# How To Prepare For The End of Your Business

**As history goes, the United States is a relatively young** nation. A farm or ranch operating in America today, even if the owners have generations of consistent family ownership, is the result of someone starting anew. They left something else—a job, another business or possibly another country. Every business beginning involves some type of ending.

Family companies rarely stay the same over time. Some people choose not to return to the family business. Some businesses get sold, split up or merge. A business division may occur due to participants' diverging goals, or there may be conflict between partners or their spouses. Some may simply desire more freedom to operate on their own, or they might want a wholesale change in their career.

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Whatever the reason, the chances are that somewhere in your future, your business will experience an ending, split or dissolution. You may not want to think about the inevitability of an exit, but being prepared can be instrumental for positive family relationships. In many cases, thinking early about the ending, well before it occurs, may help reinforce the reasons to stay together.

Several activities help prepare for an eventual but successful ending or division of the business.

**First, if you are in a partnership, review your legal agreements to understand the transfer or buy-sell provisions.** Some entities don't have an agreement for how people get out of business together, while many others have terms not reflective of owners' current intentions. Those terms govern unless the owners agree to an alternative. The time to review the agreement is before anyone expects to exit.

**Second, assess the quality of your financial records.** Maintain a current income statement and balance sheet to model different revenue, expense and ownership scenarios. Discuss asset values at regular intervals to foster an understanding of the business' value. Understand the capital gains, deferred income or negative tax basis implicit in your balance sheet. Visit with your accountant to understand your current financial condition.

**Third, consider what might comprise one, or several, economically sustainable units.** If the business or land is split, can there be two or more smaller businesses that still support a family? I've known several families who purchased assets knowing they might someday be spun off to partners who go their own way.

**Fourth, contemplate what assets are not considered core to the operation.** If a buyout or division becomes a reality, those assets can be used to facilitate a transaction, becoming a source of cash or capital for the deal.

**Finally, stay in communication about each person's goals and plans.** What are family members' aspirations for the future? Does a partner plan to retire? Move to a different geography? Sometimes a business split offers the necessary permission to change.

Splitting up, winding down or selling a business is seldom easy, but an ending is sometimes necessary for the relational health of the family and the mental health of the participants. Talking about an eventual business ending now may help you be a better family later. ///

*Email Lance Woodbury at*
***lance.woodbury@pinionglobal.com***