

Succession Planning for Business Owners

A Step-by-Step Guide to Considerations - Provided by
Montgomery McCracken's Business Succession Planning Team

Initial decisions

- Long-term goals
- Sale to third party
- Transfer to family member
- Transfer to employees, partners or shareholders
- Combination of sale and transfer

Preparing entity for sale

- Review
 - Corporate records
 - Shareholder, partnership and operating agreements
 - Contracts
 - Intellectual property rights
 - Debt
 - Tax returns
 - Price
 - Employee benefit plans

Estate planning analysis

- Review existing estate planning documents
- Identify estate planning goals
- GRATs
- Sale to defective grantor trusts
- Charitable remainder trust
- Establish foundation

Finding a buyer

- Investment banker/broker
- Appraiser
- Private equity
- Strategic buyer
- Other owners
- Employees/ESOPs

Tax issues

- C or S corporation or pass-thru entity
- Capital gain at entity and owner levels
- Tax-free reorganization
- Gifts in anticipation of sale

Terms of sale

- Asset v. stock sale
- Purchase price
- Payment terms
 - Cash
 - Stock in buyer
 - Earnout
 - Take back financing
- Protection of employees
- Non-compete

Life after sale

- Maintaining lifestyle
- Involvement with business
- Next business venture

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