

BUSINESS SUCCESSION PLANNING

Issues to Consider for Business Succession Planning

Businesses that have two or more directors/partners or shareholders may eventually have issues that require one or more of the directors/partners to reduce their involvement in the business.

This can arise from a range of issues, and may include:

1. Death or disablement of a director/partner – this means that the director/partner either won't return or is unlikely to return to the business. The issues to consider are:
 - a. What happens to the day to day running of the business?
 - b. What happens with the buyout of the deceased partner's share of the business?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business restructures the operations?
2. A one-off medical event of a director/partner – this means that the director/partner may be absent from the business for a period of say 12 months to 2 years, and may include medical instances such as cancer, a stroke or some other medical event. The issues to consider are:
 - a. What happens to the day to day running of the business while the director/partner is not at work?
 - b. Will a full restructure be completed, or does the remaining director/partner hold out to see what happens?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business waits for the director/partner to return to the business?
3. The death, disablement or medical issue that affects the spouse of a director/partner – this means that the director/partner may be absent or have a reduced involvement in the business while caring for their family members. The issues to consider are the same as in point 2 above.
4. A director/partner has financial difficulties and has creditors to repay. The issues to consider are:
 - a. How will the business ensure that it is not subject to the consequences of any of the debts of the director/partner?
 - b. Will the business agree to buy out the affected director/partner so that the director/partner is no longer involved in the business?
 - c. Will the business have sufficient cash flow to cover some operating costs while the business finds a suitable replacement?

If you are interested in discussing any of the above issues, or want to know how we can assist you, please contact the AAG team today on (08) 9227 6300 or email clientservices@austasiagroup.com.

Important information and disclaimer

This publication has been prepared by AustAsia Group, including AustAsia Accounting Services Pty Ltd (Registered Tax Agent No 7587 3005), AustAsia Financial Planning Pty Ltd (AFSL 229454) and AustAsia Legal Pty Ltd (ACN 123 160 476).

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Accordingly, reliance should not be placed on the information contained in this document as the basis for making any financial investment, insurance or other decision. Please seek personal advice prior to acting on this information.

Information in this publication is accurate as at the date of writing, 20 June 2019. Some of the information may have been provided to us by third parties. Whilst it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way.

Opinions constitute our judgement at the time of issue and are subject to change. Neither the Licensee nor any member of AustAsia Group, nor their employees or directors give any warranty of accuracy, nor accept any responsibility, for any errors or omissions in this document.

Any general tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or an assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law, and we recommend you consult with a registered tax agent.

How can we help you?



AustAsia Group
Business, Finance & Taxation Solutions

AustAsia House, 412 Newcastle Street, West Perth WA 6005

PO Box 332, Leederville WA 6903

T: (08) 9227 6300 **F:** (08) 9227 6400 **E:** clientservices@austasiagroup.com

www.austasiagroup.com

