

# What Will Happen To Your Business When You're No Longer There?

Whether you leave by choice or circumstance, now is the best time to plan for what's next.

It takes time, talent, and determination to start, run and grow a business, but did you know it can be almost as daunting to determine what to do when you're ready to step back? The decisions you make will have an enormous impact on the business, your legacy, your family, and your financial future.

Fortunately, trusted advisors experienced in business succession planning can help.



## Consider this hypothetical case of the Johnsons, who are just starting to think through their next steps.

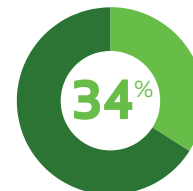
- 56-year-old James is owner and CEO of Johnson Fittings Corp.
- His wife, 54-year-old Jennifer, is the finance manager.
- They plan to retire at age 60.
- Their son Marcus is the operations manager. He may want to take over the business one day but his intentions are unclear.
- James has previously told would-be buyers that his company is not for sale.
- The Johnsons worry about what might happen to their employees if they sell the business.

What should they do with their business as they prepare to retire?

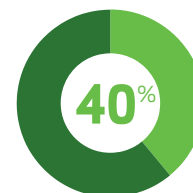
Business succession options can be narrowed down into three basic courses of action:<sup>†</sup>

### WAIT AND SEE

To wait and see is another way of saying, "Do nothing and think about it later." One of the biggest risks of this option is that it could force you to make a quick sale if something unexpected happens, which could reduce your financial returns and negatively impact your employees and the community. Given the potential negative repercussions, it's prudent to just cross this option off your list.<sup>‡</sup>



Only one-third (34%) of surveyed U.S. family business leaders say they have a robust, documented and communicated succession plan in place.<sup>‡</sup>



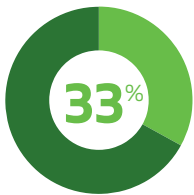
40% of surveyed U.S. family business leaders want to see the next generation increase involvement in decision-making and management.<sup>‡</sup>

Source: PwC

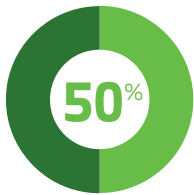
## INTERNAL SALE

An internal sale often refers to transferring ownership to a family member in the next generation, which in James and Jennifer's case could mean selling or gifting the business to Marcus. If they choose to gift him the business, they should consult with their tax advisor to mitigate any potential tax consequences for Marcus.

Another internal option is an Employee Stock Ownership Plan (ESOP) that has tax advantages and also rewards employees by giving them an ownership stake in the company.



When asked to rank the likelihood as low, medium or high that their family business would remain in the hands of the family, 33% of surveyed U.S. business leaders say the likelihood is high.<sup>5</sup>



Half (50%) of surveyed family business leaders in the U.S. don't have a specific retirement plan.<sup>5</sup>

Source: KPMG and STEP

## EXTERNAL SALE

An external sale involves selling to a third-party, such as a family office, or a competitor. Family offices tend to employ a buy-and-hold strategy and often are not inclined to replace management, which could bode well for employees.

**“When it comes to business succession, time is your friend. The more time you have to plan, the more choices you have and the more likely you are to achieve the best possible outcome for you, your business, your family, and your legacy.”**

— Dan Griffith, Senior Vice President and Director of Wealth Strategy, Huntington Private Bank®

Selling to a competitor would require disclosing strategic information, which could be risky if the deal falls through. If James and Jennifer were to pursue this path, they would want to have their attorney draft non-disclosure and non-solicitation agreements for the potential buyer to sign.

## WHAT NOW?

To get started, consider:

- ✓ Your personal financial goals, vision for your company's future, and timetable
- ✓ Your key employees
- ✓ The value of your business and tax consequences of various actions

Your decisions about your business will likely have a profound impact not only on you and your family but also on your customers, your employees, and your community. You didn't work as hard and long as you did to build a successful business only to rush the exit. Take steps now so in the future you can look back and be satisfied with the actions you took.

Contact your Private Bank advisor who can bring together a team of professionals to help you craft a plan designed to meet your goals. Visit [huntington.com/PrivateBank](https://www.huntington.com/PrivateBank) to learn more.

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<sup>†</sup> *Dan Griffith interview, July 26, 2021.*

<sup>‡</sup> *PwC 10th Family Business Survey, 2021*

<sup>§</sup> *KPMG/STEP 2019 Global Family Business Survey, 2020*

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