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## Business Succession: Who Will Run Your Business After You're Gone?

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Many entrepreneurs have spent decades building their business right alongside raising their family. But for as much calculating thought as they put into running a profitable company, they probably have devoted much less thought as to who's going to run the place after they're gone – whether by retirement or death.

They haven't asked themselves how much money they might need in order to exit the business (retire) or under what terms they would transfer the business (sell). If they plan to sell, will the buyer be a relative, an employee, or someone outside the picture?

### "I Thought Junior Would Take Over"

Many mistakenly fall into a common trap of assuming one of their children will step in and carry on the family business. But let's face it – sometimes our kids think our jobs are boring and want no part of it.

Consider the plight of Mike, a trucking company owner with whom we work. He started the company from scratch about 25 years ago and wants to retire in about 10 years. He regularly encourages his 19-year-old son, Mike Jr., who is a parts runner for the company, to learn the ropes of management.

The problem is that Mike Jr. has never expressed any interest in running the company. Despite his dad's offer to train and mentor him for eventual ownership, Mike Jr. has career visions of creating video games, and the rough and tumble world of the trucking industry is just not his style. Mike Sr., who is in his early 60s, faces the prospect of having to sell his company, which he had hoped would stay in the family for at least one more generation.

### Family Feud

Then there's Jerry, who owned a local chain of popular breakfast and lunch restaurants, until he died unexpectedly last year. He left the company to his wife, Sue, with a small percentage of shares also left to each of their three children.

Sue has had enough of the restaurant business, and, without Jerry, she lacks the drive to continue the company's success in a very competitive industry. Their oldest child, Rick, has managed one of the restaurants since he got out of college and expanded his role, alongside his mother, after Jerry's death. Rick wants to buy out his two sisters so he can run the company on his own. While his sister Diane has never managed any part of the business, she decides that she wants the same thing. Unfortunately, they have no desire to run it together, and Diane refuses to sell her shares for less than a grossly inflated price.

Sue wants to keep the business in the family, but she has been unable to broker a decision that either side sees as fair. A legal battle is looming.

### Don't Put It Off, Do It Now

In these two examples, we have a father putting off succession planning to his own financial detriment, and a mother too afraid of hurting anybody's feelings to make a decision that's best for the business.

Both situations could have been avoided through proper planning. I encourage you to think about what you want to have happen to your businesses after you're gone, and consider what might happen if you don't start to make some important choices now.

*Adapted from the Daily Plan-It newsletter.*

*Hoopes, Adams & Alexander, PLC, is a Chandler, Arizona, law firm offering services to Phoenix-area clients in the areas of estate planning, entity formation, commercial and real estate transactions, and civil litigation.*

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