



August 3, 2018

It's Never Too Early to Plan for Your Successor

PROFESSIONAL SERVICES

BY GEORGE ADAMS

In the past year, we have worked with clients in a variety of industries to address succession matters. Some industries seem to have a more natural succession track than others. Recently, we have been working with a number of professional service companies. Often, the owners of these businesses are so focused on attracting and retaining new clients as their business grows that they haven't taken time to stop and think about their overall succession plan and the role that key employees or external strategic partners will play in that plan.

There are a variety of tools and models that business owners can use to provide an incentive for the next generation of key employees to buy ownership in the business while over time buying out the founding owner or owners. We often assist clients with deferred compensation models that are structured to achieve the goals of the business owner, ensuring that there will be sufficient cash flow to fund the deferred compensation plans and provide an incentive for others in the business to think like owners. Such compensation models work as a retention tool for those key employees while at the same time delivering retirement funding for the existing owners.

The vesting requirements of these plans can be structured in a way to require key employees to stay for a number of years before any benefit vests to the employee. In addition, we can structure the stock of the company to retain control through voting and non-voting shares or units in the corporation or partnership to meet the goals of the founder of the business. These plans take a significant amount of thought and planning to ensure that they are structured in a manner that will accomplish the goals of everyone involved.

There are also unique planning structures that can be implemented relative to the sale and purchase of shares or units to ensure the most tax-efficient structure for both buyer and seller while also addressing cash flow considerations of both parties. These discussions can be challenging, but delaying the discussion and related planning will not make the process any easier and often can magnify issues and timing constraints that may exist.

Please contact us if succession matters are a thought that has been keeping you awake at night. We'll help you determine what options exist to effectively plan for the transition of your business to the next generation of leaders.

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about

this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).