

Business Succession – A 10 Step Checklist

(This is not intended to be exhaustive, only helpful. It is recommended to get professional advice and help from a well-qualified attorney, CPA or tax expert)

1. Establishing Goals & Objectives

- Identify the need for a succession plan.
- Develop the vision, goals, and objectives of the business.
- Determine the importance of family involvement in leadership and ownership of the company.
- Establish personal retirement goals and cash flow needs.
- Identify family members' goals.
- Determine the need for an outside facilitator.
- Establish a team of professional advisors (attorney, CPA, bankers, financial advisors).

2. Decision Making

- Involve family members in the decision making process.
- Establish a method for dispute resolution.
- Document the succession plan in writing.
- Communicate your succession plan to family/stakeholders.

3. Successors

- Identify your successors
- Identify active and non-active roles for all family members.
- Identify required training for the successor(s).
- Provide necessary training to the successor to ensure the future of the business.
- Will the retiring owner remain involved in the business? If so, define the role.
- Provide counsel and support to successors.

4. Estate Planning

- Address taxation implications to the owner/business upon sale or transfer of ownership.
- Does your estate have enough liquidity to pay for estate taxes?
- Have you considered a buy-sell agreement?
- Develop estate and personal financial plan for owner, spouse and succeeding generation.
- Provide for active and non-active family members (consider providing non-dealer related assets to non-active family members). Will non-active family members receive an equitable share of assets?

5. Consider the Transfer Methods and Corporate Structure

Various options should be generated and considered to address as many family and business needs as possible. At a minimum, one needs to consider the following and document your conclusion:

- Method of transfer may include outright purchase, gift/bequest, or a combination thereon.
- If the business is to be purchased, financing options need to be considered, including financing from an external party or will the previous owner hold the loan.
- If the business will be purchased, ensure the business can generate adequate after-tax cash flows to support debt and interest payments.
- Tax strategies and implications.
- Legal implications.
- Business structure options (e.g. sole proprietorship, partnership, corporation, etc.)
- Business agreements.
- Insurance needs (health, life, disability, etc.) have been considered.

6. Contingency Planning

- Identify potential problem areas.
- Dispute/conflict resolution mechanisms have been considered and addressed in business agreements.
- Develop "what if" scenarios including action plans (including possible disability of yourself and your successor).
- Do you have a plan in case you become permanently disabled?

7. Business valuation

- Determine fair market value of business and real estate.

8. Exit Strategy

- Determine method of transfer.
- Establish a timeline for implementation of the succession plan.
- Publish the plan so that affected individuals are aware.
- Communicate regularly with all affected parties.

9. Implementation / Follow-Up

- A timetable has been established and is being followed.
- Review the plan on a regular basis and update as necessary.

10. Document maintenance

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- Legal will.
- Power of attorney(s).
- Property deeds/titles, leases, rental agreements etc.
- Mortgages and notes payable.
- Tax returns, financial records and financial statements for the last five years.
- Bank, brokerage, savings and retirement account information.
- Contact listing of all professional service advisors.
- Listing of licensing, carrier appointments and agreements
- Listing of up to date URL, username and passwords for carrier and commission information