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.