

# TRANSACTION ADVISORY NEWS

## Why Is Business Succession Planning So Important?

The reality is that **ALL** privately-owned companies eventually change hands. It's just a matter of how and when. Having a succession plan in place significantly protects and increases the value of your business. Business succession planning is often overlooked because business owners are busy working **in** their business and not working **on** their business.

So what exactly is business succession planning?

As part of your overall business and personal goals, business succession planning should address and plan for three areas.

1. **Maximizing the value of your business** – Often, your closely held business is your most valuable asset and business succession planning is a wealth driver for that asset. Similar to getting your house ready to put on the market, preparing your business for a transition and “getting the house in order” can drive significant value upon liquidity.
2. **Ensuring you are prepared** – You are only going to do this once so you want to make sure that you are prepared from all perspectives and can financially accomplish all of your lifestyle goals.
3. **Ensuring you have planned for life post transition** – Multiple studies have shown that post transaction many business owners have seller's remorse. Often times the businesses have been their identity and their life's work and difficult for them to transition to what is next.

As important as business succession planning is, it is very challenging to engage owners in a process for many reasons. In our experience we tend to see the following pitfalls to creating and implementing a successful plan:

1. **Owners treat business succession planning as if it's an event.** It's not an event but a process so engaging in a process early is critical to protect and increase value when the transition occurs.
2. **Successful business owners are highly engaged in running their business** which leaves little time to address strategic areas such as business succession planning.
3. **Business succession planning is emotional.** It is a big part of your identity and life's work and can be difficult to let go...it can seem like the end.
4. **No action is taken until it is too late** and an event like a health issue or burnout occurs. It's usually an issue that predates action. At that point you have left business succession planning to fate and have no control over the process and outcome.

## Why Is Business Succession Planning So Important? (continued)

So what are some tangibles you should expect from a proper succession plan?

1. Clear definition of your highest goals
2. Selecting of a superior succession team
3. Setting of an appropriate timetable
4. Selecting of the best liquidity strategy for your situation
5. Understanding the current value of your business
6. Setting a plan to increase the value of your business
7. Readyng your business to be able to go through a transaction
8. Developing your execution strategy
9. Gaining peace of mind
10. Achieving your dreams

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