Health Insurance
- Term & Permanent Life Insurance
- Disability Insurance
- Long Term Care Insurance
- Dental & Vision Packages

If you already have a plan in place, we can conduct a review to make sure the business is getting the most competitive rates possible for the benefits provided.

HR SOLUTIONS

Our HR Support Center provides access to exclusive, industry leading HR tools and resources. Easily manage employee benefits, onboarding, offboarding,

Optimizing Business Operations

As the business grows and becomes more profitable, complexity becomes an issue. We aim to employ tactics that ensure the business is running as efficiently as possible by lowering costs and taxes wherever possible.

COST SEGREGATION

A cost segregation study identifies and reclassifies personal property assets to shorten the depreciation time for taxation purposes, which reduces current income tax obligations and results in increased cash flow. The primary goal of a cost segregation study is to identify all construction-related costs that can be depreciated over a shorter tax life (typically 5, 7 and 15 years) than the building (39 years for non-residential real property). Personal property assets found in a cost segregation study generally include items that are affixed to the building but do not relate to the overall operation and maintenance of the building.

COST REMEDIATION

Using cost remediation or cost procurement strategies, companies can maintain their competitive edge by reducing operational cost and corporate risk to improve profit performance. During cost remediation/cost procurement studies, specialists will consider a number of items to lower operating costs such as manufacturing incentives, vendor screening, energy deregulation, equipment lease audits, freight and parcel audits, hiring incentives, tax credits, cell phone audits, energy comprehensive studies, workers compensation audits, property lease audits, etc.

CAPTIVE INSURANCE

A Captive Insurance Company is an insurance company established with the specific objective of insuring risks emanating from their parent group. This is an alternative form of risk management that is becoming a more practical and popular means through which companies can protect themselves financially while having more control over how they are insured. In essence, a business can choose to pay tax deductible premiums to its own Captive, instead of a 3rd party, saving itself the profit margin that would otherwise have to be paid to that 3rd party.

Benefits include savings to the bottom line as well as a reduction in risk exposure resulting from more targeted coverage. In addition, many Captives have developed into profit centers with reserves that accumulate tax free when premiums are in excess of claims, and when excess reserves are pulled out of the Captive they are taxed at Capital gains rates rather than ordinary income rates.

BUSINESS FINANCING

Finding the right financing source can often be a business's biggest challenge. Business financing specialists work with hundreds of lenders across the country in order to find the best loan for a client's business. They use their expertise and network of lenders to help the client close the right loan, and unlike a bank or lender, they don't try to push a client into buying a financial product.

OUR PROCESS



1

EDUCATION

How we work to help your practice grow and provide your clients with powerful resources

2

BRAINSTORM

We share proprietary software designed to uncover client needs & opportunities. Simply send to your client or fill out yourself. The information will be your eyes only and only utilized for diagnosis purposes. We will NOT have access to your clients' information unless you want to share it.

3

GAME PLAN

How we can best educate the strategy and communicate value to the client. Some CPAs want to maintain complete control, however our experts are always at your disposal to assist in client meetings.

4

IMPLEMENT

Assist in facilitating every aspect of the plan being set in motion. Our back office can make the process as simple as possible as we communicate with the client & CPA each step of the way.

5

MONITOR

As time goes on, there may be changes or necessary upkeep to maintain the effectiveness of the plan. We are always available to the CPA & client if any future needs occur.



For more information visit Elite Resource Team's website: www.elitert.com
(310) 940-9430 BREAKWATER-CAP.COM

GENERAL DISCLOSURE

Not an offer to buy, nor a solicitation to sell securities. All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future results. Speak to your finance and/or tax professional prior to investing. Any information provided is for informational purposes only.

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