

Why your business needs a succession plan

For individuals, an estate plan is incomplete without a will. For small business owners, a business plan is incomplete without a business succession plan.

Many small business owners don't have a business succession plan in place, leaving them unprepared for retirement, disability or death.

Should you have a business succession plan? If you own a business, the answer is yes. When you're building and running a business, thoughts of selling it or passing it on to others may be far from your mind. However, that day will eventually arrive and, as in all business matters, the earlier you plan, the more successful the transfer is likely to be.

What is a business succession plan? A business succession plan determines how your business will be transferred to others and outlines the steps necessary to prepare for the transition. The plan affects you, your family, employees, clients, suppliers, creditors and others. A good succession plan can help ensure your wishes are carried out if you should die or can no longer run your business due to an illness or disabling injury. It can also help you ease into retirement or provide a retirement income.

Understand your goals for your business and your family. Consider what business succession plan will be best for you and your family. Is your goal to have a family member continue to own and manage your business or perhaps own the business with outside management assistance? You might wish to sell your business to key employees or a third party. Or, it may suit you better to sell parts of the business or liquidate the business assets.

Many parts of your plan may not need to be implemented for many years. However, some matters may require immediate attention – such as securing insurance coverage to fund a buy-sell agreement, training a family member as successor in key business areas and introducing the successors to key suppliers and contacts, and/or updating wills and buy-sell agreements.

Business succession planning involves a variety of business and personal issues, which need to be considered together. As every plan is unique, it's important to develop your business succession plan in consultation with your legal, accounting, tax and financial planning professionals.

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