



# LIGHTHOUSE LAWGROUP

## ARE YOU A BUSINESS OWNER?

You probably know everything there is to know about your business:

- *Every inch of the shop floor*
- *Every number on the balance sheet*
- *The date of every employee's birthday.*

But have you ever considered what will happen when you decide to leave your business? Whether you decide to retire, sell or leave due to health reasons it's important that you plan for the day when you're no longer the boss.

## WHAT IS A SUCCESSION PLAN?

A Succession Plan outlines what happens when you decide to exit the business and who will take over.

A good Succession Plan ensures a smooth transition and limited disruption to operations. This maximises the value of your business and ensures the business is able to meet its future commitments, especially in the event that you are transferring the business to a business partner or family member.

A Succession Plan can also help your business cope with the loss of a valuable employee, by ensuring that there is a method to find someone ready and willing to step in and fill the gap.

## DO YOU NEED A SUCCESSION PLAN?

Yes! With a Succession Plan you recruit high-quality employees who are prepared for advancement or promotion into ever more challenging roles.

Proactive succession planning also allows you to assess the relative strengths and weaknesses of your business, so you can make sure your business is well prepared for expansion and new opportunities, or will fetch the best price if you decide to sell.

## SOME THINGS YOU SHOULD CONSIDER?

When preparing your Succession Plan here are some things you should consider:

### *Who do you want running your business?*

Remember a business is only as good as the people running it. In order to ensure a smooth transition, consider what type of person you would like to see running your business after you leave. If that person is a current employee, also consider who will fill their current position and any other positions that become available due to the reshuffle.

### *Are you a sole-trader or in a partnership?*

If you are in a partnership, do you have a partnership agreement in place allowing your partner to have the first option of buying your share in the business? It is vital that you carefully understand your obligations in any partnership agreement to ensure there are no arguments with your partners;

### *What effect does the succession have on your estate?*

Do you need to update your Last Will & Testament to better reflect your current financial situation?

### *Do you have any credit lines or overdrafts with a Bank?*

The loss of a key business partner may result in the Bank re-evaluating your creditworthiness. Having a carefully drafted Succession Plan can put the Bank at ease and stop unwanted changes to any loans or credit lines.