

# Succession planing: Stampede to the exit

Plan a transition now to preserve your business' future value

BY TERENCE SHEPHERD

**T**hat rumbling noise you hear in the distance is 70 million U.S. employees who are fast approaching retirement age during the next five to 20 years. They are the baby boomers, the generation born between 1946 and 1964.

According to economist and demographic expert Robert Avery at Cornell University, baby boomers will transfer \$10 trillion to later generations. Other recent numbers have it at \$20 trillion. The significance to you as a business owner is that the vast majority of this wealth is held in more than 12 million privately owned businesses all ready to get out at the same time. Talk about a stampede to the exit.

As a business owner, two items of obvious concern are: One, with all these sellers, who is going to be left around to buy? And two, what will happen to business values? We all know what happens to prices when there are lots of sellers and very few buyers; it's a great time to buy and a lousy time to sell. It will not be a pretty picture for all those business owners who have worked extremely hard trying to build a business of value to help fund their "retirement" years, if they go in unprepared.

Succession planning is not just about the end financial transaction. It is also about transitioning the business owner's leadership and management role. Surprisingly, however, studies show that for those family/closely held businesses that will change hands in the next five years, only 4 percent of them have started properly planning for their succession.

Here are just a few of the benefits of proper business transition planning:

- You can decide whom to transfer your business to.
- You can control the timing of the transition and how you wish to ultimately exit the business.
- You can put in place a tax strategy that enables you to keep more of the business value for yourself and your heirs.
- It frees you up to do the work you do best — building your business.
- Your family can have peace of mind, knowing that there is a transition plan for the business that you are happy with, and because they will know in advance how your business transition might affect them.
- You can create the opportunity for a business legacy, and can create certainty for key loyal employees and other important stakeholders.
- You can save money by having a single transition plan that all your trusted advisors have been part of. There will be no duplicated services or costs.

- The transactional value of your business will substantially increase. Buyers generally are prepared to pay more for businesses that have used Transition Planning.

As you can see, there are many benefits to be gained with proper planning. And I want to leave you with what I believe should ultimately be your goal as a business owner, in setting up your own business succession plan. You should deem your plan successful if and only if it meets the following three conditions:

1. It occurs at the time of your choosing.
2. It occurs in accordance with your wishes for the future ownership of the business.
3. It occurs with a value that is satisfactory to you in conjunction with your wealth objectives.

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