

Smart Business

Does your business have a succession plan?

Regardless of what you may have heard, recent estate tax law changes haven't made business succession planning obsolete. Even if estate taxes are someday repealed for good, you will still need a succession plan. A succession plan allows your business to continue if you leave the business for any reason: your retirement, disability, death, or just your decision to move on.

Here are some basic steps you should take to help ensure the survival of your business.

Determine who will succeed you. Will it be family members, your business partners, your employees, or an outside buyer? Each choice requires a different plan.

Prepare a timeline. Barring death or disability, when and how do you plan to exit the business? Well in advance of your planned departure, equip your successors with the skills and experience necessary to take over.

Maintain complete and accurate financial records. Your company's financial history is essential to preparing a fair business valuation. An accurate valuation is important for several reasons. First, you deserve a fair price for your business. Second, a buyer and his creditors will want evidence that the purchase price is fair. Finally, your company's valuation may have to withstand IRS scrutiny.

Create a financing plan. Your plan might include life and disability insurance, an employee stock ownership plan, or a stock redemption plan. Whatever your plan, it should take your future financial needs into account and provide a method for your successors to meet those needs.

Surround yourself with a team of advisors. Your accountant, your attorney, your banker, and your insurance agent can each have an important role to play in completing your plan.

Failure to plan for an orderly transition can result in financial losses or even the loss of your business. A well-designed plan, on the other hand, can protect your family, your employees, your co-owners, and your customers. Call us for assistance in setting up a succession plan for your business at 678-608-2775.

By The Book Accounting, Inc. helps small business owners increase profits, improve cash flow and minimize taxes. Our clients appreciate our down to earth style and our ability to explain complex tax and accounting issues in "plain" English.