

SUCCESSION PLANNING



HASSLE-FREE AGREEMENT ON BUSINESS VALUE AND BUSINESS OWNERSHIP

Unfortunately, too many private business owners suffer unnecessary and significant losses due to ineffective Succession Planning. Your business can become paralysed by the unplanned and unexpected exit of your business partner, substantial tax benefits on a sale can be lost, and retirement plans shattered due to much lower than expected business valuations, or lack of potential exit strategies.

EFFECTIVE SUCCESSION PLANNING IS VITAL TO YOUR BUSINESS. GETTING IT WRONG CAN INCUR HIGH PERSONAL COST AND DIMINISH THE VALUE OF YOUR BUSINESS

Here are some important questions to ask yourself or, even better, discuss with your business partner/s and compare notes

- ▶ How much do you believe your business to be worth if you were to sell it?
- ▶ How do you expect to realise the value of the business? Do you have a potential buyer in mind?
- ▶ If you were to sell the business today, what access would you have to the Small Business Capital Gains Tax Concessions?

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KEY CONSIDERATIONS

- ▶ Is the business totally reliant on the personal skills of you and/or your business partner for its profits? Without you, is there actually a business to sell?
- ▶ If you were required to buy out your co-owner's share, which financial resource would you use?
- ▶ Does your current life and key personal insurance policy/s cover the debts of the business?
- ▶ If you passed away suddenly, what role would your spouse and/or family want to play in the continuing operation of the business?
- ▶ If your business partner passed away suddenly, would you want to work with the inheriting relatives of your co-owner?
- ▶ Do you have a legally binding agreement in place with your co-owners which guarantees the fair and equitable treatment of your spouse and/or family in your absence?
- ▶ At what age do you wish to retire? How?

These questions are designed to explore the private concerns and opinions not often expressed between business co-owners. If they are not appropriately considered as part of your Succession Plan, the operation of your business will be affected when these issues arise.

A Succession Plan allows both co-owners and survivors to reach a harmonious and hassle-free agreement on business value and business ownership.

REMEMBER THE KEY FACTORS

- ▶ Trigger events. When can I leave, and when must I leave my business?
- ▶ Value. What is my business worth? Is the value the same for each trigger event?
- ▶ Payment. How do I get paid? Is insurance relevant?
- ▶ Dispute resolution. Stay out of the Court system if possible

It does not matter where your business is in its life cycle, Succession Planning is a process which evolves with the business. The key is to have an enforceable plan in place before an accident happens or situation arises. Too often, significant value is lost due to a lack of planning for the unexpected. Effective Succession Planning requires a superior level of specialised taxation knowledge and experience. Our expertise in this area has allowed us to develop unique solutions which many advisors previously thought impossible to achieve.

CLEARY HOARE PLANNING STRATEGIES

- ▶ Separating your company owned assets for family members without CGT
- ▶ Tax effective structuring and funding of employees to purchase your business
- ▶ Buy/sell agreements to ensure value is preserved for your family in case you are involved in an accident
- ▶ Restructures to ensure you don't miss out on a possible \$4m tax free upon the sale of your business
- ▶ Equalising your Estate value amongst your beneficiaries
- ▶ Separating Trust Assets without CGT or Stamp Duty, for the benefit of separate children

A Cleary Hoare Business Succession plan is individually designed and tailored to meet your needs, and our expertise facilitates the scope and flexibility required to meet your objectives.

For further information or advice on how Cleary Hoare's Succession Planning solutions can help secure your future, contact one of our qualified professionals directly, or via your Accountant or Financial Planner for an obligation free review.

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