

Business succession planning

At some point, business owners decide to exit their business for various reasons, such as retirement, pursuing other opportunities, or unforeseen circumstances.

Regardless of the reason, having a well-thought-out succession plan in place can make the transition easier to navigate and ensure the longevity and success of your business.

Here, we delve into the importance of succession planning and provide some practical steps to ensure a seamless transition.

Why you need a succession plan

Having a solid succession plan is key when transferring your business to your successor and achieving the best outcome for you and the business.

This is particularly important in family-run businesses, where managing family relationships can be just as important as securing the business's future. A clear, well-planned succession strategy can help reduce stress on family members during what can already be a challenging time.

Developing a plan

It's important to remember that every business succession plan will be different because no business is the same. Especially depending on the scale and complexity of the business involved.

We have listed the common key components of a business succession plan that need to be considered.

- **What form will the succession take?**

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- **Who are the likely successors?**

Will the business be marketed and sold to an external party, will a business partner take over, will family members take over, or will it be sold to key employees?

- **What is the time frame for the sale or transfer of the business?**

Is this a long-term plan, or is there an urgent need to sell the business? The time frame often impacts the options for selling the business, including how, to who, and for what price.

- **What is the value of the business?**

This is a key factor in any business sale or succession plan. Business owners usually want to maximise the sale price of the business, but this may be impacted by who they are selling to and how they want to transition out of the business.



- **What are other financial considerations for the sale?**

In addition to the value of the business, many other financial factors must be considered, including whether the sale will allow you to achieve your personal goals, such as retirement income. What are the tax implications of the sale, and how can the best tax result be achieved? How will the purchaser finance the purchase? Will vendor financing be required, and will earnout agreements be part of the sale?

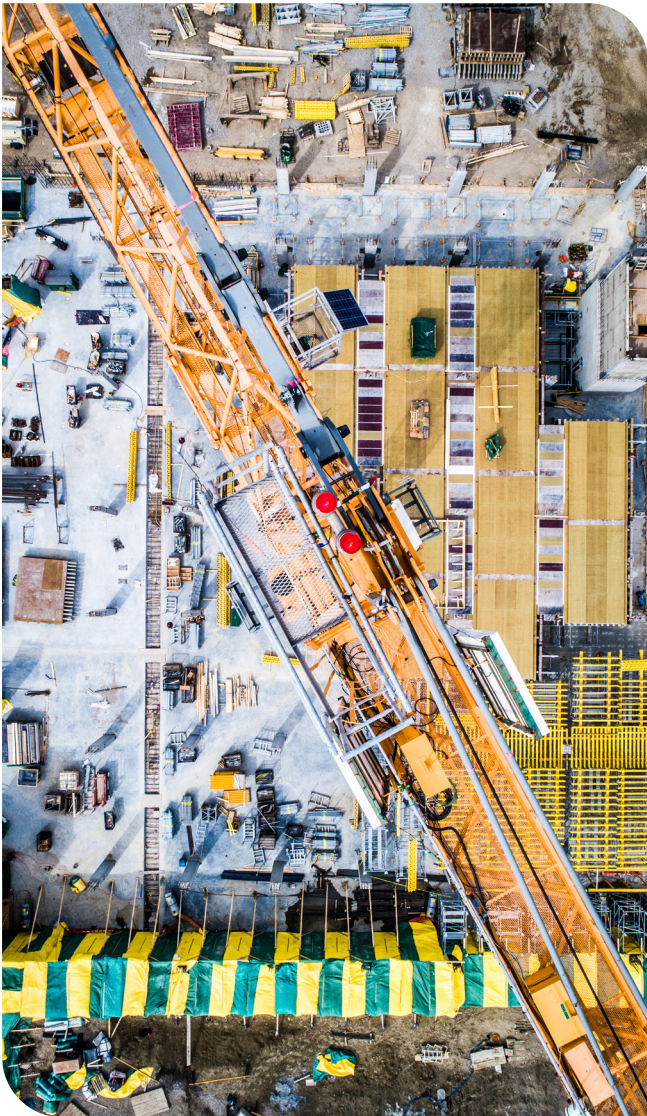
- **What risks need to be managed as part of the plan?**

It's important that risks are considered and managed as part of any business succession plan. These will cover factors such as financial risks for both the purchaser and seller, legal considerations, retention of key employees, restrictions on sellers and employees, and retention of key clients or customers.

- **Who does the strategy need to be communicated to and when?**

As part of the plan, it is important to consider what needs to be communicated, who to communicate it to, and when. This can be critical in managing key relationships with family in a family business, with key employees, customers, and suppliers, to ensure a smooth and successful transition.

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Other considerations

When completing your business succession plan, it is important to remember that the plan needs to be realistic. If selling to external parties, consider if the business is saleable, and if selling to family, are there family members who want to take over?

Does the potential successor have the capacity to buy the business (if required), plus the desire and skills to continue to run the business successfully?

If specialist skills are required to run the business, this can limit who can take over the business. If there is time for others in the business to acquire the necessary skills, there may be ways to mitigate this.

Whatever position you may be in, when it comes to business succession planning, the earlier you start planning, the better plan you can have in place.

Next steps

Seeking professional financial advice is key to navigating towards a strong business succession plan.

Our team of experts can provide you with the insight, skills, and knowledge to determine your business's value, plan for tax implications, and identify opportunities within it.

Speak with your local Nexia Edwards Marshall Advisor today to discuss your business succession plan or if you have any questions about the items discussed in this article.

Contact us

Contact our property specialists to discuss how we can help you and your business.



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