Plan now to enjoy your future.

Perhaps the best thing a succession plan can provide is peace of mind. It can help assure that the “good thing” you’ve built keeps going in the manner you and your family supports. It can help you determine the best plan for continued income independent of the business and the most favorable tax structure for ownership transfer. Knowing that your legacy is secure and your own independence is assured, you can focus on and enjoy your retirement – or perhaps move on to new opportunities.

Succession planning begins with you.

A succession plan should be part of your business plan and, as the current owner, you should initiate the plan. A good succession plan will help you guide your business and key personnel in the coming years — and put your NAPA AutoCare Center in a position to continue the success that you’ve built.

Why start now?

Experts agree it can take 5 to 15 years to create and carry out a successful succession plan.

Like a good business plan, a good succession plan should be assessed regularly and adjusted as needed. The longer you have to integrate your plan into business operations, the more likely it will succeed.

There are many ways to structure a Succession Plan based on your specific goals.

Seek professional guidance.

The steps above are merely recommendations. Always consult with your legal representative and financial planner as you create a Succession Plan. Some businesses even choose to create a Board of Directors of experienced, independent (separate from the business) parties who can provide additional perspective advice during the business transition process.

This article’s tips were provided by NAPA AutoCare member Garry Plimmer, owner of Garry's Automotive, Boise, ID, and the 2013 NAPA/ASE Technician of the Year.
Key steps to include in your Succession Plan

✓ Establish a multi-year timeline — from now until a specific “turn over the keys” date.

✓ Identify desired successors — second-generation family members, key personnel, etc.

✓ Determine the business’ approximate value at the end of your timeline — and an approximated required down payment.
  • A commonly used formula: 3x Net Operating Income and 20% down payment

✓ Set up Variable Universal Life (VUL) insurance policies with successors as the beneficiaries. The policy amount should equal the approximate cost of the business at the end of your timeline. The successors can pay the premiums and withholding taxes for this policy through payroll deductions.

✓ Pay a tax-advantage bonus to successors in order to build up their funds for a down payment (“golden handcuffs” that tie the key personnel/successors to the business for the agreed-upon timeline.) This money is added to the VUL to grow tax-deferred.

✓ Construct a restrictive legal agreement (a buy-sell agreement) until the final transaction time or death of the owner.

✓ Familiarize the future owners with the bank with which you do business.

✓ Require business management and financial training for the successors.

✓ Use the VUL policy as down payment for the business or business and property.

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