

# Top Considerations for Small Business Succession Planning

By Joseph M. Donegan on July 2nd, 2012 Posted in Business, Succession Planning

Developing an effective succession plan is not a one-size-fits-all strategy. There are several personal elements business owners must factor in to ensure success and prevent costly problems from endangering their company and legacy.

First and most immediate are the tax implications of handing control over to another individual. There are several viable options under federal tax law that enable owners to protect their assets during the transition to a new owner. Conducting timely valuations of a company's worth and utilizing the advantages of trusts and ownership options can shield new leadership from excessive tax burdens.

Business owners should consider working with a professional to manage their tax burden prior to the year's end. Current estate and gift tax rules are expected to expire at the end of 2012, and may not be as favorable in the coming years.

Focusing on a company's tax burden and bottom line is crucial during succession planning, but it should not overshadow other elements, such as outlining roles and expectations of new management. The most financially solvent company can quickly be brought down by inexperienced leaders, family squabbles for authority and misunderstandings in a succession plan. This is especially true when more than one individual will be in a position of leadership.

Management issues can be avoided by clarifying the roles, responsibilities and managing authority of each successor and including these details in estate documents. This can help ensure a company's balance of power stays intact and prevent any one owner from deviating from the goals of the business. In many cases, business owners may choose to transfer partial ownership to successors early to ensure they are capable of taking on new roles.