BEXIT: Plan Your Business Exit Strategy by Tom Klenda

March 20, 2019

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BEXIT: Plan your Business Exit Strategy Better than Brexit*

BEXIT is the abbreviation for your "Business Exit" and this article will highlight some Business Succession Planning exit strategies that every business owner should consider. Some common BEXIT plans for family-owned, closely-held and solo businesses include the following:

1. Family Business Succession Planning. Family businesses have some flexibility with ownership transfer, federal estate tax avoidance, significant gifting opportunities before January 1, 2026, deferral of income tax with installment sales, and other benefits while maintaining control of all voting rights with a Voting Trust Agreement.

2. Closely-held Business Succession Planning. The owners of closely-held non-family businesses also have some flexibility with a properly documented Buy-Sell Agreement. This Agreement will include provisions for payment upon retirement (with deferral of income tax using installment payment), death (funded with term life insurance), disability (funded with disability insurance), buy/sell provisions, determination of purchase price, requirements for post-separation agreements containing non-compete, non-solicitation and trade secret provisions, among other provisions.

3. Sale to Key Employees or All Employees (ESOPs). You can also set up a Buy-Sell Agreement with key employees of your business. Another option, involving extensive tax regulations, is an Employee Stock Ownership Plan (ESOP).

4. Lifetime Sale or Merger. With your business valuation from your CPA, you can list your business for sale using a business broker. You can also plan a strategic merger with another similar company and plan your exit with your Buy/Sell provisions in your merger documents.

5. Trust Provisions for Sale/Winding down of Business upon Death. If you do not have family members, other owners, or other sale opportunities, then you should include specific sale and/or winding down or liquidation instructions to your Successor Trustee in your Revocable Trust.

Okay, unlike the Brits, I am ready for my BEXIT so what should I do? Get started now with the following action steps: 1) Meet with your CPA (for company valuation and tax sale savings matters) and your attorney (for preparation of your Revocable Trust sale provisions or your Buy/Sell Agreement with

business continuation provisions) to formulate your BEXIT, your business succession plan for the next five (5) years. 2) Review and update your BEXIT as needed with your team of advisers, including your CPA, attorney, financial planner/broker, insurance agent, business broker and travel agent.

*Brexit is the abbreviation for "British Exit," the never-ending attempt of the United Kingdom to leave the European Union.

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