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The Importance of Business Exit Planning

One of the learning sessions at HMA's National Conference and Expo addressed a priority topic for aging, "Baby Boomer" business owners - **business exit planning**. Attorney Lauren Anderson of Baker Donelson, Bearman, Caldwell & Berkowitz, PC, discussed "**Succession Planning for the Family-Owned Business**." Here is a synopsis of her presentation.

Start the Conversations, NOW!

Clear objectives are critical to establishing an effective succession plan. And while 'family' can add emotional overlays, bottom line objectives must result in appropriate leadership and business continuity.

- Aging owners, while still actively involved in the business and of sound mind, must "begin a constructive dialogue to reach agreement on long-term goals."
- Family members need to honestly evaluate their abilities and communicate their desires. "Different levels of interest in the business equate to different levels of participation and compensation."
- If members of the younger generation can't co-exist, serious consideration of separation of economic and management interests must be made. "Best option may be to turn some/all management over to skilled non-family members."

What is a Buy-Sell Agreement?

"Sometimes called a 'business will,' a buy-sell agreement is a legally binding agreement between co-owners of a business that governs the situation if a co-owner dies, is forced to leave the business, or chooses to leave the business." Some of the benefits of such an agreement are:

- It is negotiated while all key players are on equal footing.
- It eliminates negotiations at an emotionally-charged time, and reduces disputes if someone wishes to leave the business.
- It prevents delays in closing an estate, divorce proceeding, etc.
- It provides certainty for ongoing business, and keeps owners aligned and focused on the company's long-term interests.
- It relieves successors from involvement in the business, and it relieves the business from intrusion of successors.

Bottom line: a buy-sell agreement lessens the potential for conflict. Preparation is key. Contact your attorney and get your business exit planning started.