



Successful Transitions

Five Key Planning Areas for a Successful Transition

Your business success has been the product of years of hard work, dedication and focused results (and likely a little bit of luck). As you think about a future transition of the company there are a number of factors that need to be considered because your future exit will impact a number of people who rely upon you and your company. A comprehensive plan for an exit includes a combination of personal planning and business planning to assist you in reaching your goals. This newsletter highlights five (5) key planning areas that we hope helps you organize your total planning for a future transition.

The key areas of planning are:

1. Business planning
2. Transfer option planning
3. Retirement planning
4. Estate planning
5. Advisory team planning

1. **Business Planning**

Privately-held businesses are constantly evolving to changes in the marketplace. As such, your business has likely undergone some significant changes in the past few years. It is important to focus on the future, looking ahead to what an exit can mean for you and a future owner. Specifically, this means making plans for your business to run without you, including reducing risks

that could jeopardize a transition. A business plan for a future transition includes consideration to how the business will run without you and over what period of time these changes will be implemented. Most importantly give thought to each business decision and ask whether or not it supports your future exit / transition. By thinking about your transition as you make business decisions, you will build your business to better suit the transition that you have in mind.

2. **Transfer Option Planning**

As a part of your business planning, you should consider the options available to you for your future transition. As an ancient proverb states, the best time to plant a tree was 20 years ago – the second best time is now. Now is the time to begin or advance your transition planning. Without a written [or substantially well-informed opinion] of how and when you are going to transition your business, it is likely that you will continue on the same path that you have been on for years and you and your company will not be prepared for a future transition. Your future transition has a chance to produce a lasting legacy for you and your business as well as protect your overall wealth, perhaps for generations. A solid transition plan can also be the gateway to you enjoying a newly defined life that is the reward for your business success.

3. Retirement Planning

Most owners have a high financial dependency on their companies. Between their income, distributions and perks, they 'live out of their businesses'. Figuring out how much money you need to extract from the business in order to live without the business is a key element to your business and transition planning. If you can measure your 'Value Gap', i.e. the difference between what you have saved today and what you need to meet your post-exit lifestyle, then you can begin to analyze the viability of your transition. This Value Gap will also be a strong indicator of the transfer options that you have available to you and how and when you will need to get paid for your illiquid business.

4. Estate Planning

Given that the majority of most privately-held business owner's wealth is tied up in their business, it makes sense to review your estate planning to be certain that your estate does not pay unnecessary taxes to the government in the form of estate taxes. All too often, business owners are far too concerned with the profitable operation of their businesses and they lose sight of the overall protection of their wealth against estate taxes. Remember that both state and federal governments cannot afford to 'lose' any more revenue so they are ready, willing and able to provide their plan for your estate if you have not otherwise made such accommodations. Be proactive in this area.

As the old saying goes 'an ounce of prevention' here is certainly worth a 'pound of cure'.

5. Advisory Team Planning

The advice that you receive in planning for your eventual transition will often-times be the difference between success and failure. Think about your sources for information and advice and seek out those advisors that have experience in navigating owners through an transition plan and process. Review where your dollars are being spent and be certain to invest in those advisors who bring you new and creative ideas for your business and your transition. Creativity combined with experience and technical know-how is the winning combinations for advisors who can assist with your future business transition.

Conclusion

All of these areas are a part of an overall planning process to help shape your future and that of your company. The success of your future transition will depend upon your ability to tune up these different areas of your life and find a balance between these sometimes competing areas of planning. Finally, remember that transition planning, done properly, is the optimal combination of personal and business planning that works together to provide you with the best possible result for you, the company, and the wealth that you worked so hard to accumulate.

About BST's Succession Planning Services

BST's succession planning services coordinates business valuation, business profitability planning and business transition planning with personal retirement planning. Our process provides education, timely information, document reviews, advisory team assessments, business transfer options analysis, and a series of recommendations that identify weaknesses and blind-spots that need to be addressed to maximize intrinsic value and successfully operate and transition your privately-held business and protect your personal wealth.

Visit bstco.com or contact Steve Ferraro, Partner, at (800) 724-6700 for more information.