

## THOUGHT LEADERSHIP

LEGAL UPDATES

PUBLISHED: AUGUST 4, 2023

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# Benefits of Succession Planning

Succession planning is a critical process for a business owner that can ensure the long-term sustainability and success of a company. Here are just a few of the benefits that can be gained from a well-structured plan.

### Continuity of operations

A comprehensive succession plan ensures the smooth transition of leadership upon a business owner's retirement, disability, death, or transfer and lessens disruption in daily operations. By identifying, grooming, and naming potential successors, businesses can more seamlessly transfer knowledge, skills, and relationships while maintaining customer trust and relationships during the transition phase.

### Maintaining family harmony

A succession plan can be especially useful when an owner's family members are involved in business operations. More than one family member may consider themselves the best candidate to replace the business owner as the chief decision-maker and family relationships could fracture when one is chosen over the others (or none are chosen). By developing a sound succession plan before the transfer of ownership and management, business owners have the opportunity to discuss the reasoning behind their decisions with their families to gain their support and understanding.

### Preservation of business value

Succession planning helps preserve the value and integrity of a business. Implementing a well-thought-out plan gives business owners the ability to anticipate potential challenges and minimize risks associated with ownership and management transfers. This process ensures that the company's reputation, market position, and client base are upheld, protecting the hard-earned value of the business.

## **Minimization of tax and legal issues**

Without a proper succession plan, transfers of business ownership can trigger significant tax liabilities and other legal challenges. By proactively considering tax-efficient strategies (such as gifting ownership interests, utilizing revocable and irrevocable trusts or leveraging life insurance policies), business owners can reduce and even eliminate estate and income tax burdens and ensure the transition from the outgoing to the incoming owners and/or managers does not get caught up in probate court.

## **Employee and stakeholder confidence**

Effective succession planning instills confidence in employees and stakeholders as it assures them of a stable and secure future. Additionally, by being transparent about the succession plan, business owners foster trust and loyalty among their workforce, reduce the risk of talent attrition, and maintain stakeholder support during the leadership transition.

## **Contact us**

If you have questions or would like to discuss how these strategies and others can be used to help meet your planning goals, please contact a member of the Husch Blackwell Private Wealth Team or your Husch Blackwell attorney.

Read more about Common Business Succession Planning Strategies.