ARE YOU READY FOR TOMORROW?

We hope 2018 continues to be a successful year for you in your business, especially amid the uncertainty in the market and news headlines. While most business owners are concerned about the day to day demands of the business, we think that sometimes it can be of benefit to take a step back and think about the long-term goals of the business. In particular, whether or not those plans involve selling the business or transferring to the next generation. This can sometimes help drive day to day decisions. The article this month talks about this in more detail.

Best Regards,

KEITH KNUDSEN
PRESIDENT/CEO | SECURITY BANK

HERE'S WHY YOU SHOULD HAVE A SUCCESSION PLAN
FOR YOUR BUSINESS

BY **JOYCE M. ROSENBERG** | *Ap Business Writer , ©The Associated Press*

Jessica Sayles is thinking about who might take over for her when she retires at age 55 from the accounting firm where she is managing partner -- even though that's still 21 years away.

"I feel that a good portion of my job is to find my successor," says Sayles, who hopes to teach a younger associate to manage Las Vegas-based Houldsworth, Russo & Co.

Succession planning should be a priority for small business owners, since a company's survival can depend on it. That can include choosing someone to take over a business when the owner retires, and it can help prepare a company to be sold.

But it's often on the back burner. Sixty percent of owners in a survey released by insurer Nationwide said they didn't have a succession plan, and of those owners, nearly half said they didn't think it was necessary. The survey, which questioned 502 owners and was released in February, found that owners in their 20s and 30s were more likely to have a succession plan than those who were baby boomers or in their 40s.

Such planning can take time that owners may feel can be better used, and it means dealing with the possibility of being incapacitated or dying.

"It's tough from a mental and emotional standpoint because you're faced with realties you don't want to think about," says Courtney Ellett, who owns Obsidian Public Relations in Memphis, Tennessee. She has been working on plans for what she calls "the long-term life of my company."

WHAT IF YOU GET SICK OR DIE?

Owners need to create "the proper structure so if you're in the hospital recovering from a heart attack, that you have the ability to have other people step in, manage things, pay bills," says Jennifer Myers, a certified financial planner with SageVest Wealth Management in McLean, Virginia.

"What took you years to build up can unravel in less than a month," she says.

> **“What took you years to build can unravel in less than a month.”**
>
> ***Jennifer Myers***
> *SageVest Wealth Management*

Planning should include spelling out in writing what the owner does and who should take over those tasks. A trusted staffer, relative or friend should be able to sign checks and purchase orders, and have access to accounts and records. Owners should buy insurance that provides money to hire someone to run the business if they're incapacitated for an extended period, Myers says.

If there's no one at the helm, vendors and customers might get nervous, says Tony Argiz, a certified public accountant and CEO of the firm MBAF in Miami.

"Bankers can get scared and start calling in credit," Argiz says.

Partnership agreements have their own contingencies that should be addressed. For example, if one partner dies, does the other have the first right to buy that person's share? Many partners take out life insurance policies on each other to ensure they'll have enough money to buy out any heirs.

Ellett, who is 42, began considering the "what ifs" a few years ago, when she was thinking about a will and how to provide for her four children.

"The business is my biggest asset. How does that continue to be an asset if something happens to me?" she says.

WHO'S NEXT?

Sayles' plan is similar to that taken by her firm's senior partner, Dianna Russo. After co-founding the accounting firm and leading it for more than 20 years, Russo turned over its management to Sayles on Jan. 1 and plans to sell her stake to Sayles and two other partners in 2018.

Sayles began the transition to managing partner five years ago. She already knows what she's looking for in a potential successor: someone who's ambitious and willing to take on the risk of owning a business. But while she has plenty of time, there are no guarantees she'll find the right successor.

"I worry no one will be there to buy me out, and we'll have to merge with another firm or dissolve," Sayles says. The dream of many owners that their sons and daughters will take over the business is often dashed. Albert Steed wants his children to learn the skills needed to run his technology consultancy, Advanced Computer Solutions, but isn't counting on their succeeding him.

"I see this a lot -- other business owners' kids don't want anything to do with the business or aren't cut out for it," Steed says. He's setting up the Traverse City, Michigan-based business so that if something happens to him, his wife can hire someone to run it.

GETTING READY TO SELL

Preparing a business for sale is a lot like getting ready to put a house on the market: Would-be buyers might not like what they see when they start looking closely.

"There might be price on the table contingent on due diligence and then things start popping up," says Karen Reynolds Sharkey, a business strategy executive with financial services company U.S. Trust. "Deals do get renegotiated and prices can fall."

Some issues might be that too much revenue might come from one product or a small number of clients. Or there are environmental restrictions or violations on the property.

Owners shouldn't wait until they want to sell to get it into shape. "It's best to adopt a practice of perpetually running your business as if you're ready to sell any day, making it as efficient, productive and profitable as possible," Myers says.

Harris Kaplan learned that lesson when he decided to sell his market research and consulting company in 1992 -- it took about four years to get it a position where it would be attractive to a buyer. When he started his current company, Horsham, Pennsylvania-based market research firm Healogix, he created a board of directors to advise him and review his decisions.

"I said, 'We're going to run it as a saleable business from the get-go," Kaplan says.