

TAX AND WEALTH ADVISOR ALERT: THE SEVEN DEADLY SINS OF SUCCESSION PLANNING

Over the next few weeks, this blog will analyze the Seven Deadly Sins of Succession Planning. And what are those sins? They are the mistakes business owners make in attempting to make the transition of their closely-held business successful. Why do they make them? They forget the most important fundamental that their estate plan needs to be a plan that will take care of the people they care about. This can be accomplished by getting the right stuff to the right people at the right time. And they do it through maximizing the value of that stuff.

This blog will focus on these mistakes, why they are so common, and most importantly, how to avoid them.

THE FIRST SIN—"Not Putting Leadership First"

The first sin committed in succession planning is when the business owner does not place the leadership of the company as the highest planning priority. A succession plan is an amalgam of the company's leadership succession strategy and the owner's estate plan. The succession plan and the owner's estate plan should have the same central focus. The business' leadership succession strategy should be focused on choosing the best leader to maximize the value of the business. The owner's estate plan strategy should be to take care of the people they care about. Furthermore, the plan should be executed by maximizing the value of the property the business owner leaves to take care of those people. And with most business owners, the bulk of their property is tied up in their businesses.

So putting these two things together, the best estate plan requires a successful leadership succession strategy. Simply put, before addressing matters like dispositive strategies, tax planning, or asset protection, the business owner needs to make sure that the right people are empowered to make the right business decisions when the owner can no longer make those decisions. Stated another way, if the wrong leader runs the business into the ground, what assets are there to protect or what value is left to tax?

Are your succession planning advisors putting first things first? Or, are they running elaborate spreadsheets with intricate tax analyses before they help you with THE threshold question: If not you, then who? A successful succession plan requires answering that

question... and answering it FIRST.