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SUCCESSION PLANNING
FOR BUSINESS OWNERS

What Happens to Your Business When You Are No Longer There?

- TRANSFER OWNERSHIP
- ENSURE CONTINUITY
- PROTECT YOUR FAMILY
- PRESERVE YOUR LEGACY

PLAN TODAY FOR TOMORROW	PROTECT YOUR BUSINESS	SUPPORT YOUR SUCCESSORS	SECURE YOUR FAMILY'S FUTURE	PRESERVE YOUR LEGACY

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Succession Planning for Business Owners

What Happens to Your Business When You Are No Longer There?

Most business owners spend years planning how to start a business, many spend decades planning how to grow it, very few spend enough time planning how they will eventually leave it, yet every business owner will one day exit their business.

Whether through retirement, disability, illness, death, or simply a desire to pursue new opportunities, there will come a time when ownership and leadership need to pass to someone else.

The question is not whether you will leave your business.

The question is:

"What will happen when you do?"

That is where succession planning becomes essential.

What Is Succession Planning?

Succession planning is the process of preparing for the transfer of ownership, management, and control of a business.

It provides a roadmap that ensures the business can continue operating successfully when the current owner is no longer involved.

A succession plan should address:

- Who will own the business in the future.
- Who will manage the business.
- How ownership will be transferred.
- How the transfer will be funded.
- How the owner's family and estate will be protected.

Without a succession plan, uncertainty often replaces opportunity.

Why Succession Planning Matters

Many business owners assume they will deal with succession planning when they are ready to retire, unfortunately, life does not always provide advance notice.

Unexpected events such as illness, disability, accidents, or death can create significant challenges for a business and the family that depends on it.

A lack of planning can result in:

- Business disruption.
- Family disputes.
- Shareholder disagreements.
- Financial hardship.
- Loss of business value.
- Difficulties in settling an estate.

Succession planning helps reduce these risks and provides clarity during uncertain times.

The Biggest Succession Planning Mistake

One of the most common mistakes business owners make is believing that their Will is a succession plan.

A Will is an important estate planning document.

However, it does not explain:

- Who will run the business.
- How ownership will be funded.
- How shareholders will be treated.
- How key decisions will be made.

A proper succession plan works alongside your Will, not instead of it.

Who Will Take Over the Business?

This is often the most important question.

The successor could be:

A Family Member

Many business owners hope that their children will eventually take over the business, while this can work well, it should never be assumed.

The next generation must have both the desire and the ability to manage the business successfully.

Existing Management

In many cases, senior employees or management teams are the most suitable successors because they already understand the business and its operations.

Existing Shareholders

Where there are multiple shareholders, the remaining shareholders may acquire the departing owner's interest.

An External Buyer

Some owners plan to sell the business to a third party and use the proceeds to fund retirement.

Each option requires careful planning and preparation.

Ownership and Management Are Not the Same Thing

One of the biggest misconceptions in succession planning is assuming that ownership and management must transfer together, they are separate issues.

For example:

A child may inherit ownership of a business but not have the skills or desire to manage it.

Similarly, a professional management team may successfully operate the business without owning it.

A successful succession plan considers both ownership succession and management succession.

The Role of Business Valuations

A business valuation is often a critical component of succession planning.

Without knowing what the business is worth, it becomes difficult to:

- Structure shareholder agreements.
- Plan buy-outs.
- Calculate funding requirements.
- Ensure fairness between family members.
- Plan for retirement.

Understanding the value of the business allows owners to make informed decisions regarding future ownership and control.

Buy-and-Sell Agreements

Where a business has multiple shareholders, a buy-and-sell agreement is often one of the most important succession planning tools available.

A properly structured agreement provides certainty regarding:

- What happens when a shareholder dies.
- What happens if a shareholder becomes permanently disabled.
- Who can purchase the shares.
- How the purchase price will be determined.

Without a buy-and-sell agreement, surviving shareholders and family members may find themselves in difficult and emotional negotiations.

Funding the Succession Plan

One of the biggest challenges is ensuring that the funds are available when needed.

For example:

If a shareholder passes away and the surviving shareholders wish to acquire the deceased shareholder's interest, where will the money come from?

This is why many succession plans incorporate:

- Buy-and-sell insurance.
- Key person insurance.
- Business assurance structures.

These arrangements can provide liquidity when it is needed most and help ensure a smooth ownership transition.

Succession Planning and Retirement

For many entrepreneurs, the business represents their largest asset and a significant portion of their retirement capital, a successful succession plan should therefore align with retirement planning objectives.

Business owners should ask themselves:

- When do I want to retire?
- How much income will I need?
- What is my business worth?
- Will the sale of the business fund my retirement?
- What happens if I cannot sell the business when I plan to?

These questions are often best answered years before retirement rather than months before.

Signs That Your Business Needs a Succession Plan

If any of the following apply, succession planning should become a priority:

- You are over the age of 50.
- You have business partners.
- Family members are involved in the business.
- The business contributes significantly to your personal wealth.
- The business depends heavily on your involvement.
- You do not have a buy-and-sell agreement.
- You have never had your business professionally valued.

The earlier planning begins, the more options become available.

The Ultimate Goal

The objective of succession planning is not simply to prepare for death or retirement, it is to ensure continuity.

A successful succession plan allows:

- The business to continue operating.
- Employees to retain security.
- Customers to experience stability.
- Shareholders to receive fair value.
- Families to avoid unnecessary conflict.

Most importantly, it protects the value that has taken years to build.

Final Thoughts

Many business owners spend their entire careers creating a successful business but never prepare for the day they leave it.

Succession planning is not about preparing for the end, it is about protecting everything you have worked so hard to build.

Whether your goal is to transfer the business to family members, management, business partners, or an external buyer, the best time to start planning is long before the transition becomes necessary.

Because when succession is planned properly, the business can continue to thrive long after the founder has stepped away.

FinEd Tip: The best succession plans are created while the owner is healthy, actively involved in the business, and has multiple options available. Succession planning done early creates choices. Succession planning done late often creates problems.