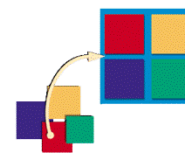


# Succession Planning for Business Owners

Exit/Retirement Planning  
Family Estate Planning

Chris Hunter, MBA  
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# *At some future time . . .*

- I want to/need to leave my business
  - Voluntarily or involuntarily I will leave my business someday
  - Have I adequately met my retirement income needs?
- Business equity may be an owner's largest asset. However, it's largely illiquid.
- Often an owner has insufficient cash or liquid investments that have accumulated in either a qualified 401(k) or other retirement plan.

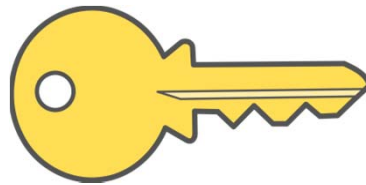
# How Do I Extract My Equity?

## Five Common Methods

1. Liquidation of business assets
2. Sale to third party or family member
3. Sale to other owners
  - Buy-sell issues need to be vetted (before “heat” is on)
  - Premature death is a possibility
  - Disability is a possibility
  - Retirement is most likely
4. Sale to key employees
5. Sale to employees’ retirement plan (ESOP)

# *A Review of Your Options . . .*

**Options 2 through 5 requires the  
successful continuation of the business**



**The Key: Retain key employees at the business!  
They are the future.**

# Key Employee Retention

- Key employees' future efforts may or will be required to get the former owner paid – usually on an installment basis
- Identify and put in place ways of “incentivizing” key employees who also may be successor owners

# Key Employee Retention

## Two Common Retention Strategies

1. Key employees' future efforts may or will be required to get the former owner paid – usually on an installment basis
2. Identify and put in place ways of “incentivizing” key employees who also may be successor owners

Either approach or in tandem can keep key employees on the job to be there to participate at the time of buyout or to maximize business value at time of sale to others

## *A Pair of Truths . . .*

1. In most buyouts, the business must generate the cash flow to fund the buyout by other owners or key employees
2. The other owners or key employees may not have liquid assets or credit to do so

# Protect Your Exit Strategy

- Insure the completion of the buy-out if one or more of the sellers or expected buyers dies prematurely
- Have the employee buyer begin accruing cash for the future buy out early to make sure that it happens when the owner wants it to happen

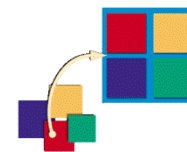


# Estate Planning Considerations in a Family Owned Business

- Ownership transfer to child already involved in the business
- Equalization of estate benefits between all children

# For Further Information Contact

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