

**"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



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## 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

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## 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

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## 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

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**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

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**BUSINESS SUCCESSION**

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

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**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

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## 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?

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## 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

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## 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

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## 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




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## BUSINESS SUCCESSION

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




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## 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




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## 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

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## 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

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## 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

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# QUESTIONS?

**Thank you  
for participating.**

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