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# Business Succession Planning Q&A

Business succession planning is widely recognized as a crucial component of ensuring a company's longevity. However, many owners still lack formal plans in place.

## Q: How common is business succession planning?

While the exact statistics vary across different studies and surveys, the general consensus is that a significant portion of businesses lack a comprehensive succession plan. According to a survey conducted by the Exit Planning Institute in 2023, 56% of business owners do not have a formal succession plan in place.

## Q: Why don't more owners engage in business succession planning?

Some owners may be reluctant to confront the idea of their eventual departure, while others may underestimate the importance of having a plan in place. Additionally, the process of succession planning can be complex and time-consuming, requiring careful consideration of legal, financial, and operational aspects.

## Q: What are the key considerations for business succession planning?

There are several key considerations that business owners should evaluate.

Some important considerations include identifying and grooming potential successors, defining clear criteria and timelines, addressing ownership and management transitions, preserving institutional knowledge and relationships, managing family dynamics, and communicating the plan effectively.

## Q: How can business succession planning go wrong?

Business succession planning can go wrong in various ways, potentially leading to adverse consequences for the company's future. Some common pitfalls and challenges that businesses should be aware of include the lack of objectivity in selecting successors, inadequate preparation and grooming of successors, poor communication, resistance to change, overlooking tax implications and legal complexities, and the failure to review and adapt the plan.

Regular evaluation, open communication, and a commitment to continuous improvement are essential

for ensuring that the succession plan remains relevant and effective.

## Q: What are the benefits of business succession planning?

Some key advantages of having a comprehensive succession plan include business continuity and stability, preservation of institutional knowledge, retention of key talent, smoother ownership transition, minimized business disruptions, and legacy preservation.

By recognizing and capitalizing on these benefits, businesses can increase their chances of weathering leadership transitions successfully, maintaining their competitive edge, and positioning themselves for continued growth and success in the future.

## Q: What advisors should be included when building a business succession plan?

Business succession planning is a complex process that often requires the involvement of various advisors to ensure a smooth and successful transition. Potential key advisors may include a corporate and tax attorney, an accountant/CPA, a financial advisor/wealth manager, a business valuation expert, a management consultant, an insurance professional, an industry expert, and possibly a family counselor/mediator.

It's important to note that not all these advisors may be necessary in every situation, and the specific team should be tailored to the unique needs and circumstances of the business and the owner's goals.

## Q: When should business owners begin the business succession planning process?

Business owners should begin the succession planning process as early as possible, ideally well before they intend to retire or exit the business.

Starting the planning early allows adequate time for identifying and grooming potential successors, minimizing business disruptions, conducting tax and financial planning, addressing family dynamics, and managing market conditions and timing.

While there is no definitive timeline



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that fits all situations, many experts recommend initiating the succession planning process at least 5 years before the intended transition or retirement date. This timeframe allows for proper planning, preparation, and the implementation of a comprehensive succession strategy that can safeguard the business's future and aligns with the owner's personal goals and legacy. ●

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## Plan your exit

Advice. Beyond investing.

You've been building your business for years. In many ways, you may feel like it's part of your identity. But exiting your business doesn't have to mean losing part of who you are. It should mean gaining the freedom to explore new passions and opportunities.

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