How to start a retirement succession plan for your business.



If you have plans to retire, sell your business, or transfer ownership to a family member or employee, you'll need a succession plan. This plan for small-to-large businesses ensures your business is prepared for change, aids in your transition out of the business, and helps your successor prepare for their new job responsibilities.

Ready to learn more about succession planning for a business? Read on.

Why do businesses need succession plans?

Thinking through future business changes and creating a succession plan is beneficial in many ways. First, it can prevent a knowledge gap and ensure key information is transferred rather than leaving with you.

Next, it gives you assurance that the right person is taking over the business and continuing your legacy.

Finally, it saves the time, money, energy, and resources when you're ready to hand off the business, lessening the chance of disruption to the business's operations.

How does a business owner choose a successor?

Identifying who will take over and how that person will take over is important. Spend some time reflecting on whether a co-owner will assume sole ownership of the business, if the business will be passed down to a family member, if it will be sold to an employee inside or outside the organization, or if your business shares will be sold back to a larger company.

If you're selling, it's important to have a current valuation of your business, to ensure that you're maximizing your payout and asking a fair market price. You'll need financial statements, details of physical assets, legal documents, sales information, as well as employee, supplier, and customer information to do a thorough valuation. Accountants and financial professionals can aid in this process and may have clients in mind that would be interested in purchasing your business.

What are the steps to make a succession plan?

1. Nominate permanent or temporary successors for your pre-identified positions.
2. Determine a timeline for the successor(s) to take ownership.
3. Write out requirements and expectations for eligible candidates.
4. Evaluate your plan as you put it into practice.
5. Make changes to the succession plan or candidates as necessary.
6. Talk to one of our local, independent agents about your current business and what changes should be made throughout the process.