

## Succession/Exit Planning Tied to Your Recovery This Year

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Many business owners were seriously thinking about their exit plan in 2019 and then, before they could blink, the Coronavirus hit in February. Some of the industries that we work with instantly became very busy, such as the retail hardware industry, the grocery industry, and pharmacies. Other industries, such as floor covering and furniture sales, were shut down for at least two or three months.

The impact of the Coronavirus has surely affected the thinking of all 30 million closely held family business owners, but the economic conditions in 2020 should not alter business planning for companies over the next three to five years.

If your plan is to sell the company inside the family, possibly to children, continue working with your advisors on gifting, or selling stock, to the next generation. The value of your company will not be drastically affected by one year. What is happening in 2020 with our economy is not the store owner's fault. For most of you, your store will have a value that looks more like 2018 and 2019, and possibly 2021. If your sales are higher or lower in 2020, that impact will be minimized with any independent valuation that would be prepared for your business.

If you are selling the company outside the family, then during this year you should continue to do all the normal steps to get your company ready for sale. Everything that you would be doing to get your company ready for sale in good times, are the same things you should be doing during these difficult economic times.

Continue to work on increasing gross margins and reducing expenses. Continue to work on training key employees and improving the layout and the looks of your store.

The advisors that I mentioned above would normally be your accountant, your business attorney, and your business financial advisor. Each of them play an important role in transitioning the company either to someone inside the family, or outside.

Because of the CARES Act that was passed earlier this year there are several provisions in that new law that could be helpful to every business owner. You should work with your accountant and business financial advisor to make sure you are taking advantage of all the new provisions available to you for 2020.



Net operating loss rules (NOL) have been altered to help business owners this year. Making larger payments to charities in order to completely eliminate personal income tax this year is also a possible option.

Required minimum distributions from IRA's at age 72 have been eliminated this year.

Now is the right time to talk to your landlord about reducing your rent for your store, or perhaps paying no rent for several months. Now is the time to talk with your bank lenders about modifying any loans that you have. Talk to them about reducing interest rates and stretching out the loan to a longer amortization to reduce monthly payments.

All of these ideas help you reduce your monthly costs and increase your cash reserves. One of your goals should be to accumulate cash during the second and third quarter in order to be financially strong at the end of the year.

By now you have most likely altered your budget for 2020. By now you have probably cut some of your expenses, and you may have reduced the number of employees that you are bringing back for the third and fourth quarter of this year. We don't know if sales are going to be higher or lower in the third and fourth quarter, but we need to be ready to make all necessary adjustments to protect your company so that it is strong going into 2021.

Because of the Coronavirus this economic downturn should not stop you from the succession/exit plan that you have been seriously considering for the last couple of years.

Make sure you pick the right advisors and make sure that they work closely together to cover all of the financial, tax, and legal aspects of a typical succession plan that will impact you, and every other business owner that is within two or three years of retirement.

Contact Castle Wealth Advisors when you have questions about your business, protecting your net worth, or to discuss your ideas. Our phone number is 317-849-9559.

*Gary Pittsford, CFP®, is President and CEO of Castle Wealth Advisors, LLC. Castle specializes in helping families and closely-held business owners with valuations, succession planning, estate and income tax analysis and retirement income projections. Castle's senior partners work with clients throughout the country in making logical decisions that help them fulfill their personal and business financial goals. For more information visit [www.Castle3.com](http://www.Castle3.com), call 1-888-849-9559 or e-mail Gary directly at [Gary@Castle3.com](mailto:Gary@Castle3.com).*