



Business Succession – A 10 Step Checklist

1. 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).

2. 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.

3. 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.

4. 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?

5. 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.

6. **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?

7. **Business valuation**

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

8. **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.

9. **Implementation / Follow-Up**

- ___ A timetable has been established and is being followed.
- ___ Review the plan on a regular basis and update as necessary.

10. **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 contact Jamie Downey at 800-849-6022 or [**jmdowney@downeycocpa.com**](mailto:jmdowney@downeycocpa.com).

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