1. Start Planning Early
2. Assemble an advisory team
3. Fine-tune your Contingency Plan
4. ID your ideal successor
5. Plan for your lifestyle after you step away from the business
6. Update your tax and estate plan
7. Get the business ready
8. Prepare your personal finances for the transition
9. Prepare the family
10. Consider legacy

We've all heard horror stories of bad things that happened to a business that didn't plan for succession. An owner suddenly falls ill, and the company has trouble meeting its obligations to clients, who are forced to go elsewhere to get what they need. Then there's the scenario where the founder dies, and a sudden vacuum of leadership breaks the momentum of an otherwise healthy company. Or, a capable new owner takes over after the founder dies but without adequate communication, which results in questions from employees whether the new owner can "fill the shoes" of the original owner.

Lack of clarity, purpose, or confidence around ownership transitions can take a toll on your company's culture, results, and revenue. A family's long-term financial wealth and relational harmony may be at stake as well.

Whittier helps to mitigate unnecessary taxes. It helps founders identify less-than-obvious funding sources to make it possible to transition a business within the family. It prepares heirs for the responsibility that accompanies their new-found wealth.

Engaging in comprehensive planning is why Whittier Trust is successful – helping generations of families steward significant wealth in various family and business scenarios. The Whittier Trust model for succession planning is geared toward customization, so your family and your business are sustainable for the next generation.

What steps can a proactive owner take to achieve the exit outcomes he/she wants?

1. **Start planning early** — at least 3-5 years before the transition. Depending on the circumstances of your business, your family, and your finances, there could be significant advantages to tailoring a transition over an extended period.

   a. Consider several techniques that may be used to minimize capital gains taxes and maximize asset protection. Your advisory team should explain which methods fit your circumstances and the benefits they could offer.

  i. Qualified Small Business Stock (QSBS) – Section 1202
  ii. Grantor Retained Annuity Trust (GRAT)
  iii. ESOP Buyout
  iv. Discounted Gifts/Sales
  v. Charitable Planning Options
  vi. Nevada Advantage
  vii. Real Estate strategies

2. **Assemble an advisory team.** Start with the basics – people who can help you understand the big picture and the myriad of complex business, tax, and wealth management options that best suit your overall objectives. Whittier Trust acts like a quarterback and an offensive line for our clients to block and tackle complicated tax, estate, philanthropic, real estate, investment, and business issues with a customized focus and detailed plan.

   Consultation with the client's existing advisors is critical:

   a. Corporate/Transactional Attorney
   b. Tax Advisor
   c. Estate Planning Attorney
   d. Trust Advisor
   e. Wealth Manager or Banker
   f. Business Consultant
   g. Valuation Expert

3. **Fine-tune your Contingency Plan.** Making sure the business will run smoothly in an emergency promotes confidence among employees, customers, and potential buyers. Having adequate insurance and contingency planning in place adds security and value to the business.

4. **ID your ideal successor.** The person you hope to name as your successor may not be the best choice. Begin by thinking through your objectives for the transition, then work with your advisory team to identify realistic options. Balancing an honest assessment of the business, your family situation, and your personal finances is an essential part of this equation.

Possible successor scenarios:

   a. Family Member(s)
   b. Existing Partner
   c. Employee(s)
   d. Institutional Buyer
   e. Third-Party Buyer (partnership or syndicate)

5. **Plan for your lifestyle after you step away from the business.** Knowing how you'll spend your time and what resources you will need is critical. To estimate cash flow needs during retirement, you must know how and where you will be spending your time. Whittier Trust helps project your cash flow needs after the sale so that the transaction can be structured with your objectives in mind. Legacy and Philanthropy also play a role, as explained below.

6. **Update your tax and estate plan.** Pre-LOI planning with your tax advisor, estate planning attorney, and wealth manager is particularly crucial with a family business. Whittier Trust works with your advisory team to navigate family dynamics, intergenerational wealth, business objectives, legacy planning, and cash flow needs. Minimizing capital gains taxes and estate taxes while maximizing

asset protection and family harmony takes time and planning.

7. **Get the business ready.** If you're planning an economic exit and are hoping for a high valuation that leads to a high sales price, you may want to bring in experts to help make the business more attractive to buyers. Making sure the financials are clean and audit-ready involves more than just following GAAP principles. Strategies to retain top talent, reduce risk, and add value are some of the priorities you and your advisors should tackle.

   If you are planning a family transition, you may focus on careful communication with non-family employees you value the most. Making them comfortable with the transition is critical. You may also wish to introduce retention strategies and show a commitment to mentoring and training the NextGen for their new roles.

8. **Prepare your personal finances for the transition.** Minimizing the personal tax impact of a business sale is a priority for most business owners. Whittier Trust coordinates carefully with your advisory team to see that your assets are both strategically tax-advantaged and strategically allocated for short-term and long-term objectives.

9. **Prepare the family.** It's best if your family understands your objectives for the business and how you want those objectives to impact the family. Transparent communication allows family members to unite around a common goal. Allow all stakeholders to feel that their voice is heard, even if they do not have a say in the outcome. Family harmony requires trust, which requires communication.

10. **Consider legacy.** If exiting your business will allow you the extra dollars or inspiration to establish a particular legacy, take time to consider it. Share your objectives with family and others who may be carrying your mission forward, so you can be sure that they understand your motivation and have the tools to keep your legacy alive when you are no longer present to do so.

    a. Donor-advised Fund

    b. Foundation

    c. Family business

    d. Charitable Trust

This roadmap is but a summary of several steps we advise proactive owners to undertake as they seriously consider succession planning. Whitter Trust has $17 billion under advisement because of the detailed planning our clients initiate, and we help execute.

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