

BUSINESS SUCCESSION PLANNING

Issues to Consider for Business Succession Planning

Businesses that have two or more directors/partners or shareholders may eventually have issues that require one or more of the directors/partners to reduce their involvement in the business.

This can arise from a range of issues, and may include:

1. Death or disablement of a director/partner – this means that the director/partner either won't return or is unlikely to return to the business. The issues to consider are:
 - a. What happens to the day to day running of the business?
 - b. What happens with the buyout of the deceased partner's share of the business?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business restructures the operations?
2. A one-off medical event of a director/partner – this means that the director/partner may be absent from the business for a period of say 12 months to 2 years, and may include medical instances such as cancer, a stroke or some other medical event. The issues to consider are:
 - a. What happens to the day to day running of the business while the director/partner is not at work?
 - b. Will a full restructure be completed, or does the remaining director/partner hold out to see what happens?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business waits for the director/partner to return to the business?
3. The death, disablement or medical issue that affects the spouse of a director/partner – this means that the director/partner may be absent or have a reduced involvement in the business while caring for their family members. The issues to consider are the same as in point 2 above.
4. A director/partner has financial difficulties and has creditors to repay. The issues to consider are:
 - a. How will the business ensure that it is not subject to the consequences of any of the debts of the director/partner?
 - b. Will the business agree to buy out the affected director/partner so that the director/partner is no longer involved in the business?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business finds a suitable replacement?

If you are interested in discussing any of the above issues, or want to know how we can assist you, please contact the AAG team today on (08) 9227 6300 or email clientservices@austasiagroup.com.

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How can we help you?



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