

Don't 'what if' yourself to death

BY NATHAN S. SACHS

Business owners often lie awake at night worrying about the "what-ifs" that could negatively affect their businesses.

What if I die? What if a key employee leaves? What if I want to sell my business? What if I get sued? Unfortunately, most business owners fail to plan because they are busy working in their businesses, instead of on their businesses. Besides, bad things always happen to the other guy.

But life happens. Key employees leave and owners fall ill or get sued. Business owners must be financially prepared for the unexpected by developing specific exit and succession plans to protect their companies and their families when faced with selling their businesses, losing key employees and other unforeseen circumstances.

Sale of a business. Whether you are planning to sell your business to a co-owner, key employees, one or more of your children or an outside buyer, it is important to consider your future degree of involvement, if any, in the business, and how you will provide income for yourself and your family.

For a family-owned business, a buy-sell agreement can be an instrumental part of the family's overall estate plan. It provides a means for fair distribution of a parent's estate assets when there are children active in the business and other children who are not active in the business.

Inside transition. The existing owner can design a plan to implement an internal transition to key employees, managers and/or family, and sell his stock in the company, and then spend time with his or her grandkids or enjoy hobbies and retirement.

Key employee retention. Owners must assess the financial impact of losing key employees, and prevent them from leaving by implementing a special bonus program to motivate them to stay. Such a plan automatically lowers turnover, and keeps the business operating at peak performance. Locking in key management and putting the business into growth mode will attract potential buyers and maximize the amount of cash from the sale.

By having contingency plans in place, business owners can rest assured knowing they have done everything possible to protect themselves and their businesses when faced with a variety of situations, including selling the business, retaining key employees, premature death, disability and retirement. Ultimately, a carefully designed succession plan will increase the value of your business while protecting your financial security in retirement and allowing you to exit gracefully from your business.



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