

Business Succession Planning

Now, for tomorrow





Baker Tilly in the Dutch Caribbean is active in Aruba, Bonaire, Curaçao and St. Maarten.

Specialized in these four markets we complement our local expertise with the benefits of our extensive international Baker Tilly network. Sharing knowledge and information throughout the markets, while we connect to important financial, fiscal and legal developments in the world. We distinguish ourselves in being profoundly competent in several specialist fields, one of which is Business Succession Planning.

At one time or another every business owner faces the decision of what to do with his business when he retires. Business succession is about much more than just retirement. It is a

crucial phase in an entrepreneur's career. It has a great impact, not only on the life of the business owner, but also of his family and successors. The leadership of the company will

be transferred, meaning preparations and planning is required to achieve a smooth succession that is satisfactory for everyone involved.

What to expect from us

Baker Tilly has profound expertise in this field. Our consultants have experience with all aspects of business succession and counseling of family-owned businesses. Because every succession situation is unique, we take a flexible approach

and design and implement a tailor made plan for each client. We assemble a team and determine our role based on your specific needs and objectives. In this brochure we give you a brief outline of the process of business planning and how we can help you.

We coach our clients through business valuation, fiscal structures and optimization. We are ready to be your confidant and partner from the moment you start thinking about your succession, until after the hand-over is complete.

“Business Succession is a one-time and often quite emotional process. For a successful and satisfactory handover, you must also allow space for the feelings of all involved.”

The process of our business succession planning approach can be divided in four basic phases.

- 1 Orientation
- 2 Preparation
- 3 Succession/Transfer
- 4 Aftercare

Where do you begin?

Ten basic questions to get you started

You should take ample time for a proper business succession. It is basically never too early to begin thinking about it. These ten questions are a good place to start:

- 1 By which date should the handover be complete? Will this happen in phases or all at once?
- 2 What is the objective of the business succession?
- 3 Does transfer of ownership happen at the same time as the handover of the management?
- 4 Who are possible successors? Do only family members qualify, or will you also consider third parties?
- 5 Will the voting rights on shares be detached from the ownership after the handover?
- 6 If family members take over: who are the candidates and do they have the desire and vision to lead the company into the future?
- 7 What is the value of the business?
- 8 Is family capital present in the company and does it need to remain there to keep it going in the future? Or can (a part of) it be extracted from the business?
- 9 Are there succession candidates from within the family who are willing to assume a position, perhaps for a lower remuneration than a third party? And if so, will other family members be compensated?
- 10 Which advisors need to be involved in the succession process?



PHASE 1: Orientation

Succession only happens once every generation. The consideration of options and discussing the succession objectives is always a personalized process that should allow space for arguments and discussion of feelings by everyone involved.

In this first phase it might help to attend a business succession meeting, to read about it and to first have a talk with the family about your succession plans. When it concerns a family-owned business, you might want to choose to formalize a set of rules for the succession process in a family statute.

Various types of transfers

In a family business, various types of business transfers have different consequences for the yield, identity and involvement of the 'old' generation after the handover.

(Source: Flören en Wijers).

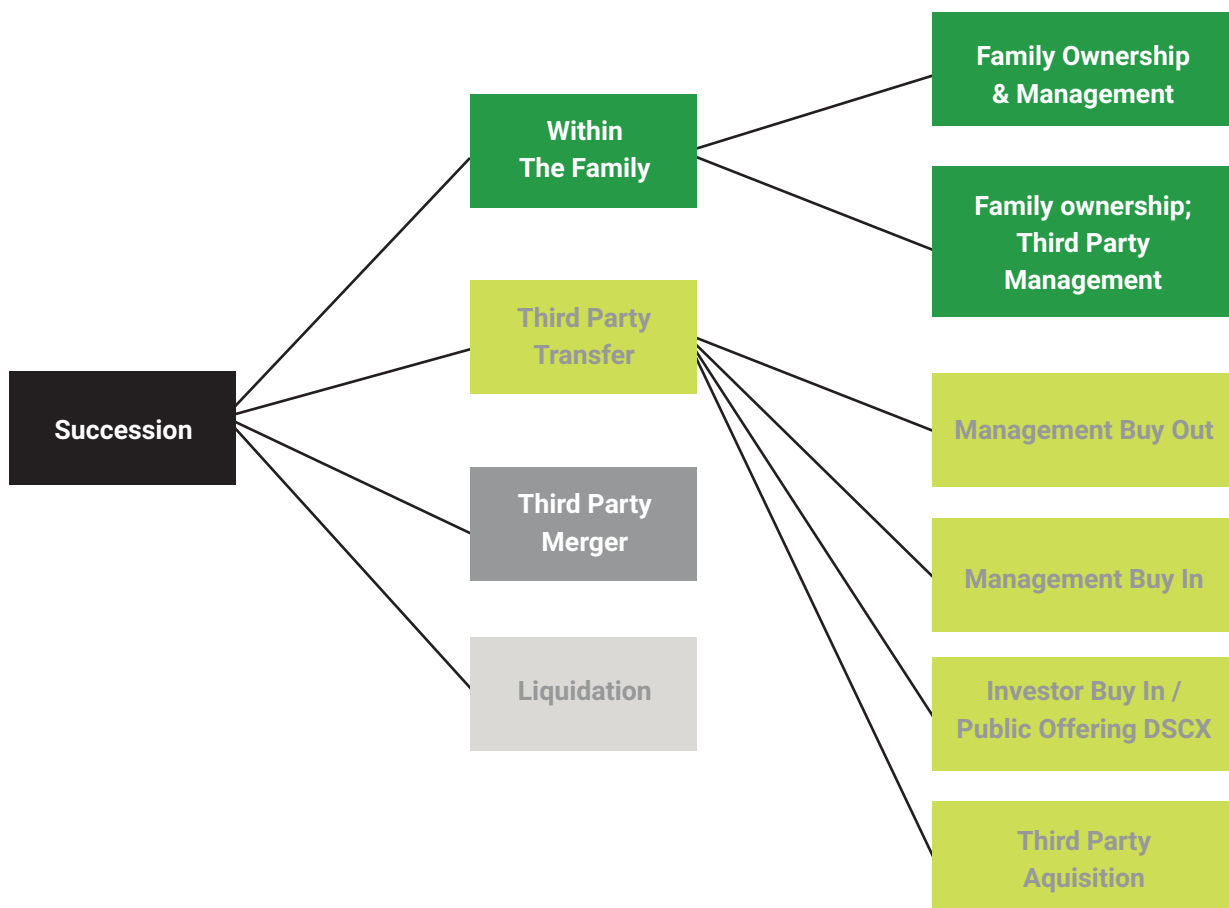
Type Of Transfer	Proceeds Of Sale	Conservation Of Identity	Involment Of Old Generation
Within The Family	Low	High	High
Management Buy Out	Moderate	Moderate	Moderate
Management Buy In	Moderate	Moderate	Moderate
Third Party Acquisition	High	Low	Low
Investor Buy In / Public Offering	High	Low	Low
Liquidation	Low	None	None

“We consciously chose for one single successor to avoid future problems within our company. However we do search for ways to compensate our other child for this choice.”





There are quite a few ways to transfer ownership of a company, as is shown in the following diagram:





PHASE 2: Preparation

How much time do you need?

If you are planning a succession and you want to be able to take advantage of the fiscal and legal provisions, it is advisable to start preparations at least five to seven years ahead of time. Some fiscal provisions require a legal lead time before the actual transfer can take place. In the preparation phase, you need to address the following issues:

- Perform a valuation of your shares
- Select a possible successor
- Line everything up to get the company ready for sale and transfer
- Lay down arrangements for the remuneration of the new directors/ shareholders
- Start preparing your retirement plans for after the transfer
- Talk to all family members involved before making important decisions.

Valuation of Shares

The value of the shares is not the price you will receive for them. That will ultimately be decided by your negotiations with potential buyers. Buying and selling motives, the economic climate, negotiating techniques and the financing eligibility of the company all affect the ultimate net worth. You can however use the valuation of your shares to determine at what price to start the negotiations.

For more detailed information on our **Valuation Services**, please refer to our brochure on this topic.

Getting your company ready for sale

Among other things you should think about:

- A strength/weakness analysis of your company
- Fiscal/legal optimization in order to prevent a heavy tax settlement on the profits from the sale
- Optimizing your human resources and decreasing dependency on the present generation of directors
- Optimizing your company's financial ratios
- Getting as many administrative issues out of the way that could obstruct a smooth transfer

PHASE 3: Succession/Transfer

Once the preparation phase is completed, you can start looking for a successor, or in case you already have a successor, start the process of transfer of management and/or ownership.

Steps to follow in this phase are:

- (Possibly) look for a successor: make a shortlist and approach candidates
- Negotiate and determine the transfer price
- Draft a Memorandum of Understanding as soon as you reach an agreement
- In some cases the acquirer/successor will want to perform a general audit of the books
- Preparation of the deed for formal completion of the transfer
- (Possibly) agree on a certain degree of future involvement in the company
- Inform the staff and create support for the successor within the organization
- Inform other stakeholders

PHASE 4: Aftercare

In this final phase, the time has come to say goodbye to the company that you have built over many years. You are entering a new stage of life and will need to get used to a new daily routine, lifestyle and pace. In regards to the transfer fee that you are going to receive, it is advisable to consider proper financial or estate planning and to determine a clear inheritance strategy, adjusting your final will and testament as well.

But even though these issues may seem overwhelming, what entrepreneurs generally find most difficult is to let go of the leadership of the company and handing over their responsibilities to a new generation.

For more detailed information on our **Estate Planning Services**, please refer to our brochure on this topic.





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Creating meaningful experiences by proactively working to solve your most pressing problems and seize new opportunities. Our relationships with clients are genuine and we value great conversations. We understand your world today and provide insights that shape your tomorrow.

Network members collaborate seamlessly to serve our clients across the globe.

If you have any questions, we will gladly explain more in depth how our services may be of interest or beneficial to your business or personal ambition.

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