



## WHO WILL DRIVE YOUR BUSINESS IN THE FUTURE?

What have you been putting off waiting for the outcome of the election?

Many people in the business world have been holding back waiting for the outcome of the election. Well, we have an outcome and it is time to start taking action and driving your own business again.

Talking about driving your own business, have you thought about who will be driving your business into the future? Having a good succession plan starts a few years before you actually decide to retire or exit your business.

So, what does a succession plan look like? A succession plan is different for every person but will take into consideration how the business will continue without you and how you will extract value from the business.

You may be thinking that a family member will take over the business when you want to start cutting back your hours, there may be a valued employee that you have been grooming to take over the business or you may be thinking of selling to a third party. Regardless, there are a number of issues to consider prior to transitioning out of your business.

If you are passing the business on to a family member or employee you need to consider:

- How you will extract value from the business.
- Will the family member or employee be purchasing the business?
- Will the family member or employee have sufficient funds to purchase the business or will finance be required?
- If finance is required, will there be a bank involved or will you be offering vendor finance?



- If you are offering vendor finance, what sort of security will you be taking?
- Will you be exiting the business slowly over time?

If you are planning on selling to a third party, it is important to understand that preparing your business for sale is not a short-term project. You do not want the first time you hear about certain issues within your business to be during the due diligence process which may well lead to a sale falling through or a reduction in purchase price. Some of the issues that require consideration and review prior to sale of your business include:

- What is a potential purchaser buying? Are there effective policies and procedures in place that demonstrate the “know how” of your business or is it all in your head?
- Have you protected your intellectual property?
- Are you willing to work in the business for a period of time following the sale?
- Have you been paying staff in accordance with the correct modern award and accruing leave entitlements correctly?
- Do you have employment contracts for your staff?
- Do you own the premises you operate from? If so, will you be selling the premises too or renting the premises to the new business owner? If you lease the business premises, what are the material terms of the lease? Will the lease be appealing to a third party?
- Do you require run off insurance?
- What are the material terms of your customer/client contracts? Can the contracts be assigned? Is there a confidentiality clause?
- Are all of your tax lodgements up to date?
- What is the most tax effective way to extract value from your business?

There are many other considerations when you are planning your exit from the business; engaging with your lawyer, accountant and financial advisor early will help you to identify areas for improvement in your business and ensure you maximise the value you can extract.

For further information or assistance contact Murfett Legal on +61 8 9388 3100.

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