

# BUSINESS SUCCESSION PLANNING

## HOW WHY WHEN TO DO IT

Succession Planning is Important for all Businesses, no matter how distant the actual succession may Appear Like.

### **WHY BUSINESS SUCCESSION PLANNING IS IMPORTANT?**

Preparing such a plan early is important, even if you don't plan to retire for many years. An unforeseen event could suddenly make it impossible for you to continue operating your business.

Business Succession Planning is the process of planning, how, you are going to transfer your business ownership and move out of a business management role, while maximizing your personal financial security. A succession plan is a formal process that determines how a business will be transferred during the lifetime or even upon death to others, outlining the steps necessary to prepare for disagreements that may arise among the partners and for that transition to new owner.

Succession planning is a process for identifying and developing new leaders who can replace old leaders when they leave, retire or die. In business, it entails developing internal people with the potential to fill key business leadership positions in the company.

#### **There are several reasons why business succession planning is important:**

- A bad management transition plan can have a negative impact on business performance and may even result in business failure.
- The value of your business may constitute substantial source of your retirement income. Proper succession planning can ensure that the risk to your retirement corpus requirements are minimized as you approach to the end of your career.
- If you want to have your business continued by one or more family member you need to sync your estate plan with your business succession plan.
- An unforeseen event like death or disability of you or your business partner could lead to chaos in your business. Advance planning can help prevent such a situation and ensure that both your family and your business is protected through such unforeseen events.



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### DO YOU REQUIRE BUSINESS SUCCESSION PLANNING?



#### **In your Business are these your concerns...?**

- I'm running a family business with my siblings with constant Family Clashes. What will my exit and cashing out strategy be? How to pass down the baton to the next Generation?
- My business is picking up, how to prevent money greed among my partners and plan for our Corporate Will?
- How do I plan to exit and still have a consistent income after that? Will my partners allow it?
- My partners are older than me, they will probably leave the business first. What would happen to their shares? I do not wish their family members to succeed him and become one of the partners
- I plan to start up business with my friends. What kind of agreement should I put in place to prevent misunderstanding in future?



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### In your Business are these your concerns...?

- Will my partners still pay the same number of perks (that I'm currently enjoying) to my wife upon my death? How do I make sure that my surviving partners do not short change my wife?
- How do I protect my company from the effects of death and disablement of the Key Person in my company?
- I have Muslim partners in most of my businesses. What are the implications if I don't plan and upon their demise, how would the Sharia Law of Distribution affect me and the business?

## HOW TO PLAN BUSINESS SUCCESSION PLANNING?





## HOW TO PLAN BUSINESS SUCCESSION PLANNING?

Although it is possible to create your own Business Succession Plan, it is always advisable to involve professional to structure a Business Succession Plan. This becomes even more important if you have a business that has a market value other than your personal skills and goodwill when you retire.

NexGen specializes in providing complete management services to achieve an effective business succession plan. Our team of professionals comprising of legal, taxation and financial experts are used to working closely with family members or Boards. They can help you in identifying potential successors and provide end to end solutions for Business Succession Planning.

### **Business Succession Planning involves 5 Key Steps:**

#### **1. Establish Goals & Objectives**

- Review current succession plan and relevance of achieving desired goals.
- Develop a collective vision, goals, and objectives for the business.
- Determine the importance of continued family involvement in leadership and ownership of the company, but consider the option bringing in professional management.
- Establish personal retirement goals and cash flow needs of retiring family owners.
- Identify goals of next generation management, both personal and business.
- Identify and retain a team of professional advisors.

#### **2. Establish a Decision-Making Process**

- Identify and establish governance processes for involving family members in decision making.
- Establish a method for dispute resolution if needed.
- Document the succession plan in writing.
- Communicate succession plan to family/stakeholders

#### **3. Establish the Succession Plan**

- Identify successors – both managers of the company and owners of the business.
- Identify active and non-active roles for all family members.
- Identify required additional support for the successor from family members.

#### **4. Create a Business and Owner Estate Plan**

- Address taxation implications to the owner/business upon sale or transfer of ownership, death, or divorce
- Review owner estate planning to minimize taxes and avoid delays in transfer of stock to remaining owner
- Create a buy/sell agreement that is fair, reflective of the value of the business, and minimizes taxes.

#### **5. Create a Changeover Plan**

- Consider options: outright purchase, gift/bequest, or a combination of these.
- If the business is to be purchased, consider financing options including financing from an external party or self-financed from the retiring owners on a deferred payout basis.
- Establish a timeline for implementation of the succession plan.



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### **HOW TO PLAN BUSINESS SUCCESSION PLANNING?**

Not every family business will survive and many do fail, primarily due to differing family interests and the ability of the next generation to grow the business. Engaging NexGen to Plan your 'Business Succession Plan' now will save money and time and will help assure the continued success of your business.