

# SUCCESSION PLANNING



If your business is no longer a 'start up' then you should be thinking about your (eventual) exit strategies.

For many business owners their Succession Plan is a series of insurance policies that guarantee their family some income when they die or become incapacitated.

However, that generally doesn't assist their business partners, customers or staff! It also means that the business owner never gets to actually enjoy (part) retirement.

Other business owners don't have any plans at all which is not good for anyone!

Smart business owners '*control their exit*' by having a proper Succession Plan. This enables a better retirement lifestyle and results in a greater chance for the business to prosper under the new owners.

## What's your Succession Plan?



## SUCCESSION PLANNING

Succession Planning does not need to be complicated. However, a successful Succession Plan does need to include several different elements, **all of which need to be properly addressed**.

For example:

1. Some succession strategies focus on handing over the *Ownership* of a business. To be successful, a Succession Plan must also include strategies for handing over *Management* of the business. Sometimes *Ownership* and *Management* are handed over together yet quite often they are not.
2. Where multiple owners exist, different owners' succession plans must **not** be made in isolation to each other. The owners must develop a common plan (or just 'an understanding' where succession is not imminent) that is regularly reviewed. Succession Plans need to be flexible as many need to change over time as individuals' circumstances change.

Tax planning is an important ingredient but should not be the '*predominant consideration*'.

## EXIT OPTIONS

**IT IS CRITICAL FOR ALL BUSINESSES TO REGULARLY CONSIDER THESE EXIT ALTERNATIVES IN A STRUCTURED FORMAT.**

- ◆ Sell on the open market
- ◆ Sell to family members
- ◆ Sell to existing shareholders
- ◆ Sell to key staff
- ◆ Sell to known competitor, supplier etc
- ◆ Sell an entire business (or just a division)
- ◆ Sell over a period of time and provide 'hand over'

Many other options also exist.

## SUCCESSION PLANNING TIPS

Use an Adviser who is experienced in Succession Planning. The dynamics of Succession Planning can vary widely between different types of business.

For example:

- \* A multi owner firm has a very different set of considerations to a family business;
- \* Cross-generational owners have different considerations to 'same-generational owners' who in turn have different dynamics to a sole proprietor;
- \* A 'selling for the maximum price' objective will result in a very different plan compared to one who's key objective is 'to leave a legacy'.

## SUCCESSION PLANNING SOLUTIONS

Most businesses do not have the experience to develop their optimal Succession Plan 'in house'.

Successful Succession Planning requires a tried, structured approach to make sure that everyone understands 'what is going on' and has a say in what they want the Succession Plan to be.



**You only get one chance to sell your  
Business so make sure you get it right**

## **5 STAGES OF SUCCESSFUL PLANNING**

To be effective, Succession Planning needs to have structure around the following stages:

1. Planning: Where each party understands the position of all other parties and identifies and evaluates all their options.
2. The Plan: This documents the key findings of the Planning process.
3. Communication: So all stakeholders know what is going on.
4. Implementation: This makes sure things happen.
5. Review / Monitoring / Updating: Circumstances will change over time so the Plan needs to be regularly reviewed.

Your Succession Planning needs to progress through all 5 stages. Each of these stages is most effective if facilitated by an external Adviser.



**Bringing all the pieces of**



**you financial life together**

**ADVICE PROVIDED MAY INCLUDE:**

- ◇ BUDGETS AND CASH FLOWS
- ◇ BUSINESS FINANCE OR REFINANCE
- ◇ BUSINESS GROWTH PLANNING
- ◇ BUSINESS VALUATIONS
- ◇ BUY AND SELL AGREEMENTS WITH SUPPORTING INSURANCE COVER
- ◇ BUYING AND SELLING OF BUSINESSES
- ◇ CHILD MAINTENANCE TRUST
- ◇ COMPLIMENTARY BUSINESS REVIEWS
- ◇ EXTERNAL CFO
- ◇ FINANCIAL PLANNING INCLUDING CONSIDERATION OF INSURANCE NEEDS
- ◇ GENERAL FINANCIAL MANAGEMENT
- ◇ BUSINESS MARKETING
- ◇ SETTING UP A NEW BUSINESS
- ◇ SELF MANAGED SUPER FUNDS
- ◇ STRATEGIC BUSINESS PLANNING
- ◇ SUCCESSION PLANNING



*An important part of Succession Planning is determining a reasonable value for your business. You should only use an experienced accountant for this purpose. We are vastly experienced in valuing businesses.*

*Call us for more information*

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