

Do You Have a Business Succession Strategy?

If you own a business, you've always got plenty to think about: sales, marketing, employees, competition, industry trends, consumer preferences – the list goes on and on. It's easy to get so caught up in your work that you might not take time to think about retirement. But if and when that day arrives, you'll want to be prepared – which means you need a business succession plan.

And you will have to put considerable thought and effort in selecting such a plan, because you've got several choices. You could keep the business in your family. You could offer it to an employee or an outsider. You could design a plan that will take effect while you're alive or after you've passed away. Your decision should be based on several factors, including your family situation, the nature of your business, and your overall financial position (including the composition of your investment portfolio), but, at the outset of your search, you may want to know about some popular succession strategies, including:

- **Giving the business away** – You can leave your business to your children, but if you transfer it during your lifetime, you may be able to obtain some valuable benefits. For example, by relinquishing control gradually, you can be reassured that your children will be able to manage the business on their own. This strategy may also offer tax benefits. You can give your business away outright, but you may want to consider using a trust or family limited partnership, both of which may allow you to control the business for as long as you want, while still receiving a regular income stream.
- **Selling the business outright** – You can always sell your business outright whenever you like – right now, when you retire or some time in between. Of course, any sale brings tax considerations.
- **Using a buy-sell arrangement to transfer the business** – Instead of simply selling the business in a traditional transaction, you could employ a buy-sell agreement. With this arrangement, you can generally determine when, to whom, and at what price you can sell it. If you would like to keep the business in your family, you may be able to fund the buy-sell agreement with life insurance, so family members could use the death benefit to buy your ownership stake.
- **Buying a private annuity** – When you buy a private annuity, you can transfer the business to family members, or someone else, who will then make payments to you for the rest of your life, or, possibly, for your lifetime and that of a second person's. In addition to potentially providing you with a lifetime income stream, this type of sale can remove assets from your estate without triggering gift or estate taxes.

These and other techniques can be complex, so before deciding on what is best for your situation, you'll want to consult with your tax, legal and financial advisors. By taking your time and getting the professional help you need, you can make a successful succession choice.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.