B.A. Boss S.L.

Leaving your business

Your plan for a successful transition

Content

Introduction

Who is this publication for?

This report is targeting owners of businesses with 50 or fewer employees. It was developed for family and privately owned [closely held] business owners considering a change in ownership and management of their business in the immediate future or within the next few years. It is meant to get them thinking about planning for tomorrow so that when tomorrow arrives, they will be prepared. Use this guide to help you and your clients understand what exit or succession planning is, why your clients in a similar position should consider it and how to develop the exit plan. It will help you:

- Understand the value of having an exit or succession plan and the steps involved in the planning process;
- Assess where your clients are in the planning process;
- Begin building an exit or succession plan for your clients' business;
  (we will use the term "succession plan(ning)" and "exit plan(ning)" subsequently)

It is estimated that about [*40% of Spain's*] independent business owners plan to exit their business within the next five years, either by selling, closing or passing it on to a successor. However, reports suggest that the majority of current owners are not adequately prepared: less than 5% have a written plan, maybe 20 % have an unwritten plan and 75% per cent have no plan at all. How prepared are your clients?

Did You Know?
Start planning today. The best time to begin is now, regardless of when you plan to retire. Delaying succession planning reduces your options that could be detrimental to both your business and retirement needs. The lack of adequate time to plan and execute succession is a significant contributor to failed successions. The perception that succession can occur over a relatively short period is a significant barrier to overcome. Plan your work and work your plan: fail to prepare, than be prepared to fail!

What is Business Succession Planning?

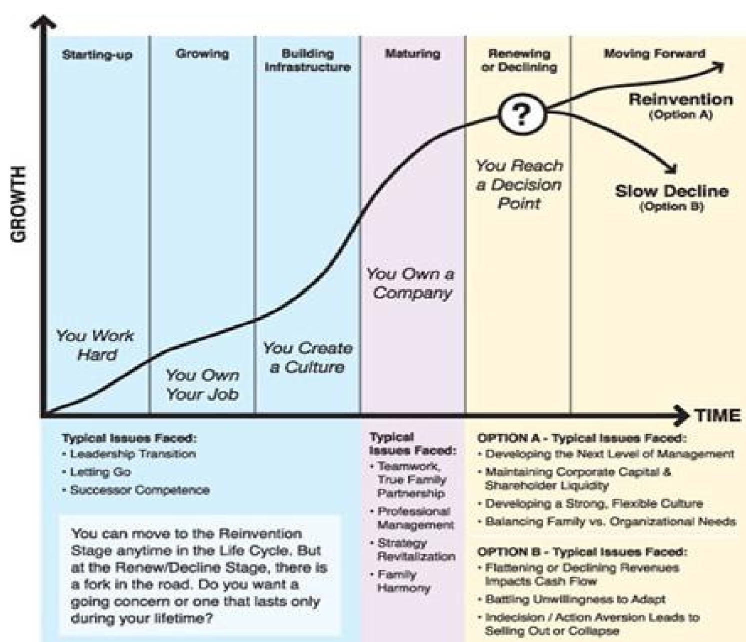
Business succession planning is a process.

A business succession plan is one component of an overall business plan and strategy; fundamentally, succession planning is a process that prepares you and your business for transition, whether planned or sudden, including the sale, closure or transfer of your business. You may already have some components of a succession plan in place. For example, taking care of insurance needs (such as life, key person or critical illness insurance) is part of succession planning.

Did You Know?
Small business means big business in [Spain]. Ninety-seven per cent of [Spain] businesses are considered small establishments and 50% of employed [Spaniards] work in these companies.

A business succession plan is a living document that helps guide decisions around ownership, leadership, business structure, tax strategies and contingency plans. As a working tool, it can also help you prepare for retirement, with considerations of not only your business legacy but also your retirement needs. It is a document that you can, and should, review annually or as needed. This will ensure your current business operations align with changing environments in your community or business sector, as well as in your personal or family circumstances, as you plan your transition or exit.

There are several steps to developing a business succession plan. These steps can take from several months to several years to complete, depending on the needs and size of the business. The result will be a clear, detailed plan that will help you ensure a successful exit from your business, when you want and how you want it, on your own conditions and terms.



Why Plan for Business Succession?

Reasons to develop a business succession plan

The benefits of having a succession plan range from improved relationships with employees and business partners to increased value of your business to fostering family harmony.
Other reasons for having a succession plan could include some or all of the following.

Protect years of hard work

As an entrepreneur, you have likely put your heart and soul into your business, working long hours and making many sacrifices. Is your legacy to create a business that will provide you and your family financial security for the years that follow business ownership? Is it to create a business that can continue to operate efficiently after you have passed the torch?
Likely it's both! Developing and implementing a plan helps assure you will achieve your personal and business goals. Planning for your business succession will help protect all your years of hard work.

Keep a vital service in your community

Your small business could be big business in your community! Does your business provide a vital service in your community? Have you thought how closing your business tomorrow could affect your community? How many families in your community rely on the existence of your business and would be affected if you simply closed shop? These are relevant questions to consider when planning your transition.

It may be that your business can no longer be sustained in your community. If this is so, planning will provide options. For example, you might decide to liquidate goods over a few months or you might sell off assets to interested businesses. Generally this will provide a return to you greater than simply closing shop.

Build value

You can prepare your business for transition by examining critical processes and operations before you sell. Examining key processes such as procurement, e-commerce and accounting, for example, allows you to improve or standardize these areas so they become more efficient. Efficiency will build value in your business. Are there areas in your business that could be improved? If so, can technology help you improve performance in these areas? Take time to do an assessment, then decide if taking action to improve business performance, processes or operations will create more value, leaving you a more attractive business to sell.

Provide financial security

Succession planning takes your financial future and that of your family into consideration. Developing your plan early to include estate planning, tax implications and other contingency plans will secure financial peace of mind for you, your family and your business stakeholders.
Avoid the chaos of unexpected change. Unfortunately, emergency succession planning often happens when there is sudden unexpected change such as an unexpected illness, an accident or death of the business owner or senior manager. This often leaves huge

challenges for those who are unprepared to take over the business. Although succession planning cannot predict the future, it certainly can help you prepare for it.

Prepare for the future

A succession plan gives you the opportunity to share your vision of the future with your important stakeholders. And, by carefully working through all components of the succession process, you can provide a business blueprint for your key employees to follow.

This ensures a smooth transition of the ownership and continuance of leadership of your company.

Preparing the business:

"I would like to wind down from the business in about 10 years. Talk of transitioning the business has caused me to begin thinking not only about the business future but also my own. How much am I relying on the business to support my retirement? What will we need to retire comfortably? Is it realistic to think the business will be purchased? What would we be selling? Where is the value in the business? What would make the business attractive to a buyer?

I realize that planning must begin now to carefully position the business so we can get top value in 10 years time or possibly sooner. Taking the time now to set up and implement better project management systems and processes as well as updating and using technology would position the company better for growth and is a good starting point.

These systems will also help me to begin to share what is inside my head so people will rely less on me."

— Owner, [Spain], Construction Company

~~The time to start planning for your successful transition is now!~~

How to Develop Your Business Succession Plan

There are many different approaches to developing a succession plan.

Your personal approach will depend on your time and resources. Regardless of the approach, the following section outlines six main steps to help you take action and develop your own plan.

You can tackle your plan in bits and pieces, one step at a time. The key is to keep at it until you have developed and implemented those components that are important for the successful transition of your business.

Succession plan framework and checklist

This checklist helps assess where you and your business are in the planning process. Once completed, you will have a prioritized list of topic areas to develop in your succession plan. Remember, you can break the process into manageable steps! (see last pages of this guide)

The following six steps will help you develop your plan.

Six steps to building your business succession plan

Step 1: Initiate discussion with stakeholders.

Who should you talk to? Begin by speaking with your business partners, your spouse, children, other family members and key stakeholders such as employees and managers to learn what they think and how much they understand about succession planning. Take notes so you can take action based on needs.

Family — special considerations
Whether your immediate family members play an active role in your business or not, they should be included in the initial planning. This allows everyone an opportunity to voice their opinions and concerns. Your business may consist of family shareholders, family members as employees or children thinking about working for the business. By communicating with them early in the process, you will ensure that all are heard. As well, roles, responsibilities and expectations can be put on the table. Do you know what each family member expects from you and the business? Finding out now will prevent surprises down the road.
There are many ways you could involve your family:

- *Sound them out during a family retreat or in one-on-one sessions.*
- *Hire an outside consultant to interview family members. They may be more willing to talk to an impartial outsider than to you.*
- *Create a family council to develop a common vision and help draft the succession plan.*

Step 2: Assess current circumstances of your business and take inventory.

Since most small business owners are planning to use their business to help fund their retirement, it is essential that you know your current asset base as well as your liabilities. Understanding your financial position will better assist you in preparing your business valuation and determining the most effective business structure. It is as simple as making a list of what you own and what you owe, as a starting point. Your accountant or estate planner can offer other tools and advice.

Step 3: Develop your advisory team.

Regardless of the size of your business, you will need a team of trusted advisors to help you plan your succession. Your team will be as small or as large as your planning priorities dictate.

The benefit of having an advisor, whether it be an accountant, lawyer or business advisor, is to get timely advice. Advisors will also keep you on track. Consider how each of the following professionals can help you with your business.

Advisor advice
"I have been practicing accounting since the 1970s and can make one generalization about business owners planning their exit from their business—procrastination! While there are several reasons owners provide—too busy, too early, I'll never retire—one reason to be proactive is more compelling: tax implications. Most small business owners do not understand the tax implications of selling their business. This is where the advice of their professional advisors is key. For example, if the sale of their business includes the business assets, the land and the building, the owner could be looking at a large capital gain. If owners considered future tax liabilities when growing their business, they could incorporate strategies to reduce the immediate tax payments on the sale. This needs to be done years in advance. Strategies involving corporate reorganizations should be discussed with the owner's professional advisors. Taking time to learn how to organize the business should result in maximizing the return on investment when the owner exits the business."

Business partners

Discussions with all of your business partners are important in the planning stage. Address the following questions at the start of your planning process:

- Do you understand what your partners' future intentions are?
- Will there be a buyout?
- Is there a buy-sell agreement that needs updating?
- Should you revise your shareholders agreement?
- Are members of your family also partners?
- Do your partners have family members involved in your business?
- What are your partner's expectations around retirement?

Corporate or tax accountant

You likely have either an internal or external accountant that knows your business. Accountants are fundamental to your succession team and should be advised of your planning intentions. They can help assess your business financial picture so that you can plan your next steps. Accountants can help you with the following:

- valuation of your business
- tax liability planning
- estate planning
- corporate restructuring of your estate

Corporate lawyer

Corporate lawyers can help develop your shareholder agreements, buy-sell agreements, estate plans and/or settlement trusts and settle disputes if they arise, or even better, prevent that they occur. They are important players in developing your ownership structure and can advise on legal risks.

Banker
Have you thought about the purchase options for a successor? Your banker can help you determine how you might financially assist a successor with the purchase of your business.

Business advisor or succession coordinator
Business advisors allow you to focus on your daily business while working through the process of planning. Like a quarterback on a football team, they facilitate the plays in your succession planning. They can also coach you and your family through difficult times during the succession process.

Insurance advisor
Your insurance advisor will help you determine your insurance needs and solutions. Insurance considerations include business insurance, life insurance, disability insurance, critical illness insurance and key person insurance. Did you know your business could hold a life insurance policy on you? Insurances can support your business in several circumstances, including:

- creating liquidity for retirement
- funding a buyout
- providing financially for your family upon your death
- providing financially for your family upon your critical illness or disability
- providing a business will to ensure immediate continuity of the business.

Step 4: Write your plan.

Now you have an idea about preparing a succession plan: what to do, who needs to be involved and how others will be involved.

The next step is to begin writing your plan. Although each succession plan is unique, there are 12 critical components that create a complete and effective plan. While we have provided the critical components in this guide, not all elements of a succession plan are covered. You may wish to consult with an advisor for more detailed work on your plan. You will want your plan to include everything that is important to you, your family and your business.

Personal and business goals and objectives

As you begin writing your plan, you will need to identify what it is you want: your personal and business vision, goals and objectives. Take your time during this step. It is important to crystallize what you see for yourself and your business future, even if that is many years away.

Consider these questions when developing your personal and business goals and objectives:

- What is your personal vision for the future?
- What do you dream of and where do you hope to be in five years? In 10 years?
- Would you say you are on track to achieve your goals?

- Where does your business fit into this?
- Do you have a vision of the legacy you want to leave?
- What resources do you need to help you and the business get where you want to go?
- If you have a successor in mind, does that person have the same expectations and vision for the business?

SMART goals

With the information you have collected, determine SMART goals for yourself and your business: goals that are Specific, Measurable, Attainable, Realistic and Timely.
After you have some clear goals and objectives, the next step is to consider possible exit strategies. What are your options for the successful transition of your business?

SMART Goals

S = Specific: Goals should be clear and state your desired results. By probing questions around who, what, where, when and why, you will be able to move from general to specific goals.

General goal: To put more money into my pocket when I leave the business.
Specific goal: To decrease the business tax implications by eight per cent in one year by reorganizing the company into a holding and an operating company.

M = Measurable: How will you measure your desired results? Measuring your progress will let you know if you are on track. Measurable goals can include days, years, dollars saved or dollars spent.
...decrease business taxes by eight per cent in one year.

A = Attainable: Can you reach the goal you set, given the competitive environment and the human, financial and possibly technological resources required, or the time limit set? For example, can the business reduce taxes by eight per cent in one year?

R = Realistic: Is this goal a stretch? Is this goal something the business can do? Is reducing tax implications a true result of reorganizing? Goals like this may require professional advice from an accountant and a lawyer.

T = Timely: Does the goal state a deadline? The example states one year. Can you develop a time frame to track milestones? For example, the goal could be broken into smaller measurable time frames. A milestone would be:
to meet with the lawyer within one month to set up a holding company.

Exit strategy

There are several options for leaving your small business. One that commonly comes to mind is putting a For Sale sign in the window. This can be a limiting choice for owners. Unfortunately, if there has been no planning, this may be the only choice available.

Your professional advisors can give you advice on what will maximize the value of your business while considering both your personal and business needs. Consider the following as possible exit options.

Business exit strategy options

Passing the business to another family member. This requires identification of likely candidates and then training them to manage the business successfully. This could involve some time, depending on the complexity of the business and planning, to avoid unnecessary tax issues.

Selecting, training and mentoring a successor
“For me, owning and operating my business is about stewardship. My parents started this business in the '70s and I started working right after high school. I worked in every area to learn all aspects of the business. My parents also had me work for other people so I could learn how to work. This is important for several reasons, including developing the respect of colleagues and employees. When I realized I loved the business and wanted to grow with the company, a grooming process for leadership and ownership began. It spanned several years. My parents, as well as my father's colleagues, have been my mentors. I learned that it's important to really listen and learn from the business owners because so much of what they know is not written anywhere. For us, the transition was smooth because my parents prepared me well and I had developed the trust of my employees and colleagues. We share the same values and vision. I am in a leadership role today and share ownership with my mother.”
— Successor, Exhibit Service Industry

Selling the business. Businesses must be prepared for sale so that the owner can maximize his or her return. Simply making superficial changes to a business at the last minute and putting it on the market for sale often results in reduced return. Usually a sale requires a long strategic management process that produces evidence of growth potential and is attractive to potential buyers. In addition, likely buyers should be identified ahead of time and alliances or overtures made before the actual event. A version of selling a business involves simply closing it and selling a client list, or 'book,' to a competitor.

Management buyouts or employee buyouts. Often this is the first place that owners, who do not have a candidate for succession, look to in order to pass on the business. This method is often used when the business owner is concerned with continuance of the corporate culture. Usually, in these cases there are legal processes, such as arrangement of shares, which must be taken care of first.

General succession experience
“I consider myself an entrepreneur at heart. I enter into a business arrangement with an exit strategy: sell. My plan is always to sell out when the timing is right. When you are considering the succession of your business, the successor you select should have similar values. This will ease the process. Trust is paramount but often difficult in a succession. Work with professional advisors who you trust are providing advice that is in your best interest.”
— Entrepreneur, Chemical Distribution and Service

Takeover or phased exit. This often occurs when an owner wants to leave a business, but does not completely exit. It is also a method for slow transference of a business to a new owner who is still undergoing a training period. With this method, the owner sells a stake in the business to a partner and the stake grows as the partner takes on increasing managerial responsibility."

Business valuation

Before you sell or exit your business, you will want to be explicit about what your business is, what you are going to sell and how much it is all worth. This might sound simple enough, but often business and personal lives are intertwined. When valuing the business, you need to consider your business revenues, assets, property, business liabilities and goodwill. Goodwill is an intangible asset that can be difficult to assess. It represents the value of a corporation's brand name, customer service, employee morale, expertise and other factors beyond net assets that contribute to the value of the business. Consult an advisor to determine the goodwill value of your business.

There are several different methods to determine the value of your business. You might tackle it on your own. Or, your accountant could provide you with advice on what method would be most useful for your business. The method you use will depend on the business financial picture, asset mix and business structure. Here are some questions to consider:

- Where is the value in your business?
- What is the value of your (tangible and intangible) assets?
- Do you own property, buildings and machinery? Patents, licences, copyrights?
- Have you thought about your business liabilities?
- How will you determine what you will sell?
- What is the goodwill value in your business?

Business structure and organization

Are you a sole proprietor? Do you have a partnership with general or limited liability? Is your business a corporation? How your business is organized will depend on the business maturity and size. Clearly understanding the business ownership structure and its implications is important when considering your exit from the company. When you plan transition years before your retirement, you can restructure the ownership and consider all tax implications and legal liabilities. By giving yourself time before exiting, you can improve the operational efficiency of your business and optimize its value.

If you were looking from the outside in, would your business get an excellent bill of health? Are you using technology to your advantage? Are the processes efficient and effective? Does much of the knowledge of the day-to- day operations reside in your head? If you are considering selling your business, you need to record that operational information and any other information important for other stakeholders to know. You will want to document all company policies and procedures. Your records and documents should be in an organized system.

Tax and legal considerations

You will want to get advice about tax and legal matters such as the following:

- Tax considerations
  - Will your business qualify for the capital gains exemption?
  - What are your options to trigger the exemption?
  - What can you do to minimize tax implications?
  - Will there be an estate freeze?

- Legal considerations
  - Is your business set up as a sole proprietorship, partnership or corporation?
  - Is it a family business?
  - Are you selling assets and goodwill or shares?
  - Do the liabilities get sold with the business?
  - Do you have a conflict resolution policy?

Estate plan

As a family and private business owner, you likely have a large volume of assets in your business. While your organizational structure may protect your assets, your sudden illness or death could be devastating to those who have to piece together your estate puzzle. We all think we have time to make a plan for our estate, but accidents do happen and illness can strike suddenly. A plan for your estate's future will help conserve the assets you have accumulated during your business lifetime. If you do not have a plan, someone else may take care of your estate for you. But their plan may not be what you had in mind for your business.

While planning your estate is a similar process to business succession planning, it also considers all your personal property. It can include your stocks, bonds, cash, real estate, business interests, life insurance, retirement benefits, other assets and your registered retirement savings. Costs of estate settlements can be high. They could include insurance settlements, tax liability, fees for professional advisors, as well as costs for share purchase, setting up trusts, probate and more. Your will, enduring power of attorney and personal care directive are some of the things you will want to consider. Professional advisors will provide you with sound advice on these matters.

Successor selection

Although the grand finale of the planning process is passing the torch, selecting a successor is often a difficult task. It is also one of the most critical steps of this journey. You will want to begin considering this years before you exit your business. Determining what qualities and competencies your successor needs is a good start. You may have already identified a successor (e.g. a family member, employee or an outside buyer), but does the potential successor know? It is important to select a successor early in order for that person to learn the business and earn the trust and respect of other key stakeholders.

Your plan will depend on whether you have already selected a successor, whether that individual is an internal or external candidate and whether the successor is aware of your decision. If you have not yet identified a successor, you will need to search for and select a successor and set timelines for selection.

- Have you selected your successor?
- What strategies can you use to find a successor?
- Have you developed guidelines to assess the potential successor?
- What skills will your successor need? (e.g. technical, conceptual and managerial skills). Refer to the section on successor training that follows.
- How will you select among potential family successors?
- How will you select among potential employee successors?
- What criteria will an outside buyer have to meet?
- If you do have a successor selected, have you told the successor of your intentions? When will you tell the successor?
- When and how will you inform your stakeholders?

Finding and keeping a successor
"One of the critical issues to consider as a small business owner in a town is finding someone interested in becoming a business owner. Business owners should be planning early and making back-up plans in case the first choice does not work out. Owners need to put together an incentive package that will attract and keep great employees. My own transition into ownership took several years. I began in my youth as an employee, then became a partner and now I have full ownership. Full ownership took decades. When I realized none of my children would become my successor, I began grooming a long-time employee. Due to unforeseen events, this did not work out and I did not have a back-up plan. Now I am looking at other alternatives for exiting my business. Therefore, I think it is also important to be aware of your options and how each of your options will best help you meet your goals for exiting your business. Alternatives include preparing another staff member, advertising the business for sale or a systematic closing out of the business."
— *Owner, Retail Industry*

Successor training

It is not enough to identify your successor. You also want to be certain that person can successfully take over your position in the business. Identifying your successor's strengths and weaknesses will help you develop a successor training plan. The plan may include education or training, obtaining outside work experience, rotating through the business to learn all aspects of its operation and engaging in a mentoring relationship with key managers. You will also find it helpful to have an evaluation plan to monitor the successor's progress.

Whether or not you have identified your successor, you can begin identifying core skills and competencies the successor will need. Some companies develop training modules that follow a timeline. Your approach will depend on how complex your business is.

- What are the top three technical skills the successor needs?

- What other competencies are desirable?
- Is further education or training required?
- Would working outside the company help the successor develop critical skills?
- Will you have a quick exit or a gradual, phased-out departure?
- What timeline is required to train the new successor?
- What is the best way for you to transfer your knowledge or company know-how to your successor?
- Are you prepared to mentor or coach the successor?

Contingency plan

Whether we own a business or not, many of us do not have a contingency plan. In case of an accident or illness, a contingency plan will provide the financial resources to ensure your business survives. It informs stakeholders how your business will be looked after and who will be in charge.

Most of us dislike thinking about our own mortality. But as the owner, your business depends on you showing up tomorrow. Consider who will lead your business if you are in an accident tomorrow. By addressing this as a priority right at the start, you will protect years of hard work. Ask yourself:

- How will I cover costs of the business and protect my family if an unforeseen event occurs?
- What could happen to my business and my family if I don't have critical illness, disability or life insurance?
- What are my options to pay for the different types of insurance?
- Is there a plan for the flow of life insurance proceeds?
- How much insurance is required?
- Who else should be insured?
- Who should own the life insurance?
- Who should pay the premiums?
- Who should be the beneficiary?
- Who would lead the business if I were in an accident tomorrow?
- Who is aware of the plan and knows where to find the documents?

Having a contingency plan helps provide peace of mind!

Conflict resolution

As previously discussed, stakeholders interested in the succession of a business include more than the business owner. People who may be considered key stakeholders include family members, business partners and senior employees. They may have their own interest in the plan. Conflict can result when the succession decisions do not satisfy all stakeholders' interests. Having a pre-established conflict resolution mechanism will help keep the process moving forward.

Timelines

Create a timeline to develop and implement your plan to keep you on track. Use a simple calendar or any project management tool you are familiar with. While your timeline should be flexible, it should also provide clear milestones indicating when you have achieved goals, objectives and major achievements. Consider these questions when planning a timeline:

- How will the timing of your exit affect the rest of the plan?
- Have you identified timelines if your exit is a gradual phased-out departure?
- Have you aligned the timing of your successor development and training with your exit?
- What milestones will you observe to know you are on track? (e.g. completed Phase 1 of successor training).
- How long will you remain active in the daily operations of the company?
- Have you committed to an approximate age you want to retire?

Communications plan

Communicate your succession plan to key people in your business. Determine how you are going to tell your employees that you have made a critical decision about your exit and about the successor you have chosen. This can be an emotional time for the whole company. You will want to keep employee morale high as the transition occurs. Notify your suppliers and customers about your plan, about how business will carry on and about the terms of transition. Introduce your successor to key people in a timely fashion.

Importance of communicating your plan

A communications plan is a strategy for informing your family, employees, suppliers, customers and other stakeholders about your intentions. Here are two compelling reasons for developing a communications plan:

- Responding to fear of the unknown.
  Employees, suppliers and customers can be affected by the sale of a business. A business will not be attractive if it begins to lose customers or uncertainty is created among key
  stakeholders. Communication about the process can dispel any fear your key stakeholders may feel.

- Ensuring clear expectations.
  A written communication plan states how, when and what media will be used to announce your exit and the transition of the business ownership. It explains how you want to proceed with your business transition announcement. This will help ensure your plan is executed as you wish. You may include copies of announcements with directions for where and when notifications should be placed (e.g. in the company newsletter, local newspaper or mailings to suppliers).

> *Advisors are key to succession planning.*
> *"My company recently had our annual retreat and succession planning was on the agenda. We hired a business advisor who acted as a facilitator for the retreat and he got us thinking and talking about issues that we wouldn't have on our own. Our business advisor meets with us regularly to help us move towards our succession goals. This process is extremely valuable to any business owner thinking about transitioning the business to family members or other employees. Having a good accountant and lawyer is also important. Our business transition is planned over five years and we are working in phases. We are currently developing training modules for the new successors. The leadership will transfer to both of my kids. The ownership transfer will include freezing shares to make my daughter an owner.*
> *My son is already a shareholder. My shares will change to preferred. Working with advisors keeps you on track.*
> *I don't think you can do succession planning without input from your advisors."*
> *— Owner, Employment and Training Industry*

<u>Step 5: Implement your plan</u>

It's important to get started. Some of the components take more planning than others, so you may begin implementing parts of your succession plan before the entire plan is complete.

Use the Action Plan and Progress Chart to help you track your progress.

<u>Step 6: Review and modify your plan</u>

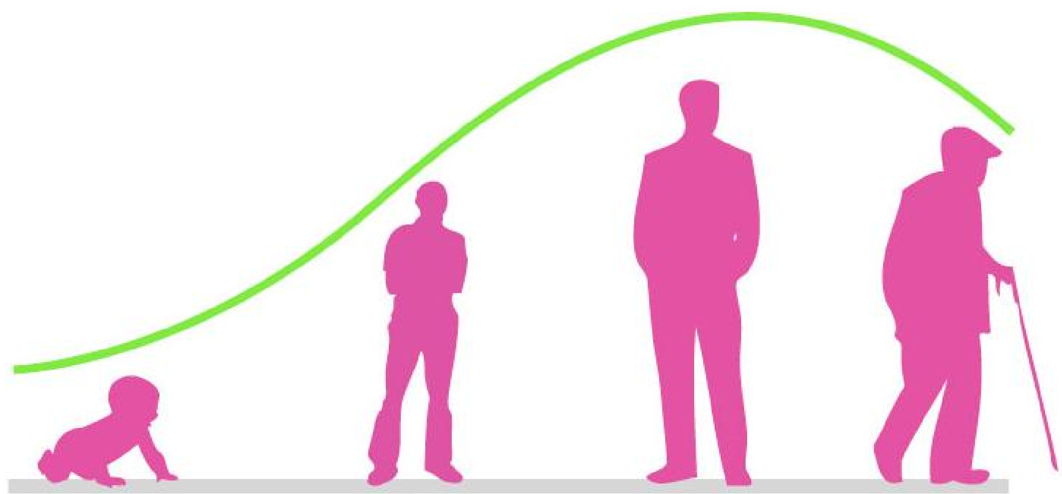
Do not let the dust settle on your plan once it is developed. Things change quickly in the business world and even in one's personal life. Review and revisit your plan at least once a year.

Next steps

Your next steps depend on how much work you have already done.

By reading this guide, you have raised your awareness of both the importance of preparing your business for succession and what it takes to get started. Completing the checklist will help you develop a structured succession plan. By planning now, you are positioning your business to receive maximum value, as well as selecting and developing future leadership so your legacy can continue according to your vision.

Your next steps depend on how much work you have already done. Regardless of where you are now in the succession planning process, keep going. Plan to transfer your business in manageable stages. Start small and finish strong. Business owners who have a succession plan in place strongly agree that it has been a worthwhile investment of their time.



Succession Plan Framework and Checklist

This guide outlines what a basic plan would include.

- Please place a check mark ( ) beside each of the succession planning components that you have completed to date.
- Examine all the statements where you did not place a check mark.
- Based on your situation, place these statements in order of priority.
- Proceed to the **How to Develop Your Business Succession Plan** section of this guide for more information on continuing to develop your plan.
- Gather information and write your plan.

Goals and objectives

Identified the stakeholders of my business
Established the need for a succession plan
Developed a business vision
Established business goals
Established personal goals
Established retirement goals
Contacted an exit planning professional

Exit strategy

Understand the need and process of building a succession plan
Reviewed options for my exit from the business
Made exit strategy decision based on identified options

Business valuation

Obtained professional advice about the value of my business
Determined the value of my business
Determined current value of business assets and liabilities
Determined the goodwill value of the business
Estimated the liquidating value of the business

Business structure and organization

Paid business debt
Hired and retained productive staff
Structured business to maximize value
Documented key processes and procedures

Tax and legal considerations

Tax considerations

Developed financial objectives
Aware of tax implications of current business situation
Planned and implemented tax strategies to minimize taxes

Legal considerations

Developed shareholders agreement
Developed current buy-sell agreement

Estate plan

Made arrangements to provide for my spouse and children
Completed my will, power of attorney and personal directive
Minimized inheritance taxes, probate costs and other legal fees
Selected a trusted advisor to settle the state

Successor Selection

Developed successor criteria
Developed questionnaire to assess candidates for succession
Selected a successor
Communicated with successor
Advised key stakeholders of successor

Successor training

Assessed skills needed by successor
Developed plan for successor training
Developed mentoring program for successor
Established timelines

Contingency Plan

Developed a contingency plan
Obtained disability insurance
Obtained personal life insurance
Obtained critical illness insurance
Obtained business insurance
Obtained key person insurance
Obtained overhead business insurance
Trained a key employee to take over in the case of an unforeseen event
Communicated the plan to family
Communicated the plan to key employees/ stakeholders
Communicated the plan to my advisors

Conflict resolution

Documented the roles, responsibilities and expectations concerning the transition
Identified a facilitator who knows my wishes and will work with the stakeholders through the process of succession

Timelines

Determined timeline for transition of management of the business
Determined timeline for transition of ownership of the business
Determined timeline for full exit from the business

Communications plan

Documented succession intentions
Documented how to proceed with succession should an unforeseen event, such as an accident or illness, occur
Documented the business transition or exit strategy to inform family, employees, clients, suppliers and community

Notes:
