The 3 Phases of Business Continuation Planning - Video Transcript

You’ve invested a lot of money in your business, and a whole lot of yourself as well. Your business is a part of who you are – a source of pride and self-worth, as well as a source of income. With all you’ve put into it, now may be a good time to ask yourself, “Have I done everything I can to ensure its future is as secure as possible?”

One way to do that is to create a business continuation plan. Just as an estate plan helps you preserve the value of your estate for your family, a business continuation plan helps ensure the survival of your business when you’re no longer at the helm.

A business continuation plan generally consists of three phases:

- Business valuation, or determining how much your business is worth
- Succession planning, or deciding who will take over your business
- And establishing a way to transfer the business to new ownership, typically by using a buy-sell agreement.

First, we’ll look at business valuation. Business valuation can be quite challenging for a small, closely held business because there is no market to help set the value. For this reason, it is generally advisable to engage an experienced professional appraiser or accountant. A qualified professional may use one or more methods to calculate the value of your business, depending on a number of factors, including the type of business you run.

Next is succession planning. Succession planning is the process of determining who will take over upon your retirement, disability, or death. Several questions come into play here:

- Should you sell your business or give it away?
- Should your interest move to other owners, partners, family members, or an outside party?
- Should your plan take effect while you are alive or after your death?

A succession plan documents your vision of the future for you, your family, your management and advisory teams, and even your customers and vendors, minimizing uncertainty among these important stakeholders.

The final phase is establishing a way to transfer your business, typically by using a buy-sell agreement. A buy-sell agreement is a legally binding document that describes how your business will change hands, including who will take over, how much will be paid for your interest, and how the purchase will be financed. This document also helps provide clarity and reassurance to those involved in your business.

Your successful business is the product of years, and possibly decades, of planning, commitment, and hard work. Don’t leave its future to chance. Make your business continuation plan a priority.