



Business continuity and wealth preservation:

9 tips to help you protect value during a transition

One of the most challenging aspects of a business transition, such as a sale, merger or acquisition, is maintaining continuous customer service and operational efficiency. Not only is business continuity during a transition essential for ensuring your customers' ongoing satisfaction, it also plays a key role in your company's ability to retain both value and key employees.



A process that ignores the importance of continuity could potentially jeopardize your sales price and reduce your company's value, which is why it's important to take steps to help ensure a seamless transition. The following tips may help streamline your transition for your customers, your employees, your business partners and your family.

1. Establish a team of trusted advisors

One of the best ways to help ensure a smooth transition and protect the value of your business is by hiring a team of professionals to help guide the process. Keep in mind that selling your business is a once-in-a-lifetime opportunity; it's important to seek the guidance of professionals who have experience navigating the challenges you face.

- **Wealth advisor:** A qualified wealth advisor can serve as your team's "quarterback" in helping to ensure all business succession strategies are in line with your overall vision and financial goals. Your wealth advisor can also help you implement a plan to manage the proceeds from your sale following the transition.
- **Business and estate planning attorney:** Attorneys can support your transition by ensuring all succession planning decisions are compliant with relevant laws and regulations, drafting necessary legal documents and addressing liability issues. A qualified estate planning attorney can also help draft estate planning documents and implement strategies to help preserve your wealth for future generations.
- **Tax professional:** A qualified tax professional can help ensure compliance with tax regulations, seek to minimize your personal and business tax exposure and file the necessary tax forms.

2. Identify critical functions

Your advisory team members can help you identify key functions that allow your business to operate as intended. Take time to understand and document the essential operations, processes and employees who keep your company running. These may include customer service, supply chain, sales and finance functions, to name a few.

3. Conduct a thorough risk analysis

Before starting the transition and regularly throughout the process, work with your transition team to understand the specific risks that may impact your company along the way. Common risks include disrupted cash flow, funding gaps, a disruption in essential tasks and processes, loss of key talent, employees' resistance to change, data leaks or errors, technology failures and customer dissatisfaction.

4. Document processes and procedures

The key to helping ensure a seamless transition is to document as much as possible along the way. Establish a procedure for documenting all processes, client histories, pricing agreements and recurring expenses. Key document categories include:

- Corporate documents such as operating agreements, bylaws and equity agreements
- Financial documents such as account statements, tax records, outstanding debt details
- Contracts such as supplier agreements, leases and licenses
- Proof of ownership for patents and trademarks
- Process manuals that detail how ongoing tasks are managed
- Project and contact lists
- Talent development plans
- Business valuations

5. Proactively communicate

Be sure to communicate with key stakeholders throughout the transition process. It's especially important to keep your employees apprised of your intentions and goals, as this can help them feel more confident and secure about the transition.

6. Prioritize customer service and retention

One way to help support your company's value throughout the transition process is by focusing on retaining current customers. Make plans to maintain service levels and continue to deliver on promises. Leading up to the transition, take time to identify your most loyal customers and create clear, documented processes for ensuring exceptional customer service. Once transition plans are set, inform these customers about the sale and the benefits of new ownership.

7. Strengthen operations and finances

Throughout your business transition, it's essential to maintain clean financial records, improve cash flows and take steps to correct any operational or financial weaknesses. Also, be sure to review any existing contracts for change-of-control clauses so that you're not surprised by these later in the transition process.

8. Consider purchasing life insurance

Life insurance can play an important role in supporting continuity and helping protect your business during a transition, as it offers immediate liquidity following the death of an owner. A life insurance policy can support your business transition in three ways:

- **Buy-sell agreement funding:** The proceeds of a life insurance policy can provide remaining business partners with necessary capital to purchase a deceased owner's shares, which can help ensure a smooth transfer of ownership following a partner's death.
 - **Debt management:** Life insurance can provide liquidity to pay off business loans and lines of credit, which can prevent the remaining owners from having to liquidate company assets.
 - **Key person coverage:** A policy that includes key person coverage can protect against the financial impact of losing a key employee by covering the costs of hiring and training a successor.
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9. Reducing owner dependency and protecting key management

One of the most important steps before transition is reducing reliance on the owner by building a strong management team, clearly defining roles and documenting critical processes so the business can run smoothly without day-to-day owner involvement.

It's equally important to protect and retain key people. Review key employee insurance and consider thoughtful key employee retention plans—such as incentive compensation or stay bonuses—to help keep top talent motivated and aligned through a transition.

Taken together, these steps may help increase buyer confidence, potentially improve valuation and support a smoother, more successful sale.

Proactive guidance for business owners

Planning for the successful transition of your business requires a proactive approach and coordination across various stakeholders, transition members and employees. These forward-thinking actions are intended to help improve continuity, lower operational risk and make the business more attractive to outside buyers and investors.

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Readers should consult with their own qualified advisors regarding their specific situation before making any decisions related to a business transition.

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