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Exit Planning for Business Owners

Who Will Operate Your Business Should the Unexpected Happen and You are no Longer Able?

Your ill health or disability removes your talents, experience and business relationships and will be difficult to replace in the short term. When this happens employees tend to seek more secure opportunities, contractual obligations fall into default, and the company is brought to its knees.

For co-owners the same problem exists. If you are the key owner who runs the company, knows the customers and has supplier contacts -- as is the case with many co-owned businesses -- your death or disability can ruin the company.

THE SOLUTION: Develop a succession plan and make your staff aware of this plan. “Hand cuff” the key person or persons who will be charged with continuity of management to the company with stay bonuses or a stock bonus plan. In the case of sole ownerships, decide how you want the business to be continued. Do you want the company sold, continued to be operated by your designated successor, or discontinued?

If the business is to be continued, or continued and then sold, continuity requires cash. As we pointed out in our last newsletter, cash can come in the form of life insurance proceeds or from cash flow of the business. If insurance proceeds are to be counted on for business continuity, be sure to review your needs and position regularly to ensure coverage is sufficient for today and tomorrow. Cash may be king but without proper

management to fill the void caused by your leaving, the cash will run out quickly and the company will self destruct.

Regardless of the size or nature of your business, a succession plan should be viewed as an essential insurance policy that will pay off by protecting your business from the uncertainties of the future.

Plan ahead for success when exiting your business, or plan for less than what you hoped for. Only the best-prepared businesses will sell for top dollar.

If you have questions about exit planning, please contact us for a no obligation consultation to discuss your particular situation. We have been helping business owners plan for and exit their businesses since 1979.

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Repeat chemical company from last month