FOX BUSINESS

Some succession planning basics business owners need to know

By JOYCE M. ROSENBERG | Published June 19, 2019 | **Markets** | **Associated Press**

Many small business owners don't plan for what will happen to their companies after their deaths, even though their businesses could be at risk of shutting down if they die suddenly

Owners are often too busy running the company or don't want to think about dying, and so they put off succession planning — deciding and committing to writing who will own and operate a business if the owner dies. Without a succession plan, family members and/or business partners can end up fighting over the company in court. The legal battle can drain company's finances and distract the heirs and employees from running it, says Jillyn Hess-Verdon, an attorney based in Newport Beach, California, who does estate and succession planning. That can damage the business, and, if the heirs want to sell it, they may not get a good price for it.

Some key points to know about succession planning:

— Succession plans should be written with the help of accountants and attorneys. That will reduce the chances of a court fight. In some cases, it makes more sense for an employee and not a spouse, son or daughter to be the CEO, Hess-Verdon says.

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— A succession plan should also include a valuation for the business; if one of the heirs is t bought out, a valuation can ensure that the company won't be crippled by too high a payc Hess-Verdon says.

— It may not be enough for an owner to pass the business to family members in a will. If ai owner just divides a company among a spouse and three children in a will, giving everyon 25%, there can still be a battle over who will control the company.

— When there are partners in a business, they should have a written agreement that spells what happens to the business when one of them dies.

Owners also need to be sure information needed to run the company — such as account information and passwords, ledgers, customer records and details on projects, products a services — is available and easy for outsiders to understand. Many owners have a great de information about their companies in their heads. The more that's written down, the easie transition will be after the owner's death.

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