

WILL YOUR BUSINESS SURVIVE WHEN YOU RETIRE OR DIE?

Your Business is a valuable investment; in order to maximise and gain the real worth of your Business it is essential that you start the planning process now.

Here are common issues that a Business Owner faces in preparation for the Business Succession-

- Retirement and / or mortality may be difficult topics to think about
- Fear that succession planning may lead to uncomfortable family conflicts
- Business goals may often be confused with personal goals
- Long-term planning may feel like giving up control
- Lack of confidence in potential new leader(s)

Over 40% of Family-Owned Businesses will have ownership changes in the next five years.....

Only 4% of those have a formal succession plan in place. Are you part of the other 96%? Changes in leadership of your Business may be expected or unexpected when they occur, but they will occur. If you neglect to include a formal succession plan as part of your overall Business strategy, you have created uncertainty that could threaten the survival of your Business.

Given that 65% of family-owned Businesses do not survive past the first generation, largely due to poor succession planning, it makes sense for you to start now.

By putting a formal succession plan in place, you will be able to work through these critical issues:

- Business Survival through changes in ownership and continuation as a successful entity
- Identification and resolution of family issues before they become disagreements
- Minimum tax liabilities and maximum sale price return
- An orderly transfer of control and competencies
- Preparation of the Business and future leadership for transition

Our Succession plan usually has four phases:

Phase One:

Determine the exit timing and requirements of key stakeholders. In the phase it is important to start with the owner by going through intensive interview of succession needs. It is important to take quality time to prepare a strategy to maximise your succession plan and its benefits for you. Family members will be included as a group or as individuals to resolve possible conflicting issues with regard to the plan. In some cases, it would be necessary to include employees or key managers to be included to assist in the transition of ownership.

Consider an independent third party taking the role of manager of the succession process, one who would co-ordinate all advisers, gather the necessary information and ensure key issues are addressed in the succession plan.

Phase Two:

Prepare the Business for a smooth succession. After determining the requirements for the succession plan, the owner needs to work on these important issues:

- Assessment of the current position of the Business (eg: Financial, Structural & Cultural)
- Identification of the key areas in need of development (eg: Restructuring, Refocusing & Training)
- Stakeholders' agreement on a priority for action steps in preparing the Business for the succession.

Phase Three:

Research and consider all viable succession options: Using agreed-upon stakeholder requirements, eg: Owner, Family, Team Members, and considering other advisers input, research all options and determine the most viable ones.

We work as a team with “ Financial Planners” “Solicitors” “ Bankers” “Insurance Brokers”

Phase Four:

Select the preferred options and develop an implementation plan.

Options will need to be determined that allow you to weigh each plan option against your priorities. Once your succession planning options are agreed upon, a formal written succession plan will need to be developed and incorporated into your overall strategic Business Plan.

The final written succession plan should clearly communicate everyone's role going forward. The plan acts as a “contract” between stakeholders.....a promise to support the plan. Once the plan is implemented, it should be periodically re-examine to ensure it is on track and remains in the best interests for everyone involved.

Your Business will face an ownership transition one day. The time to plan for the future is now. By failing to plan, you could lose the opportunity to transfer successfully your major investment. There are many options and issues to consider. One key to successful planning is to make sure that when the transition occurs, it is sensitive and structured, and it results in the preservation of as much wealth as possible. Another key is to have a coordinator of all parties involved, ensuring all needs are met and that implementation is smooth and efficient.