

**"Winning Business Strategies"
Webinar Series**



Business Succession Is a Process, Not a Plan

Presented by:

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*Join us for the first in a series of in-depth coverage of the components
needed to navigate the steps of a successful ownership transition.*

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BUSINESS SUCCESSION

- What is Succession Planning?
 - In its most broad form, it is planning for the transfer of power (control) and the transfer of assets (ownership)
 - Typically, control and ownership are both transferred, but not necessarily



BUSINESS SUCCESSION

- Why is Succession Planning Important?
 - Planning can insure success of business
 - Planning makes banks more comfortable
 - Planning can save taxes
 - Planning can prevent family disputes



BUSINESS SUCCESSION

- Basic business succession options
 - Sell or transfer to family members
 - Sell to employee(s)
 - Sell to outsiders
 - Retain ownership but transfer responsibilities
 - Liquidate, either at once or slowly



BUSINESS SUCCESSION

- Who should be thinking about starting the process?
 - Retirement minded
 - Employee/customer questions
 - Burnout/complacency
 - Financial Pressure
 - Unable to take it to the next level
 - Family pressure



BUSINESS SUCCESSION

- Getting started
 - Select a group of advisors/planners
 - Determine roles - who will take the lead
 - Determine owner goals and objectives
 - Evaluate the overall environment



BUSINESS SUCCESSION

- Who should the advisors be?
 - Attorney
 - CPA
 - Business Valuation Specialist/Broker
 - Financial Advisor/Insurance Consultant/Other Consultants



BUSINESS SUCCESSION

- Advisors should be
 - Individuals who have been through it before
 - Individuals who will hold the owner accountable and themselves and others accountable
 - Good communicators
 - Familiar with business and family history



BUSINESS SUCCESSION

- Owner Goals and Objectives
 - Current financial position
 - Financial needs and constraints
 - Emotional needs and constraints
 - Risk tolerance
 - Family dynamics
 - Timelines
 - Is there a perceived value of the business in mind?



BUSINESS SUCCESSION

- Evaluation of current environment
 - Is there a viable, monitored strategic plan in place
 - What are the owner(s) roles in day-to-day operations
 - What is the potential management successor talent pool, as well as development programs



BUSINESS SUCCESSION

- Evaluation of current environment (cont'd)
 - What are current opportunities and threats to the business and industry
 - Who are the critical:
 - Employees
 - Customers
 - Suppliers
 - Processes



BUSINESS SUCCESSION

- Obtain preliminary valuation and sale analysis
 - Regardless of owner decision, values need to be determined
 - Need range of values from sale to outside buyer to value for estate transfers
 - Owners need to know what is being "left on the table" by transferring to family or other retention alternatives
 - Critical to estate and other tax planning



BUSINESS SUCCESSION

- Family Issues
 - Equal is not always fair
 - Family perspectives
 - Child-owner and manager
 - Child-owner and non-participant



BUSINESS SUCCESSION

- Children as successor managers
 - Dream of many entrepreneurs
 - Can be very satisfying
 - Time needed to learn business and good judgment
 - Parent-child issues
 - Parent won't quit being a parent
 - Child won't grow up
 - Child not up to the job



BUSINESS SUCCESSION

- Employees as successor managers
 - Time needed to learn business and good judgment
 - Employees do not have to have ownership
 - Employee-ownership issues
 - Employee expectations limit owner freedom
 - Employee's lack of financial resources
 - Sometimes not entrepreneurs



BUSINESS SUCCESSION

- Planning ahead for taxes
 - Estate taxes
 - Transferring to next generation
 - Income Taxes
 - Calculate tax consequences
 - Best corporate form
 - C-corp
 - S-corp
 - Changing from one to another



BUSINESS SUCCESSION

- Retaining some control
 - High level advice
 - Stay on Board of Directors
 - Covenants in payment obligations
 - Ability to regain control
 - Veto power
 - Just say no



QUESTIONS?

Thank you for participating.

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