



Selling your business?

Prepare now for the next stage of your life

Many owners get so caught up in the day-to-day concerns of running a company that they spend almost no time thinking about what their life will be like after they sell their business. Unfortunately, retirement and estate plans don't happen on their own. Planning the next stage of your life involves more than travel itineraries; you also need to make crucial decisions about such issues as retirement income streams and wealth transfer.

Special considerations

The planning process begins with a good succession plan that outlines how your business is to be sold or transferred. You might, for example, begin grooming your children as successors and transferring partial ownership to them while you're still at the helm. Then, when you're ready to relinquish control and turn your long years of hard work into a steady source of income, the transition is more likely to be smooth.

Don't attempt to make your retirement and estate plans without assistance. Business owners have many special considerations that require the expertise of financial and legal professionals. At a minimum, your team should include:

- An investment advisor,
- An attorney, and
- A tax expert.

In addition, you may require the assistance of an insurance agent, and you'll need to appoint a trustee if you decide to make a trust a component of your estate plan.

Tapping assets

One of the first things an investment advisor will help you do is ensure your assets are diversified. A high concentration in any one asset — such as shares in your business — can make for an extremely precarious financial situation. If that large asset were to decline in value, your retirement income and security could be compromised.

Another major component of retirement planning is determining your income stream — or where your income will come from and in what order you should tap your assets. In addition to Social Security benefits, you're likely to have retirement accounts such as an IRA, SEP, Keogh or 401(k).

When tapping accounts for retirement income, you'll want to be careful to avoid actions that could have negative tax consequences. So keep an eye on minimum distribution rules

governing tax-deferred retirement accounts. In most situations, you must begin taking distributions at age 70½ or face significant penalties. But depending on your cash needs and tax situation, you may want to take larger distributions or start taking them earlier (but not before age 59½, because you could face early withdrawal penalties).

How much income you'll require depends on many factors, including your lifestyle and health. Some business owners stay on as paid consultants to their former companies or even as salaried employees. If you work at least part time after your official retirement, you may be able to put off tapping your investments and have the opportunity to continue to contribute to tax-advantaged retirement plans.

Where there's a will

Your first estate planning objective should be to write a will — if you don't have one already — and to appoint an executor or personal representative to oversee the distribution of assets following your death. You may also want to consider establishing a trust, an excellent way to transfer wealth to future generations and help avoid the costs and inconvenience of probate.

Trusts are legal agreements in which a trustee, such as a professional advisor or a financial institution, manages property for the benefit of beneficiaries. These legal forms are varied and flexible. Trusts can be designed to achieve a variety of goals, such as to protect assets from creditors, provide professional investment management services or save taxes.

No time like the present

Whether you're six months or five years away from retirement, it's time to think about income and wealth-transfer issues. Once these plans are in place, you can focus on getting the best possible price for your business and then, of course, enjoying some well-earned leisure.