

# BUSINESS SUCCESSION CONSIDERATIONS FOR SMALL BUSINESS OWNERS

There comes a point in time when almost every small business owner contemplates the future of his or her business. A **business succession plan** is a comprehensive look at the estate planning picture that can include everything from shareholder buy-sell agreements to management plans, and any other documentation that will help ensure the smooth operation of the business. While traditional estate plans are designed with tax minimization in mind, business succession planning, in addition to such considerations, is aimed at maintaining the future health of the business.

## PROTECTION FOR FAMILY MEMBERS AND EXECUTORS

Proprietorships and partnerships must cease operation as such upon the death of an owner or partner. To address this and other potential problems, a business succession plan is critical. Such a plan, which might consist of a **buy-sell agreement** or carefully drafted **will** provisions, can help provide answers to the following important questions about the future of the business:

1. Who has the authority to continue its operation?
2. Will it be sold, liquidated, or continued?
3. Who are potential buyers and do they have the cash to activate the purchase in a timely fashion?

## INSURANCE PLAYS A KEY ROLE

Typically, an owner's death or disability can create an array of financial problems affecting both the business and the owner's family. For this reason, life insurance and disability income insurance go hand-in-hand with a business succession plan. Proper insurance coverage can: 1) help an owner's family meet estate tax obligations, which in many instances may help keep a business in the family (if so desired); 2) help replace an owner's loss of income due to death or disability; and 3) help a partner(s) or existing employees have the necessary cash to buy out the deceased or disabled owner's share of the business.

## HOW TO BEGIN

An estate planning team consisting of your lawyer, accountant, and insurance professional can help you develop a business succession plan to help the transition that will leave both your business and successor management free from unnecessary worry or jeopardy. In addition the transition can be properly funded and avoid substantial losses that might otherwise occur.

