Jordan-
Crandus, P.A.

1700 Rockville Pike, Suite 400
Rockville, MD 20852
jordancrandus@crandus.com
301-230-0034 • fax (301) 681-2955

Exit Planning for Business Owners

The Ten Deadly Mistakes

Those of you who are paying attention to this series will notice that we skipped part six. Because we are in the middle of tax season and part six deals with taxes, we decided to wait until the tax experts are available to contribute to that issue. To accommodate the tax experts, we will address part seven in this issue.

Part Seven:

The Owner has Selected a Capable Non-Family Heir Apparent but Doesn't Have a Succession Plan in Place and Can't Realistically Fund the Transfer.

You've worked hard for years building a good business and now want to retire. None of your children want the business so you identify a non-family member to be your successor. Like most business owners, you didn't give serious thought to retirement until now, and now you find that exiting is not as easy as turning the keys over to the new owner and walking out the door without a care in the world.

Leaving your business in style requires planning very early on in the ownership process. With the help of a Primary Business Consultant (PBCs are trained business exit planners) begin by addressing the following issues:

- Business appraisal

- Succession plan
- Funding the transfer
- Job description of the successor
- Personal financial needs for retirement
- Estate plan
- Tax consequences
- Form of ownership transfer
- Whether ESOP is a viable option
- Back-up plan

The business appraisal will not only give you the current market value but will also tell your Primary Business Consultant which, if any, value drivers are weak and need attention. When all value drivers are performing properly, your business will be worth its maximum. The appraisal will also help with the funding, personal financial needs, estate planning, tax and ESOP issues.

The succession plan and successor job description are directly related and should be addressed together, just as the above-mentioned items will be worked on together.

Each form of ownership transfer has its own tax ramifications and needs to be reviewed with your tax accountant before starting the exit process.

A back-up plan is a must and will be high on your PBC's priority list.

Once these issues have been properly addressed you can start moving forward with your retirement planning.

Call Lou Kastelic at Jordan-Crandus, P.A. for a free initial consultation.

Jordan-Crandus, P.A.
301-230-0034
lou@crandus.com