Business Transitions

Like the old adage, “Nothing is certain except death and taxes,” all business owners, at some point in time, will exit their business — sometimes intentionally (to retire and pursue their next adventure), sometimes unexpectedly (due to death, disability, divorce or, in some cases, financial distress). It is not a question of “if” but “when” the business transition occurs.

Every business owner should have a business transition plan in place, and that is true regardless of the age and stage of the business and its owner(s). Very few actually do. Failure to have a business transition plan can have severe financial consequences, risking the wealth that the business owner has worked a lifetime to accumulate and jeopardizing the legacy left to future generations and employees.

Lane Powell’s Business Transitions Team understands the importance of having a comprehensive business transition plan and has the experience to guide the business owner through the process. Whether you are running a successful business and cannot imagine doing anything else for the next twenty years, or are on the cusp of retirement and need the liquidity tied up in the business to fund your retirement dreams, a well-designed business transition plan will provide you with a road map to achieve your business and personal goals on a timeline and in a manner of your choosing. At Lane Powell, we make it our business to ensure our clients are prepared whenever they face a business transition.

Our team of qualified business transition attorneys possess the knowledge and experience necessary to help guide you and your business toward a successful outcome on your terms and at the time of your choosing. We will work with you and your team of advisors to ask and answer all the questions relevant to the transition of your business, and develop a plan to maximize its value and achieve your business and personal financial goals.

Navigating and planning for business transition can be a complex and time consuming process (one of the many reasons that few business owners have robust transition plans). We streamline the process by partnering with our experienced and vetted team of professionals who have all the skills needed to help you create and implement a successful business transition plan. In addition to legal counsel, successful business transition plans draw on the expertise of an interdisciplinary team of specialists, which often include:

- Financial advisors/wealth managers;
- Valuation Experts;
- Accountants;
- Company counsel (whether in-house or outside general counsel);
- Estate planners;
- Insurance brokers;
- Investment bankers; and
- Business consultants.
To facilitate the process and make things easier for the business owner, we have established relationships with all of the professional advisors needed to create and implement a business transaction plan, or we can work with your existing team of advisors.

**The Business Transition Planning Process**

While the planning process does not lend itself to one-size-fits-all (due to the many variables involved and motivations of business owners that vary widely based on personal circumstances, motivations and other factors), all business transition plans require consideration of at least the following components:

1. **Evaluation of Goals/Objectives.** Objectives need to be determined and properly aligned with the selected business transition alternative.
2. **Business Valuation.** Many business owners do not know what their business is worth (and it is not uncommon for owners to have unrealistic valuation expectations). A valuation establishes a benchmark for determining how much value can be extracted from the business in the current market. We then use this number to ascertain the valuation gap, as explained in No. 3 below.
3. **Personal Financial Planning.** Assess retirement and long-term financial needs to determine if there is a value gap, which is the difference between what you need for financial independence and what you can reasonably expect to receive upon transition of the business, plus other personal assets.
4. **Value Enhancement Strategies.** If there is a value gap, value enhancement strategies can be implemented to close the gap. This takes time, but if done correctly can result in a huge multiplier in terms of the value of the business.
5. **Understanding Your Alternatives.** Evaluate transition alternatives to find the right one for you. Is a sale of the business to a third party desired/feasible/necessary? Who should be considered for transfer of ownership? Family? Longtime management team members? Employees? Understanding the alternatives that align with your objectives will inform your decisions in other steps of the transition planning process.
6. **Protect the Business.** Evaluate business and legal risks inherent in the business and take steps to mitigate these risks to preserve/enhance the value of the business. For example: Has the IP been properly protected? Have employees been properly classified? Has the business been protected against environmental liability?
7. **Tax Planning to Reduce Taxes.** No one wants to pay Uncle Sam more than they are legally obligated to pay. Our team of tax attorneys will provide important tax strategies to help reduce taxes.
8. **Personal Action Plan.** Engage in comprehensive estate planning and factor the consequences of the business transition into the estate plan.

Our Business Transitions Team is ready to help you take control of the planning process and develop a business transition plan that gives you peace of mind knowing you are well prepared to handle any transition scenario.

**Contact(s)**

A. Jeffery Bird  
D 503.778.2173  
birdj@lanepowell.com