

WHY BUSINESS SUCCESSION PLANNING SHOULD START BEFORE RETIREMENT

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For many business owners, the business is more than a source of income. It may also represent their largest asset, retirement strategy and family legacy.

Yet succession planning is often postponed until an owner is ready to step away.

By then, the available options may be limited.

START WITH THE OWNER'S PERSONAL GOALS

A succession plan should answer several important questions:

- When would you ideally like to exit?
- How much income will you need after leaving?
- Should the business remain in the family?
- Is there a capable internal successor?
- Would a third-party sale be more appropriate?
- What happens if you cannot work unexpectedly?

These decisions affect both the owner's personal financial plan and the future of the business.

KNOW WHAT THE BUSINESS IS WORTH

An owner's perception of value may be very different from what a buyer, lender or valuation professional determines.

Business value may depend on:

- Sustainable cash flow
- Customer concentration
- Dependence on the owner
- Documented processes
- Strength of the management team
- Contracts and recurring revenue
- Financial records

Understanding these factors early provides time to improve them.

PREPARE FOR THE UNEXPECTED

Succession planning is not only about retirement.

Death, disability, illness or conflict between owners can place the business, employees and family members under significant pressure.

Buy-sell agreements, appropriate insurance and clear operating procedures can help create continuity when circumstances change unexpectedly.

COORDINATE BUSINESS AND PERSONAL PLANNING

The sale or transfer of a business can affect:

- Retirement income
- Estate planning
- Taxes
- Insurance
- Investment strategy
- Family wealth

Treating the business plan and personal financial plan separately can create gaps and conflicting decisions.

THE BOTTOM LINE

A successful transition is rarely created at the last minute.

Starting early gives business owners more time to strengthen the company, evaluate potential successors and coordinate the transition with their personal financial goals.

As a Financial Advisor with Eagle Strategies LLC, I help business owners connect succession, retirement and legacy planning as part of an integrated financial strategy.

REFERENCES

1. <https://www.sba.gov/event/87327>
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