

WHAT WILL HAPPEN TO YOUR BUSINESS WHEN YOU ARE GONE?

The importance of a current will and business contingency plan becomes stronger each year your business becomes more successful. Yet many Small to Medium Enterprise (SME) owners neglect to update their wills to reflect the current status of their business. And a will by itself won't be enough. You need a separate document spelling out what needs to happen with the business in the short term.

If you have not identified what you want done with your business, you're not only risking business value but you're setting up potential problems for the remaining family and other business stakeholders.

A will should identify what is to happen to your business assets. But for many small businesses where there is a primary individual who controls the business, the executor or the family may need more instructions about what should happen with the business in the short term if something happens to you.

This is about preserving the business asset while it is being dealt with by your estate. A lot of business owners keep everything in their head – impossible to access when they are no longer around. Business value can dilute quickly if the business loses direction. Your customers, employees and beneficiaries are all at risk.

If you don't have a current will, then your business will be dealt with as part of your general estate and subject to any claims that may be made. In a worst case scenario it could end up being owned or realised for the benefit of the government.

Many SMEs either don't have a will or may not have updated it; if your business has expanded then there could be several issues that you are leaving to your executors to guess the best outcome.

Ideally, your business should have good records and a contingency plan. These need to include identifying what all the assets are and where they are; the systems the business works with and how it operates; the business plan and what opportunities are currently being pursued; the budgets and forecasts on business and who is responsible for different parts of the business. You need enough information to allow someone to come in and pick up the pieces, as well as ensure that business value is not diluted.



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The same way SME owners wouldn't want their children to miss out on their inheritance they shouldn't risk their business to a similar fate.

There will be a limbo period between the time an executor is appointed to the time the business is either sold or passed down the management line. Instructions must be left for the management of the business as well as the executor. It's important for the benefit of their beneficiaries. In most cases, they also want to make sure that staff and clients are looked after.

If you need assistance with any of the issues raised in this article, talk to us today.

The above is an extract from the publication "Your Knowledge" a newsletter service we have subscribed to as an additional resource.

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