



# YOUR BUSINESS NEEDS A SUCCESSION PLAN START TODAY!

BY CLARK YOUNGMAN & NATE PATTERSON, KOLEY JESSEN

**SMALL BUSINESSES ARE THE LIFEBLOOD OF THE AMERICAN** economy. The U.S. Small Business Administration estimates that small to medium-sized businesses account for nearly 43.5% of the total GDP of the United States and create about two-thirds of new jobs each year.

Small businesses drive American innovation and creativity. These organizations and their owners provide vital services and products not only to individuals but also to other businesses, keeping the U.S. economy functioning and viable. As has become apparent from the COVID-19 pandemic, disruptions to small businesses can have devastating impacts on local communities and the economy as a whole. With the Baby Boomer generation owning approximately 40% of small businesses and nearly 10,000 Baby Boomers retiring every day, one of the major concerns over the next 10 years is what will happen to these organizations when their owners exit.

According to a national survey conducted by Business Enterprise Institute Inc., nearly 75% of small businesses will go through an ownership transition in the next 10 years, yet only 20% of organizations have a written succession and exit plan for their owners. Despite this fact, 100% of business owners will eventually exit their businesses, whether planned or otherwise. Succession planning should be an integral part of every small business in order to reduce the risk of failure or major disruption that may result from the transition. As professional advisors, we can guide business owners through the process to help ensure a successful transition.

## What Is Business Succession Planning?

Business succession planning is the comprehensive and holistic approach to designing a successful exit strategy for one or more owners that provides the highest possible value for their business and, optimally, will allow the owner and the business to function well following the transition. When a business succession plan is properly designed and implemented, not only will the owner have the financial resources necessary to live out the next chapter of his/her life as desired, but the business also will continue providing stability to employees, the community, and other stakeholders after the owner's exit. Successful business succession plans require an understanding of the owner's personal and financial objectives, as well as a team of experienced advisers to design and implement the succession plan, along with a written and comprehensive roadmap of the owner's exit path.

As with most client engagements, the first step in designing a business succession plan is understanding the owner's personal and financial objectives.

- ▶ When would the owner like to exit?
- ▶ To whom do they envision passing the business: a key employee, a child, a third party?
- ▶ Has the owner thought about what his/her post-exit life will look like and what financial resources that will require?
- ▶ If the owner exited tomorrow, would the current business value and cashflow support his/her post-exit life?

These are all important questions in determining which advisers to involve and what exit path will be appropriate.

Designing and implementing a successful business succession plan requires assembling a team of advisors with diverse skills from different professional backgrounds. Generally, this team of advisors includes a CPA, business/estate planning attorney, financial adviser, and other advisers as necessary. It is necessary to work closely with the advisory team to determine the initial finances of the business and whether there will be a deficiency in the owner's personal finances. The advisory team will use a multi-disciplinary approach to design the tax, business, and personal financial structures for a successful exit.

### The Final Piece of the Puzzle

Depending on the owner's objectives and the extent of the financial deficiency, the advisory team will need to identify the available exit paths for the owner, which may involve passing the business to a key employee or one or more children, or preparing the business for a third-party buyer. Successful succession plans are developed using a comprehensive roadmap that clearly identifies the exit path taken, the steps necessary to prepare the owner and business for the owner's exit, and the parties or advisors responsible for each step along the way. In addition to implementing the proper exit path, the succession plan will also involve ensuring the owner's estate planning objectives are met and business continuity planning is put in place. This will ensure the succession plan can adapt to unexpected circumstances such as the owner's death or incapacity. Once the written succession plan is in place, it is important to routinely monitor the progress and

success of the implemented succession plan through measurable goals and markers, detailed on the plan roadmap.

Over the next 10 years, understanding the business succession planning process and how to work with fellow advisors to meet business and owner objectives will be evermore important. The implementation of succession plans for most businesses can take upwards of five years to come to full fruition. In many cases, starting a succession plan at the 11th hour makes it extremely unlikely that the owner's personal objective and objectives for the business will be achieved. Be proactive with your clients to ensure proper succession planning strategies are put into place now. It could mean the difference between success and failure as your clients begin to exit their businesses and may have lasting effects on business stakeholders and local communities throughout the country. ◀



*Clark Youngman and Nate Patterson are attorneys at Koley Jessen, focusing their practices on estate planning and administration, business succession planning, and tax. Youngman and Patterson counsel business owners, families, and individuals, providing a range of services from preparation of basic estate plan documents to the development and implementation of sophisticated wealth transfer techniques and business succession strategies to achieve the client's personal, financial, and business-based objectives. For more information, contact them at [clark.youngman@koleyjessen.com](mailto:clark.youngman@koleyjessen.com) and [nathan.patterson@koleyjessen.com](mailto:nathan.patterson@koleyjessen.com).*

## Classified Ads

### Nebraska Practices for Sale: Gross Shown

- Lincoln, NE CPA \$500K
- Columbus, NE CPA \$525K
- Central Nebraska Tax and Accounting \$1.05M

New listings coming soon! For more information, call (800) 397-0249 or visit [www.APS.net](http://www.APS.net).

### THINKING OF SELLING?

Accounting Practice Sales is the leading marketer of accounting and tax practices in North America. To learn more about our risk-free & confidential services, call Trent Holmes at (800) 397-0249 or email [trent@apsholmesgroup.com](mailto:trent@apsholmesgroup.com).



### TONY D. BUDA, P.C. CERTIFIED PUBLIC ACCOUNTANT

Omaha CPA firm is looking for a CPA or accountant with 1-7 years of experience with a small or medium-sized CPA firm who will be trained to competently provide accounting, bookkeeping, consulting, payroll, and tax services to our clients. Communication skills and strong computer skills are necessary. Buy-in or purchase options are available in the future. In addition, an association with another firm is desired.

Please contact Tony Buda at (402) 330-9927 or [tony@tbudapc.omhcoxmail.com](mailto:tony@tbudapc.omhcoxmail.com).