

CLOSELY-HELD BUSINESS M&A

TIPS AND TRICKS FOR SUCCESSION PLANNING

It is especially important for family and closely-held businesses to take a strategic approach to planning the transition of ownership and operation of the business. Succession plans guide the exit process, and help anticipate and manage issues before, during and after a transition. Life is unpredictable and succession planning allows you to be prepared to do what's best for your business.



ELEMENTS OF A SUCCESSION PLAN

COMMUNICATION

- Include in the plan who should take over the business, when the transition should occur and the value of your business.

TIME

- Preparedness planning can be done at any stage of life; however, it really becomes a reality for many at age 50.
- In general, five years is the minimum time frame to start transferring stock to a successor.

GOALS

- Identify the degree to which you plan to leave the business —will you stay on as an advisor, or depart completely?

INVOLVEMENT

- Decide who is ready to move into leading, majority roles within the business —is it the next generation, or a business partner buyout?



THE EXIT PLAN

FAMILY TRANSFERS

- Many family business owners are using Grantor Retained Annuity Trusts (GRATs) to move the company to the next generation through a gifting program.

MANAGEMENT BUYOUTS

- Key factors include identifying and managing timing/ transition periods, financing issues and valuation issues.

RECAPITALIZATION

- This is often the first step towards a complete buyout.

M&A SALE

- This plan should include incentives for the management team and other important members of the company.

STRATEGIES FOR SUCCESS

1. Sync the succession planning of your company to your estate planning, and take advantage of tax planning opportunities.
2. Tailor your succession planning to your specific situation —it should be a living, fluid document unique to the needs of your company.
3. Make sure your management team knows there is a succession plan in place; they may lose confidence in the company without one.
4. Secure good representation to guide you through the succession planning and exit processes.

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