

Succession Planning

Hearing the words succession plan can be very daunting especially for those who are keen to sell their business and have no idea how to go about it. It is an issue that many businesses are facing, especially those close to retirement but as BankWest's Stewart Clark explains, a little commitment and planning can go a long way.

"Baby boomers are starting to get to the point where they are eyeing off retirement and have tied up a lot of their wealth in their business so it is important for them to have an exit strategy," he says.

"Succession planning requires advance planning and obtaining sound advice. Leaving a few years to plan and create a good management structure will ensure the smoothest exit strategy."

He says it can be very hard to come to terms with handing over your business, especially if you are nearing retirement and have no one suitable to take over.

"It can be a very confronting issue both emotionally and financially especially for those who have owned their business for an extended period and are unsure of how to take the next step," Mr Clark says.

"To undertake succession planning, you may need to pay for some quality advice and perhaps even change your short term lifestyle to get your affairs in order and be ready to sell your business. Yet, you are not alone and it doesn't have to be daunting."

Stewart says in some cases business owners don't have the successors, trusted business partners or managers who can buy them out or take over business. He says quite often smaller businesses also don't have the management structures in place which are critical to attract some buyers.

Larger businesses are likely to be more prepared with better advisers, resources and plans but according to Stewart it doesn't matter whether you are a small or large business, owners must put their business in a position where someone wants to come in and buy it.

"Make sure the balance sheet is nice and clean and the financial position of the business is appropriately documented; ensure that the business has the appropriate equipment, is well presented and make sure you have a good management/operational structure in place."

Stewart says pro activity is the key - speak to your banker, accountant and industry bodies such as the MGA for valuable advice.

"Three years of planning is a good idea so if you are in your early 50s and you want to exit in your mid 50s, start planning now," Stewart says.

"You can do a lot in three years but it will depend on the individual business - those that are well run might not need a lot of work or you may have a store that's growing in a great spot and has a good population which will make life easier. Succession planning is relevant for all businesses and should form part of everyone's strategic business planning."

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