Deferred Sales Trust™ - Business Sale

Campbell Law

Creates Deferred Sales Trust™ documents for seller and approved trustee.

Approved Deferred Sales Trust™ Trustee

Broker

Lists business and receives full commission from trust when sale is completed.

Business sold to trust

Buyer

Transfers proceeds of sale after paying off debt to trust in a simultaneous closing through escrow and title.

Trust transfers assets to buyer

Seller

Sells business to trust through the broker.

Periodic payments paid to seller who holds a secured note

All funds from trust sent to approved Investment Advisor

Investment proceeds sent back to trust

This diagram and the accompanying information is for educational purposes and is solely intended to provide an overview on how the Deferred Sales Trust™ works and can be implemented. The Estate Planning Team does not provide legal, tax professional services, or advice. Each transaction and individual circumstances vary widely and participants are strongly urged to seek independent legal, tax and professional advice.

Securities offered through Dempsey Lord Smith, LLC Member. FINRA/SIPC. Advisory services offered through Dempsey Lord Smith, LLC.
The Estate Planning Team is not affiliated with Dempsey Lord Smith, LLC. BrokerCheck

ESTATE
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HOW THE DEFERRED SALES TRUST™ CAN HELP WITH THE SALE OF YOUR BUSINESS

The Deferred Sales Trust™ is the core service of Estate Planning Team. It is a respected strategy for deferring the capital gains tax due upon the sale of a highly-appreciated asset such as a business or investment real estate. The Deferred Sales Trust™ is governed by IRC Section 453 and has been successfully utilized for over 20 years. It allows business owners and real estate owners to sell their asset in exchange for a secured installment note that provides for the deferral of capital gains tax and an income stream based on the pre-tax proceeds inside of the trust.

A common strategy for capital gains tax deferral on the sale of a business is the IRC Section 453 installment sale, sometimes referred to as "seller financing." This strategy can provide an income stream to the seller of a business or real estate for a period of years but will only achieve tax deferral for the seller on the portion of the principal that is not yet paid by the purchaser. Eventually, the payment of principal (such as with an amortized payment structure or a balloon payment) will result in the capital gains taxes being paid by the seller. Another disadvantage to the traditional installment sale is that depreciation recapture cannot be deferred over the term of the note and is generally recognized and taxable in the year of sale.

A traditional installment sale can have substantial risks associated with it, primarily because the installment sale note payments are secured by the same asset that you just sold, but which you no longer want or control. For example, when markets correct, the buyer of your asset could default on the payments leaving you to foreclose on the business or the property. But what if the purchaser has mismanaged the asset or adverse market conditions have resulted in the value being substantially lower than when it was sold?

Another concern with a traditional installment sale is that the buyer of your business or property can sell it to a new buyer. In this situation, you could find yourself getting paid off too early, thereby triggering your capital gains tax liability and causing you to suffer a big equity drain.

You have a much wider variety of potential investment options with the Deferred Sales Trust™. Further, the resulting installment note from the Deferred Sales Trust™ is not secured by the asset that you just sold, but is secured by a diversified portfolio of other assets inside of the trust and managed by experienced investment advisors. The Deferred Sales Trust™ offers the business owner an exit strategy with an extraordinary amount of flexibility and an income stream based upon the pre-tax proceeds inside of the trust.

The Estate Planning Team has an exclusive relationship with the Campbell Law Firm and it vigorously protects the proprietary nature of the Deferred Sales Trust™ strategy. It is a unique financial solution that other advisors either may not know about or cannot provide. As with all significant tax and legal matters, it is important to review the Deferred Sales Trust™ with your tax and legal advisors.

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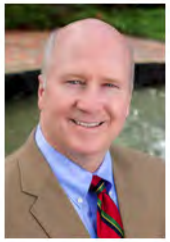

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