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## Controlling the Uncontrollable Parts of Ownership



A common tragedy for business owners is facing a life-changing event, such as a sudden death or illness that devastates the business, without a plan. While these events may seem uncontrollable in the moment, the good news is that

with foresight and planning, you can regain control over what seems uncontrollable.

Let's look at a short fictional but representative account to see the different consequences between proactive vs. reactive planning.

## **He Was Gone Before He Was Gone**

Geoff Starr and his father, Bud, thought they had planned for everything. They survived lockdowns, supply-chain interruptions, and several weather events that had put their competitors on the brink of failure.

But recently, Geoff noticed that Bud's decision-making seemed off. Bud was often agitated and mean, which was out of character for him. He had trouble remembering long-time clients and, on several occasions, mixed up major client orders that Geoff only caught at the last minute.

Bud refused to see a doctor and demanded that he remain in charge of his business responsibilities. His newfound meanness had driven important managers to the point of quitting.

After his wife found him shivering on their patio in the dead of winter, he was rushed to the hospital to be treated for hypothermia.

Over the next few months, Bud's doctors confirmed he was suffering from dementia

Geoff realized that he needed to transfer Bud's ownership in the business so the business could continue to operate and provide Bud and his family the financial support they needed for his care.

Sadly, Bud's Buy-Sell Agreement indicated that a transfer of ownership could execute only at his death.

## **Being Ready Before You Need To Be**

It's common for business owners to create Buy-Sell Agreements early in the business and never update them again. This is what happened to the Starrs.

An outdated Buy-Sell Agreement can have unintended consequences. In Geoff's case, there was nothing he could do with his father's ownership until his

father died, which defeated the purpose.

What could the Starrs have done differently, and what might you do to avoid a fate like this?

## **1. Create a Business Continuity Plan**

A Business Continuity Plan gives your family, your business, and your advisors guidance about what they should do if an unexpected event occurs.

For instance, your Business Continuity Plan can offer strategies for first contacts and actions to take following the owner's unexpected departure, use of proceeds schedules, and management responsibilities.

Providing guidance when you can't actually provide it yourself can bring relief to your family and those who rely on you.

## **2. Retain Key Employees**

When something happens to a business owner, it can cause key employees to worry or consider leaving. In Bud's case, his managers became so fed up with his meanness that they considered quitting. This would have horrible consequences for the Starrs, because without the business running at full steam, Bud's care would decline.

To stay in control in this regard, you might consider establishing Stay Bonuses in your business planning. Stay Bonuses incentivize key employees (often financially) to stay at the business following unexpected events that affect the business owner.

It's often true that your company will need to be financially strong to offer Stay Bonuses. By strengthening your company to allow for this scenario before you need to, you may find opportunities that benefit your company even if nothing ever happens to you.

## **3. Avoid Assuming It Won't Happen To You**

No one wants to think about bad things happening to them. It's difficult and scary to be sure. While you don't need to dwell on everything that could go wrong, it's important to be reasonably prepared for things that may go wrong.

You might even use the idea of an unfortunate event befalling you as motivation to control it as much as possible. Planning to address events that are realistic and potentially harmful to your company can introduce you to the strategies to overcome them, which, in turn, could further strengthen your business.

## Conclusion

Controlling the uncontrollable parts of ownership is more attainable with a plan.

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We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.



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