



## **Planning - Especially Important for Business Owners**

*By Richard M. Morgan & Loraine M. DiSalvo*

Many business owners spend the bulk of their time working to build their businesses. Sadly, too many business owners also fail to spend much, if any, time planning for their own futures or the futures of their businesses. Proper and careful planning can help ensure that a business runs smoothly, produces maximum value for its owners, and continues to survive and thrive even as the business and the lives of its owners and employees change over time. Failure to plan, on the other hand, can mean that the business fails to realize its maximum potential, that the owner is unable to retire in the desired manner and at the desired time, or that the business fails to survive the disability or death of its owner.

Planning for the future of a business covers many aspects of the business. For a new business, planning can include selecting the best entity through which to own the business. Options include

**C corporations** (which are rarely used anymore for closely held businesses but can still have their place where a goal is to eventually take the business public, or where significant cash accumulations may be necessary),.

**S corporations** (which are often a good choice for service providers).

**Partnerships** (generally, some form of limited liability partnership is best, and partnerships tend to be the best form for companies which will own real estate).

**Limited Liability Companies** (“LLCs”) (which can choose partnership, C corporation, or S corporation treatment for income tax purposes, while provide much of the structural flexibility offered by the partnership form). The form of entity chosen can affect income tax results and benefits, future ownership transfers, the extent of liability protection given to the owners, the extent to which the business is protected from the non-business creditors of its owners, and other aspects of the business.

For existing businesses, planning generally involves a number of factors. Tax planning can help make sure that the impact of income taxes and other taxes are minimized as well as possible. Employee benefits planning can help entice talented employees to join and stay with the business for the long term. Business succession planning, using a buy-sell or continuation agreement and appropriate insurance along with other techniques, can help ensure that an owner’s unexpected divorce, death, or disability does not cause a catastrophe for the business, and that all of the owners and their families are as protected as possible. Begun early enough, business succession planning can also help ensure that the owner is able to leave the business on the owner’s own terms and the owner’s own schedule, while receiving maximum benefit and passing the business to the owner’s selected successor(s). Finally, good business succession planning can help ensure that, in the event of the owner’s death or disability, adequate liquid assets are available to provide for the owner and his or her family, to continue the business’ operations, and to pay any estate taxes.



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Loraine M. DiSalvo appeared on Family Business Radio on March 4, 2010, to discuss business planning issues in the family-owned business context. To hear this show, please use the following link:

<http://familybusinessradio.businessradiox.com/podcasts/FamilyBusiness%20Radio%2003042010%20Show.MP3>

You can also check out the Family Business Radio blog at the following link:

<http://familybusinessradio.businessradiox.com/>

Finally, you may want to read *How to Run Your Business So You Can Leave It In Style*, by John H. Brown. This is a book which discusses business planning issues in easily understandable terms, rather than in legal jargon.

When planning for the future of a business, you should begin as soon as possible, and you should revisit the plan often. It's generally helpful to involve several different professionals in business planning, such as a CPA, a financial advisor, a business banker, and an attorney. At Morgan & DiSalvo, we strive to help our business owning clients develop, implement, and periodically revisit and update their business planning. If we can help you or someone you know, please give us a call.