Shobe Insights

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Succession planning at all stages

No matter what stage of business you are at, it is never a bad time to think about succession planning.

For most business owners, the word succession is often linked with retirement. For this reason, there comes many myths looming around succession planning. However, it turns out that no matter what stage of business you are at, it is always valuable to talk about succession planning.

There are three stages to business succession planning. Early, middle and exit. They are all equally important time periods to plan, organize and have a succession plan ready for.

Early stage

Exiting a business for an early-stage entrepreneur is kind of unusual and is most likely focused at this point on preparing for an unplanned exit. For that reason, it is good to have succession contingency plans in place for leadership, as well as life insurance for loved ones.

Protecting an operating business in the event for an unplanned exit achieves two goals. First, it provides harmonious realignment and ensures value and equity in the company remain intact by reassuring customers, clients and employees that your business will continue to run as usual. Second, it preserves equity and potential income from your business for loved ones.

Do:

- **Seek professional aid for life insurance, estate planning and trusts.**
- **Create an early stage exit plan.**
- **Talk to an attorney to ensure business operations are protected.**

Don't:

- **Leave succession an unplanned question.**
- **Rely on life insurance and estate planning to take care of loved ones and protect the operation of your business.**
- **Put planning off because retirement is years in the future.**

Middle Stage

At this stage you may have a robust business — you're out of the early period and operations are running smoothly. You may be in a growth phase, possibly acquiring other businesses or expanding by investing or infrastructure. The middle stage blends practicality of having plans in place in case of unplanned exits and looking forward at the growth of your business over time.

Do:	Don't:
• Revisit plans put in place at the start of your business to make sure they're still relevant. • Consider your ideal time frames for exiting your business. • Develop talent at your company who could take over when you decide to exit.	• Put off planning until months before you've decided you want to exit. • Become so focused on day-to-day operations that you lose sight of the big picture. • Assume that plans you may have had in place five or 10 years ago will still apply.

Exit Stage

In this stage, you've decided to exit the business that you've worked so hard to build. You have an organized plan and a date in mind for exiting that is anywhere from one to five years out. Valuation, equity and how you can continue to realize income are important top of mind.

Careful planning about your life in tandem with succession planning can mitigate a sense of loss and add excitement for the future.

Key Financial Issues

There are many key questions that you will want to work through with your advisors, accountant, attorney and family.

- How much is enough, after taxes, with plenty left over to fund your desired lifestyle and estate planning objectives. Home in on your lifestyle goals and the associated expenses.
- Who will you sell or pass the business on to? A key employee group, family or third party? What are the tax implications of a sale or transfer?
- Will you immediately exit or transition over time?

Raymond James and its advisors do not offer legal or tax advice. You should discuss any legal or tax matters with the appropriate professional.

Sources:HBR.org; columbusceo.com; due.com; foundr.com; yourstory.com; exitplanning.com; sba.gov; forbes.com; investopedia.com ; hbr.org; vistage.com; succesionresource.com

One Oak Square | 8280 YMCA Plaza Drive, #4 | Baton Rouge, LA 70810
225.763.7010 | 800.942.2777 | fax 225.763.7040
www.shobe.com