

Business Succession and Exit Planning Checklist

Getting Ready

- ☐ I have defined my personal goals and vision for the transfer of ownership and management.
- ☐ I have assembled a team of legal, accounting, business brokerage and financial planning experts to help me with developing and executing my exit plan.
- ☐ I have informed my customers and other key stakeholders about my exit plans.
- ☐ I have developed a clear vision for the future of the business.
- ☐ I have a buy-sell agreement in place.
- ☐ I have had a business valuation done by a certified professional.
- ☐ I have completed a financial analysis of my company and will have a financial performance improvement plan completed before the sale.
- ☐ I have completed an operational analysis of my company and will have an operational performance improvement completed before the sale.

Retirement Strategy

- ☐ I have prepared a retirement plan that includes:
 - ☐ A statement of my objectives
 - ☐ A method for structuring the succession, including tax consequences
 - ☐ A schedule for transferring ownership
 - ☐ Defined management roles for family members (if applicable)
 - ☐ Defined transitional roles for family members (if applicable)
 - ☐ Defined transitional role for non-family members
 - ☐ Activities for communicating my plans to other stakeholders
 - ☐ Contingencies plans for unexpected events
- ☐ I have determined my income needs for my retirement
- ☐ I have calculated how and the degree to which the business will fund my retirement needs
- ☐ I have a plan in place for supplementing my retirement income in the case that the business does not supply enough income
- ☐ I have plans in place for diversifying my pool of retirement capital

Tax Planning

- ☐ I have talked to my CPA to get an understanding of how various deal structures will impact after-tax sale proceeds.
- ☐ I have talked to my CPA to get an understanding of strategies I can employ to defer or eliminate the payment of taxes, including
 - ☐ Gifting
 - ☐ Trusts
 - ☐ Outright sale
 - ☐ Installment sale
 - ☐ Buy/sell agreement
 - ☐ Employee Stock Ownership Plan
 - ☐ Family partnership
- ☐ I have talked to my CPA and have strategies in place to avoid double taxation issues upon the sale of the business, including:
 - ☐ The pros and cons of converting a C Corp to an S Corp before the sale
 - ☐ The pros and cons of converting an S Corp to a C Corp before the sale
- ☐ I have talked to my CPA and other advisors about the issues and tax consequences of valuing my business and personal goodwill as part of selling the business

Succession Planning

- ☐ I have a written succession plan that includes milestone dates for actions.
- ☐ I have selected a successor and candidates for other key management positions
- ☐ I have qualified my successor as having the necessary financial resources to buy and maintain the business.
- ☐ I have a training program in place for my successors and management candidates.
- ☐ I have a plan and I am currently helping my successors build their profile and credibility with customers, employees, business advisors and the business community.
- ☐ I have a contingency plan in place that outlines alternative courses of action if the intended succession does not occur.
- ☐ Have dates been established to review, evaluate and adjust the plan annually?

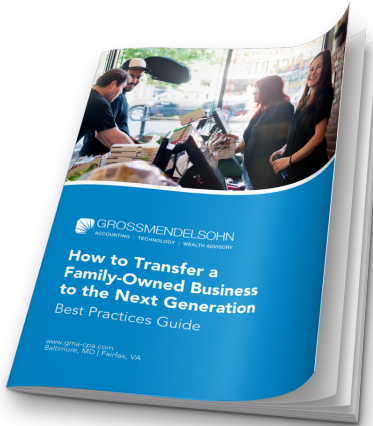
Transferring a Family Business

- ☐ I have made a decision about keeping ownership of the business in the family.
- ☐ I have discussed my plan with my spouse and children.
- ☐ I have objectively assessed the capabilities of my children and other family members for continuing the business.
- ☐ I have developed a plan for dealing with family members who will not be involved in the business.
- ☐ I have a contingency plan in place for dealing with all aspects of transferring the business to my family in the case of my premature death:
 - ☐ Bequests related to the business
 - ☐ Tax consequences
 - ☐ Ownership allocations
 - ☐ Buy-sell agreements
 - ☐ Debt elimination
 - ☐ Capital injections
 - ☐ Key employee retention plan
- ☐ I have a contingency plan in place for dealing with all aspects of transferring the business to my family in the case of my disability:
 - ☐ Retention vs liquidation
 - ☐ Degree to which business will provide ongoing income
 - ☐ Buy-sell agreements
 - ☐ Disability insurance
 - ☐ Debt elimination
 - ☐ Capital injections
 - ☐ Key employee retention plan

Transferring a Family Business (cont.)

- ☐ I have established family communication practices to integrate family members into the management and ownership succession process
- ☐ I have a management succession plan that includes:
 - ☐ Communication to family, managers and employees
 - ☐ Criteria for employment of family members
 - ☐ Criteria for employment of spouses and in-laws
 - ☐ Compensation philosophy/approach for family members
 - ☐ Grooming/training management successors
 - ☐ Performance reviews for family members
 - ☐ Role of current owners during and after the management succession
 - ☐ Role of non-family employees in senior management
 - ☐ Conflict resolution process
- ☐ I have an ownership succession plan that includes:
 - ☐ Timeline for the ownership succession
 - ☐ Communication to family, managers and employees
 - ☐ Identification of who can own shares and why
 - ☐ Identification of share acquisition method and funding
 - ☐ Pace of the ownership transfer
 - ☐ Role of current owners during and after the ownership succession
 - ☐ Compensation for the owners
 - ☐ Management of minority shareholders
 - ☐ Role of non-family employees in ownership
 - ☐ Terms and conditions of loans to family members
 - ☐ Identification of philanthropy and community activities
 - ☐ Guidelines for conflict of interest for family members
 - ☐ Shareholders agreement that reflects/supports the succession objectives
 - ☐ Conflict resolution plans

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How to Transfer a Family-Owned Business to the Next Generation

The successful transfer of a family-owned business to the next generation takes years. Planning ahead gives family-owned business owners like you a chance to ensure that you're making the right decisions for the future of your business — whether it's in choosing a successor, considering important tax strategies or securing a business valuation. [Read the guide now.](#)



Gross, Mendelsohn & Associates provides accounting, tax and consulting services to [family-owned businesses](#) throughout the Mid-Atlantic area. Whether you need succession planning, a financial statement audit, tax preparation services or help with your company's technology, our team is here to help.

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