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Business Succession – A Ten Step Checklist

I. Establishing Goals & Objectives

- Identify the need for a succession plan. _____
- Develop the vision, goals, and objectives of the business. _____
- Determine the importance of family involvement in leadership and ownership of the company. _____
- Establish personal retirement goals and cash flow needs. _____
- Identify family members' goals. _____
- Determine the need for an outside facilitator. _____
- Establish team of professional advisors (attorney, CPA, bankers, financial advisors, insurance specialist). _____

II. Decision Making

- Involve Family Members in the decision making process. _____
- Establish a method for dispute resolution. _____
- Document the succession plan in writing. _____
- Communicate your succession plan to family / stakeholders. _____

III. Successors

- Identify your successors – both managers of the company and owners of the business. _____
- Identify active and non-active roles for all family members. _____
- Identify required training for the successor(s). _____
- Provide necessary training to the successor to ensure the future of the business. _____
- Will the retiring owner remain involved in the business? If so, define the role. _____
- Provide counsel and support to successors. _____

IV. Estate Planning

- Address taxation implications to the owner / business upon sale or transfer of ownership. _____
- Does your estate have enough liquidity to pay for estate taxes? _____
- Have you considered a buy sell agreement? _____
- Develop estate and personal financial plan for owner, spouse and succeeding generation. _____
- Provide for active and non-active family members (consider providing non-dealer related assets to non-active family members). Will non-active family members receive an equitable share of assets? _____

V. Consider the Transfer Methods and Corporate Structure

- Various options should be generated and considered to address as many family and business needs as possible. At a minimum, one needs to consider the following and document your conclusion: _____
 - Method of transfer may include outright purchase, gift / bequest, or a combination thereon. _____
 - If the business is to be purchased, financing options need to be considered, including financing from an external party or will the previous owner hold the loan. _____

- If the business will be purchased, ensure the business can generate adequate after-tax cash flows to support debt and interest payments.
- Tax strategies and implications.
- Legal implications.
- Business structure options (e.g. sole proprietorship, partnership, corporation, etc.)
- Business agreements.
- Insurance needs (health, life, disability, etc.) have been considered.

VI. Contingency Planning

Identify potential problem areas.

Dispute / conflict resolution mechanisms have been considered and addressed in business agreements.

Develop “What If” scenarios including action plans (including possible disability of yourself and your successor).

Do you have a plan in case you become permanently disabled?

VII. Business valuation

Obtain appraisal to determine fair market value of business and real estate.

VIII. Exit Strategy

Determine method of transfer.

Establish a timeline for implementation of the succession plan.

Publish the plan so that affected individuals are aware.

Communicate regularly with all affected parties.

IX. Implementation / Follow-Up

A timetable has been established and is being followed.

Review the plan on a regular basis and update as necessary.

X. Document maintenance

At a minimum, the all the following current documents are maintained in a file:

- Legal will.
- Power of attorney(s).
- Property deeds / titles, leases, rental agreements etc.
- Mortgages and notes payable.
- Tax returns, financial records and financial statements for last five years.
- Bank, brokerage, savings and retirement account information.
- Contact listing of all professional service advisors.

For additional information regarding the business succession planning, please email James Downey at jmdowney@downeycocpa.com.

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