



Business Succession Planning

- What will happen to your business if you suddenly become incapacitated?
- When do you want to turn the value of your business into cash?
- When should you sell the business for the best return?
- What is your business worth?
- Will the business be worth more or less when you decide to sell?
- Is the business configured to facilitate a sale to attract the best price and result in the lowest tax impact?

It has been proven by a number of studies that very few business owners have a plan in place to deal with these key issues. The Company's business plan should include the aspect of succession to answer these questions. This in turn flows into the owner's estate plan.

Without these plans in place, the future success of the business is questionable at best. You probably know of cases where the business foundered and perhaps disappeared a short time after the owner's demise. The family is left without a plan to follow and the business is not properly structured for a sale leading to the business being sold or liquidated for much less than its potential value. This certainly is not the legacy most business owners expect to provide.

A succession plan should deal with issues including:

- Is the business qualified for the capital gains exemption on a sale of shares? If not, what should be done over what time frame to attain the exemption?
- Are the financials burdened with assets not required for the business?
- Are there outstanding liabilities such as tax on cash sales that could be an impediment in a sale?
- Is there real estate included in the business that should reside in another entity to facilitate a sale?
- Is a holding company required to receive excess cash from the operating business?
- Are there professionals familiar with the business who are experienced in business transitions?
- Is the current value of the business known?

Business owners usually need professional help to put together the succession plan. Accountants, lawyers and business brokers can all add to the plan to ensure key areas are included. Accountants will focus primarily on taxation issues, lawyers on the structure and any required agreements while the business broker can input the current market value and apply marketing and negotiating expertise to ensure that the maximum amount is realized on the sale of the business.

Once the succession plan is in place, you can build it into the overall business plan as well as your estate plan. Keep in mind that the plans are living documents and must be revisited at least yearly to keep up with the many changes that typically occur in business.