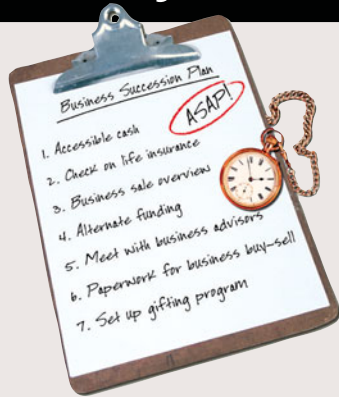




Steven M. Ellard, CPA  
Guiding clients toward financial success.

# Business SUCCESSION planning

## It's your business



There are two types of business succession plans: those created by design and those created by crisis. Which strategy describes the blueprint for how your business will continue to operate if something happens to you?

**I**f you fall into the “crisis” category, you have plenty of company. Sixty percent of respondents to a survey of family businesses indicated that they have not named a successor for their business.

Yet creating a succession plan can prevent discord between family members and save your heirs from the financial consequences of making decisions by default. In addition, a well-thought-out plan gives you a say in the future of the business you've worked so hard to make successful.

What exactly is a succession plan, and how should you go about creating one?

A business succession plan is a tool for preserving your company in the event of your death, disability, or retirement. The goal of a succession plan is to permit your business to move forward smoothly if something happens to you. Creating a plan involves three basic steps.

Before you sit down with your tax and legal advisors to draw up a succession plan, you should think through three key issues: who do you want to succeed you, when do you want the transition to take place, and how do you want to structure the transition?

**WHO?** The question of who will succeed you in the business can be the toughest of all, largely because there is so much emotion involved. Most owners want to pass the business on to the family. But are your children willing to take on the business, and if so, are they capable of running it? Will it cause a family squabble if one or two children want to run the business, but others are not interested? Resolving these issues may take a lot of honest, open discus-

sion with family members to discover their true feelings. If there is not an obvious family successor, other alternatives include selling the business to an outsider, promoting an existing employee to head the business while you retain ownership, or even selling the business to the employees.

**WHEN?** When you make the transition depends on a number of factors, such as your age, health, retirement goals, and the readiness of a successor. Consider whether you want to maintain some involvement with the business or make a clean break. Remember, though, you should always have a contingency succession plan in case of sudden death or disability.

**HOW?** How you structure the transition depends partly on the answers to the earlier questions and partly on financial considerations. Think through issues such as whether you need retirement income from the business or whether you primarily want to minimize estate taxes. Knowing your goals for the transition will make it much easier to tailor a succession plan that fits your specific situation.

If we can assist in addressing your succession planning options, give us a call.



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