

Lifestyle Freedom Discussion



Know your Number: Why your Lifestyle Freedom Number is so important PRIOR to considering any succession plan and how it could save you millions in taxes.

The Apollo space program developed the single most powerful rocket the world had ever seen—7.5 million pounds of thrust! Not even the shuttle program exceeded that amount per rocket, exceeding the 7.5 with 2 rockets by a ‘mere’ 300k pounds. That record may soon be broken: SpaceX’s Super Heavy (formerly BFR or ‘Big Falcon Rocket’) intends to send astronauts to Mars, with approximately 11.8mm pounds of thrust! Why do these rockets need so much power? They must reach their “escape velocity”—which is the speed that will help them to reach different levels of orbit or to actually break free completely from Earth’s gravity.* What does this have to do with my so called ‘Lifestyle Freedom number’, you ask? This is simply the minimum number you need from your exit to achieve the level of orbit your family needs to stay comfortable. It is your personalized version of financial independence.

This may seem basic, but I’ve seen so many owners fall into the “that’s got to be enough” trap and find themselves ‘succumbing to gravity’ later in life—being forced to find other sources of income to support lifestyle. Finding that number should never be an estimation, it should be a deliberate process of being honest and specific with the lifestyle you desire, the ability of your entire balance sheet to support income, and stress tested against different market conditions. Consider that a ‘big’ number of \$1mm today nets less than \$40k/year in pre-tax income according to most financial planning guidelines. Being a millionaire isn’t what it used to be.

Additionally, this number can save you hundreds of thousands if not millions of dollars in taxes. What?? Most of our clients want to take care of the people and missions important to them: family, charities, perhaps even their own family foundation. If you sell your business prior to establishing a charitable or estate plan, it is likely you will pay significantly more in estate, income or capital



Matthew D. Pardieck
CFP®, CIMA®, CLU®

*First Vice President, Wealth
Management*

Christopher L. Corley MBA, AIF®
Financial Advisor

Ansley R. Mellette
*Registered Senior Client Service
Associate*

28 Bridgeside Blvd, Suite 203
Mount Pleasant, SC 29464
T 843.416.1033 | F 866.522.9699
www.harbourwealthmanagement.com

gain taxes. One example: Stock gifted to a charity prior to a sale is likely to avoid capital gains taxes—but once LOI is signed or sale put otherwise in motion, you will pay capital gains taxes regardless of the eventual gift. Consider that for a \$1mm gift, this can save nearly \$250k. So, how can you possibly know how much you can gift prior to the sale if you don't know the number that helps you take care of you and your family first??

NASA estimates the first round trip Mars journey will take 2.5 years and will take years to plan. Make sure your journey through succession into your own version of escape velocity has the benefit of meaningful preparation with a good financial planning engineer.

*Sources: SpaceX/mars and author holds degree in aeronautical engineering.

Opinions expressed are those of the author and are not necessarily those of Raymond James. All opinions are as of this date and are subject to change without notice. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. The calculations presented are hypothetical in nature, are used for illustrative purposes, and do not represent the performance of any specific investment or product. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of Raymond James & Associates, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional.