

# Succession Planning Considerations



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Businesses that last can pivot, adjust, and take advantage of changing environments. To be an agile business requires considering the **Possible, Probable, and Potential** circumstances impacting performance and profitability, which at its core is **Succession Planning**.

## Predictable

- ▶ Death
- ▶ Attorney saying probate is no big deal
- ▶ Somebody stealing from you
- ▶ Taxes
- ▶ Entertaining selling
- ▶ Inability to operate the dealership
- ▶ Partner's death or disability
- ▶ Banker transferred
- ▶ Factory rep transferred
- ▶ Children not interested in business
- ▶ Children approaching the business differently
- ▶ Key managers resenting your children
- ▶ Key managers hating your in-laws
- ▶ Increases in Guideline Working Capital
- ▶ Manufacturer challenging your successor candidate
- ▶ Manufacturer delaying approval of a successor
- ▶ Manufacturer delaying approval of ownership transfers
- ▶ Manufacturer rep telling you the company is your partner
- ▶ Manufacturer using leverage against you
- ▶ Business downturn
- ▶ Business upturn
- ▶ Product cycles
- ▶ Aged used car inventory



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# Probable

- ▶ Never voluntarily retire
- ▶ A competent, trusted key manager who could play a role in your succession planning
- ▶ Want to strip out some of the excess working capital for your retirement funding
- ▶ Die believing that having a Successor Dealer Nominee is a secure succession position
- ▶ Die as dealer principal, and then your successors will have to bow down to the manufacturers
- ▶ Business titled in your name and will have to pass through probate
- ▶ Estate planning is done by one professional who is blind to many issues that could challenge your family and business
- ▶ Not motivated to do planning until you have to
- ▶ Not many friends outside of the business
- ▶ Only one of your children interested in the business
- ▶ Earnings reinvested back into the business
- ▶ Spouse does not know how to invest the cash, insurance proceeds, etc. they inherit
- ▶ None of your children will be ready to take over when you want to retire
- ▶ Children will want your job without learning the business from the ground up
- ▶ Some children you will get along with better than others
- ▶ Children may be rivals
- ▶ Successors will want ownership before you are ready to reduce ownership



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# Possible

- ▶ Business transitions to your successors successfully, you are financially secure and are confident estate plan reflects your wishes and supports family and business harmony
- ▶ Successor identified, and as you transition to the chairman and assist when asked, you confirm that he/she has the right stuff.
- ▶ Successful coaching of managers and children, where mutual respect lies, and development is evident
- ▶ Successors joyfully agree to pay you and your spouse all your dividends, compensation, and benefits for the rest of your lives
- ▶ No concern about your capital loans having a "due on death" clause
- ▶ Successors are happy postponing ownership until after your death
- ▶ Heirs selling your business at a discount because they do not understand the business, key managers are leaving, and profit is dropping
- ▶ Someone will buy your corporation for a great, dream-come-true price
- ▶ Family successor that is a dream come true
- ▶ No key manager successor
- ▶ Key manager who is smarter than you, totally trustworthy, and devoted to the success of your family
- ▶ Die on the job, and someone will have to figure out what you have been doing
- ▶ Your child will know more about the business than you do
- ▶ At least one child will be a real pain in the butt and not get along with sibling
- ▶ Your partner has done their estate planning

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## HOW WE HELP

Navigating the best path for you, your business, and your family does not have to be complicated. We have more than 45+ years' experience shepherding our clients through many changing environments. We have helped clients navigate changing presidential administrations, wars, natural disasters, economic crashes, and other unknowns impacting business and family. We are experts in change and the complex!

Save time, money, and anxiety by having a simple 30-minute conversation with us! At the very least, you could walk away with some ideas you can apply to your business immediately.

## TAKE ACTION TOWARD THE FUTURE YOU ENVISION

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