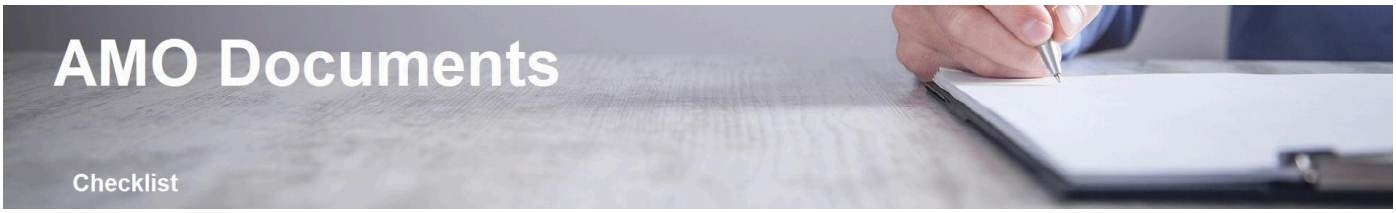

BUSINESS SUCCESSION PLANNING CHECKLIST

CONTINUITY OF MANAGEMENT, PRODUCTIVITY AND PROFITABILITY:

☐ Review and evaluate form in which business is operated (e.g., proprietorship, partnership, corporation, limited liability company, etc.) and the degree to which this form facilitates an effective and profitable conduct of operations and transfer of ownership.

☐ Review and evaluate incentives for the attraction and retention of key employees.

☐ Review and evaluate key employee life insurance to protect against the financial consequences of losing key employees.

☐ Review and evaluate customer base and the degree to which their loyalty is transferable to new ownership.

ASSURING A MARKET FOR BUSINESS INTEREST:

☐ Compare sale prices of similar businesses, if such information is available.

☐ Find capitalization rates or multiples of earnings as typically applied to the valuation of businesses in the particular industry.

☐ Evaluate the cost of starting a similar business and growing it to the size, stability, and level of profitability of the business in question.

☐ Consider using the services of a certified appraiser familiar with the industry and type of business, particularly if the sale may involve related parties.

MANAGING RISK:

☐ Are key persons and property fully insured to appropriate values?

☐ If buyers will be making installment payments, are buyers adequately insured (life and disability)?

☐ Will the sellers retain an adequate security interest of some sort?

☐ What provisions have been made in the event of bankruptcy or dissolution of a buyer or a seller?

☐ Will life insurance on the selling owners help to make the sale more affordable and easier to execute?

TAX CONSIDERATIONS:

☐ Has a tax attorney or accountant reviewed the alternatives available, and explained the tax consequences of each to the sellers and buyers?

☐ Will any aspects of the transaction result in phantom income to the sellers?

☐ Have split-offs, spin-offs, 303 partial redemptions, and other alternatives to a total sale of the entity been explored?

☐ Will the loss of company-paid benefits lead to substantial negative financial or income tax consequences for the sellers? Is there a feasible way in which such benefits may continue to be paid, in whole or in part, by the company?

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