

# Guardian Connection

June 2006

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*Guardian Connection is an annual newsletter written exclusively for the members of the National Association of Women Business Owners. We welcome your feedback and story ideas.*

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GUARDIAN®

## Succession Planning Can Protect Business Value

As a small business owner, part of your job is to make sure that all of the company's employees and vendors get paid on time. But what about you? How do you make sure that you (or your heirs) will get paid for the value of the business you are building when the time comes? That time may arrive when you reach a planned retirement age, but it also could occur unexpectedly as a result of a disability, for example.

Creating a succession plan is a smart step for almost any business owner. Think of this as a process that will allow you to exit the business while maintaining its momentum and converting its value into cash that you or your heirs can enjoy.

In developing a succession plan, the first step is to ask:

- *What is your business worth now?* Its fair market value is the amount that a buyer would pay a seller in a negotiated transaction.
- *What will your business be worth when you exit?* As your business grows, its value should increase. You also can add value by selecting one or more successor managers capable of assuming your responsibilities over time.

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NATIONAL ASSOCIATION OF  
WOMEN BUSINESS OWNERS  
National Corporate Partner

*Undoubtedly, women in the US have made great social and economic strides, but there is still a significant disparity between male and female incomes in the workplace. It's no wonder so many women are trailblazing their way into business leadership. They are pursuing the entrepreneurial path in record-breaking numbers and generating enormous results: \$2.46 trillion as of 2004, according to the Center for Women Business Research.*

*At Guardian, our purpose is to help you as you grow your business or pursue entrepreneurship. Our aspiration is to help you to accumulate wealth and protect your business, your family, your future. And our ambition is to offer unique entrepreneurial career opportunities that let you do good and do well.*

*We have an unwavering commitment to you and to the community, and we are proud to partner with NAWBO for doing the same.*

*Best wishes for a rewarding Women's Business Conference!*

*Emily Viner, Field Vice President  
Kathy Readinger, Director  
The Guardian Life Insurance Company of America*

**Guardian is  
NAWBO's  
Corporate Partner  
of the Year!**

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## Guardian Sponsors NAWBO Diversity Best Practices Award

Guardian is the 2006 national corporate underwriter for NAWBO's Membership Diversity Initiative, which includes Spanish translation of NAWBO's Web site and recognition of a local NAWBO chapter that proactively pursues membership diversity initiatives.

The Center for Women's Business Research reports that firms owned by women of color are growing at six times the rate of all U.S. firms. Four in ten (38%) firms majority-owned by women of color are owned by Hispanics. Firms owned by Hispanic women now represent 8.3% of all privately-held, majority women-owned firms in the US.

NAWBO's diversity efforts are focused primarily on providing Latina women with business development resources as they develop their business plans and take their businesses to the next level.

***Please join Guardian Thursday, June 1<sup>st</sup> at NAWBO's Women's Business Conference Luncheon for a special presentation honoring one winning chapter for achieving the 2006 NAWBO/ Guardian Diversity Best Practices Award.***



Guardian is the national sponsor of the Latino Entrepreneurial Award of Distinction, or LEAD. This program gives \$30,000 in cash prizes to entrepreneurial Latino teens. In the interest of promoting greater community service and philanthropy, Guardian makes an additional \$250 cash donation in the name of each winner to the individual charity of his or her choice. Prizes can be used by winners to enhance their businesses or for higher education. Visit: [www.LEADawards.com](http://www.LEADawards.com) for more information.

## Guardian is NAWBO Corporate Partner for 2006

This honor is bestowed on sponsors that have given extraordinary support and service to NAWBO leaders, chapter leaders and individual members. Past recipients include: Principal, Wells Fargo, Office Depot, and American Express OPEN.

## Guardian Offices Connect with Local NAWBO Chapters

Several Guardian local offices and representatives are partnering with NAWBO chapters to help them in areas related to fundraising, membership, and event planning. Guardian salutes their commitment and efforts!

- *Integrated Financial and Insurance Services* in San Jose, Calif., continues as a Corporate Partner of NAWBO-Silicon Valley. Elaine Ellis, a financial representative at *Integrated*, has achieved personal success in connecting with the chapter. "NAWBO has had a positive impact in my life. I've created centers of influence with some of the members and gained new friends. NAWBO has heightened my appreciation for giving back to my community. These women are incredible and I enjoy being part of such a dynamic organization," says Ellis.
- *Spence, Driscoll & Company* in Phoenix, Ariz., has recently signed on as a Strategic Corporate Partner of NAWBO-Phoenix.
- *O'Malley and Associates* in Chicago is a Corporate Mentor of NAWBO-Chicago. Laura Davis of O'Malley was honored as the chapter's Corporate Women of Achievement in May.
- *Consolidated Planning, Inc.* headquartered in Charlotte, NC, is partnering with NAWBO-Triad to run a Girls Going Places® Entrepreneurship Conference at University of North Carolina at Greensboro in October.
- *The Columbus Financial Group* in Columbus, OH, chairs the NAWBO-Columbus Corporate Sponsorship Committee.
- Guardian is a Bronze Partner of NAWBO-NYC. Nancy Ogilvie of *National Financial Network, LLC* in New York City heads the chapter's Entrepreneur Roundtable Committee.

If you are interested in connecting with a Guardian local office, please contact: [diana\\_acevedo@glic.com](mailto:diana_acevedo@glic.com) or call her at 212.598.7881

## Succession continued from page 1

• *How will your heirs obtain value for the business?* A form of agreement known as a buy-sell can determine the terms under which another entity will buy out your interest. It also can specify the sources of cash that will be used to complete the transfer of ownership and pay related expenses and taxes.

After completing this self-assessment, there are additional steps to take in developing a succession plan:

▪ *Identify a Buy-Out Entity and Formula.* The next step is to identify a buy-out entity that will purchase your interest in the business under specified trigger events. Common trigger events include an owner's death, disability, retirement, divorce, or separation from employment.

A buy-out formula determines the amount that will be paid to you (or your heirs) by a specified counterparty when a trigger event occurs, and it usually is based on estimated business value. For most small private companies, several methods of business valuation are acceptable, including: 1) a multiple of revenues or book value, 2) the average price of comparable recent business sales in your market, or 3) calculation of future discounted net income or cash flow.

▪ *Hire an Attorney to Draft a Legal Agreement.* The next step is to formalize the buy-sell arrangement through a written agreement with the help of an attorney experienced in succession planning. Ideally, this attorney also has proficiency in estate tax planning and business valuation. The most important terms that should be included in the written agreement are the trigger events that will require ownership to change hands and the buyout value or formula.

▪ *Fund A Buy-Sell Agreement.* Life insurance is an important component of most well designed succession plans, because it provides funding that meets terms of the buy-sell agreement—quickly, in cash, and with favorable tax consequences. One common arrangement is for the counterparty to be the policy's owner and beneficiary, while the business owner is the insured person. Upon the business owner's death, the death benefit is paid to the beneficiary and used to purchase the owner's interest based on terms of the agreement. In a business with multiple owners, each party is usually the owner and beneficiary of life insurance coverage on the other(s).

Permanent life insurance is used to fund buy-sell arrangements because at any age the coverage will continue and premiums will remain affordable. If an owner retires from the business, the policy's cash value can be used to fund a partial buyout.

In addition to an owner's death, another trigger event that can be pre-funded with insurance is an owner's long-term disability. In this case, disability income insurance can be used for funding. This insurance pays to the beneficiary a stated monthly income (after a waiting period) that can be used to fund a buyout, perhaps in combination with an installment note over time.

By planning ahead, you give yourself and your heirs the freedom to realize the full value of your business. That is the ultimate goal of a sound succession planning process.

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**For more articles on financial and business planning topics, visit Guardian's Women's Channel at [www.GuardianLife.com/wc](http://www.GuardianLife.com/wc)**



## Celebrating the Spirit of California Teen Entrepreneurs

For young women today, economic independence is a viable route to the greater goal of self-reliance. At Guardian, we have long supported this spirit of achievement. Every year, Guardian introduces the Girls Going Places® Entrepreneurship Award Program to families and communities throughout the US.

Girls Going Places® is a nationwide initiative designed to reward the enterprising spirits of girls 12 to 18 who demonstrate budding entrepreneurship, are taking the first steps toward financial independence, and making a difference in their communities. Prizes totaling \$30,000 are awarded to three top winners and 12 finalists, to support their entrepreneurial talents and pursuits for higher education.

Girls Going Places® is partially sponsored by NAWBO.

Guardian is pleased to introduce two California teen entrepreneurs, Joanna Molesky-Poz and Ajaya Williams, national finalists of the 2006 Girls Going Places® Entrepreneurship Award Program.

Ajaya and Joanna were selected from over 5,000 girls for their outstanding entrepreneurial accomplishments.



### **Joanna Molesky-Poz, 18, Berkeley, Calif. Girls Going Places® National Finalist**

Joanna began dancing at three. By 12, Joanna and her friend began the *En Pointe Youth Dance Company*, at their middle school. Today, *En Pointe Dance Company* has gone from a school program to a professional youth dance company of 25 dancers, diverse in age, ethnic background and training from around the San Francisco Bay Area.



### **Ajaya Williams, 17, Bellflower, Calif. Girls Going Places® National Finalist**

The designer of her own fashion line *AJ KUSTOMZ*. Ajaya sells her custom designer clothing to teenagers in her area and beyond. Her entrepreneurial spirit has helped her to build a profitable business. She uses her proceeds for church offerings and to help her family.

*Continues on page 5*

**Please join Guardian Saturday, June 3<sup>rd</sup> at NAWBO's Women's Business Conference Luncheon for a special presentation honoring Joanna and Ajaya for their achievement as Girls Going Places® National Finalists!**

## Guardian thanks the Girls Going Places® Entrepreneurship Award Panel of Judges

### **Lisa Kaiser Hickey**

Vice President, Corp & Economic  
Development, National Association of  
Women Business Owners  
CEO, Douglass Screen Printers, Inc.  
Lakeland, Fla.

### **Ann T. Kearney**

Vice President, Individual Markets  
Guardian Life Insurance Company  
New York, NY

### **Amy S. Oshinsky, CLU, ChFC**

Vice President, Strategy & Planning  
Guardian Life Insurance Company  
New York, NY

### **Kathy Readinger**

Director, Strategic Alliances  
Guardian Life Insurance Company  
New York, NY

### **Dan Regelski**

Executive Director, Small Business  
Development Center  
Florida Gulf Coast University,  
Ft. Myers, Fla.

### **Emily G. Viner**

Field Vice President, Agency  
Development  
Guardian Life Insurance Company  
New York, NY

## Teen Entrepreneurs *continued from page 4*

Lonnie McNeill, 18, Miami, Fla., is the 2006 national first place winner. McNeill started *Speak 2 Share Inc.*, a financial advice speaking service for young people. The second place winner, Becca Robison, 15, Layton, Utah, founded *Astrotots*, an organization that runs space and science camps for girls, and the third place winner, Brittany Bergquist, 15, Norwell, Mass., founded *Cell Phones for Soldiers*, a group that donates cell phones and phone cards to US soldiers stationed in the Gulf.

The 2005 first place winner, Chauncey Holloman, Mabelvale, Ark., founded *Harlem Lyrics Enterprises Inc.*, a greeting card and merchandising business. The 2004 first place winner, Laima Tazmin, New York City, founded *LAVTweb*, a Web development company. The 2003 first place winner, Kelly Drinkwater, Belmont, Calif., founded the *Splash* store during her first year of middle school. The 2002 first place winner, Karalynn Forrest, Phoenix, Ariz., founded a summer camp.

The 2007 program launches September 1. Visit [www.girlsgoingplaces.com](http://www.girlsgoingplaces.com) for applications, rules, profiles of past winners, and schedule of Girls Going Places® Entrepreneurship Conferences.



### The tomorrows you want begin with you.

Skilful planning, investments and protection are the key elements to building the foundation for the kind of tomorrow's you dream about. Guardian has been guiding clients for over 145 years, providing the support, tools and professional networks that help you succeed. Guardian even provides support to young women through Girls Going Places®, a program that awards cash prizes to girls 12 to 18 who demonstrate budding entrepreneurship.

For more information on how Guardian can help you succeed, contact Diana Acevedo at 800.871.7780 7881 or [diana\\_acevedo@glic.com](mailto:diana_acevedo@glic.com)

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## How to Make Charitable Giving More Personally Rewarding

Each year, taxpayers tally up the gifts they have made to worthwhile charities, so they can claim a deduction. But did you know that a modest tax deduction isn't the only reward that you could receive when you give to charity?

Through a Charitable Remainder Trust or CRT, it's possible to magnify the size of your deduction while also receiving a lifetime income. In addition, you could avoid paying capital gains taxes on investments by donating them to the CRT. And a CRT could have an important role in planning your estate, offering multiple benefits for charity and heirs.

•*Lose Ownership, Gain an Income.* You set up a CRT by establishing an irrevocable trust and placing cash or securities into it. "Irrevocable" means that you permanently give up ownership of assets. You also designate two types of beneficiaries who will share in the trusts' assets and earnings. One or more income beneficiaries are chosen to receive an income from the trust for either a fixed number of years (up to 20) or else the rest of their lives.

For example, you could name yourself and your spouse as joint lifetime income beneficiaries. A charitable beneficiary is named to receive the remainder of trust assets at the end of the income payout. In this example, with joint lifetime income beneficiaries, the remainder is paid out after the second death.

You are entitled to receive a current income tax deduction based on the projected future value of the remainder. This deduction may be used to offset up to 30% of your adjusted gross income, and then any unused portion may be carried forward for the next five years.

•*Avoid Capital Gains Tax.* What is the best way to fund a CRT? Some tax professionals suggest that you transfer ownership of appreciated securities such as stocks, bonds or mutual fund shares. If you sold these assets outright, you might owe a capital gains tax, but there is no such tax due on the transfer to a CRT. Once the CRT owns these assets, its trustee could sell them and reinvest the proceeds to meet requirements of the trust. The trust itself is a tax-exempt entity that does not incur capital gains tax.

Since CRT rules are complex, it's advisable to hire an attorney to draft your trust document and a professional trustee to supervise its affairs. However, you cannot own or manage irrevocable trust assets yourself. Also, you must choose an income payout rate that realistically leaves a remainder to charity. By specifying that your CRT is a unitrust, your future income will be calculated each year as a fixed percentage of the trust's fair market value. If that value increases over time with investment performance, your income will increase, which can help to offset inflation down the road. On the other hand, if the trust's fair market value decreases, income also decreases.

•*One Gift = Multiple Rewards.* Many reputable charities welcome CRT remainder gifts, and they will appreciate your generosity. Also, the assets you place in an irrevocable trust are permanently removed from your potential estate. This can simplify matters for your heirs and possibly save on estate settlement costs and taxes.

The main drawback to a CRT is that it isn't designed to leave money to children or grandchildren. But if that need isn't strong (or is covered by other parts of your planning), a CRT can be a rewarding way to share your fortunes with a deserving charity.

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## Doing Good by Doing Well: A Unique Entrepreneurial Career in Financial Services

While it is true that women have been entering professional positions in greater numbers over the past several decades, the percentage of female financial professionals in the insurance industry totals 28% of the total number of professionals currently.

Maybe the barrier is “miss-conception” about the career, or maybe it’s lack of education. Either way, there is a lucrative, entrepreneurial opportunity waiting to be discovered.

Just ask Heather Todd, a Financial Representative at Consolidated Planning Inc., a Guardian general agency headquartered in Charlotte, NC. An current owner of an entrepreneurial and executive coaching firm, Heather decided to pursue also pursue a career in financial services to provide an additional layer of service and support her clients. She says, “We have helped develop executives to take over running a business and now we can also provide methods to protect like life insurance, key man and succession planning.”

Born into an entrepreneurial family, it was an easy transition into the career for Todd. “Being a current business owner allows me to see the situation from both the individual, their business, and employees,” says Todd. She has evolved from being strictly focused on entrepreneurs to helping individuals protect their lifestyle, family, and assets while focusing their resources to better achieve financial goals.

“As Financial Representatives, the work we do has a profound impact on the communities we service. I’m involved in my clients’ lives, not just their portfolios,” says Todd.

Emily Viner agrees. “Some of our most successful financial professionals are women who expanded upon the competencies they honed as business owners, and grew into a new profession helping others,” says Viner, Field Vice President, from Guardian headquarters in New York City.

Todd continues, “It’s clear that women will continue to change the face of business today and for years to come. Why not get paid what you’re worth while making a difference?”

Indeed!



As a small business owner, you wear many different hats. You must manage a company, motivate people, increase sales, maintain quality, comply with regulations, and keep current on important financial ideas and trends that impact your business.

*Real Facts For Business Owners<sup>sm</sup>* is a quick way to connect to new financial ideas! It identifies 10 facts that may be important to you as a business owner, and highlights implications for planning for the future of your business – and that of your family.

***For a free, complimentary copy of Real Facts, please stop by Guardian’s Exhibit Hall Booth 227 and 228, and personally visit with Guardian’s dedicated representatives.***

P.S. Don’t have time to visit? Please contact [diana\\_acevedo@glic.com](mailto:diana_acevedo@glic.com) after the Conference. And ask about a *Real Facts* workshop near you!



## Shouldn't financial guidance come from the most experienced financial decision makers?

We think so. And no one makes more financial decisions than women. That's why Guardian creates countless opportunities for women to build their careers. An entrepreneurial environment, outstanding products, support, training and education: it's all here. We also support Girls Going Places® -- a national program created by Guardian for entrepreneurship and community-minded girls.

If you would like to know more about building a practice as a trusted financial professional, please consider Guardian a confidential resource. A professional career with Guardian could be the professional opportunity of a lifetime.

Give us a call at 800.871,7780, Option 1, Ext. 7881 -- or visit [www.GuardianLife.com](http://www.GuardianLife.com). And start profiting from your financial experience.

**Visit Guardian's Women's Channel at [www.GuardianLife.com/wc](http://www.GuardianLife.com/wc)**

**About Guardian** The Guardian Life Insurance Company of America, New York, NY (Guardian) is the fourth largest mutual life insurance company in the United States. As of December 31, 2004, Guardian and its subsidiaries had \$39.5 billion in assets. With more than 5,000 employees, over 2,900 financial representatives and 80 agencies nationwide. Founded in 1860, Guardian and its subsidiaries provide almost three million people with life and disability income insurance, retirement services and investment products. Our company also supplies employee benefits programs to five million participants, including life, health and dental insurance, as well as qualified pension plans.

Our purpose is to enrich the lives of the people we touch.



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