



AMERICAN COUNCIL OF ENGINEERING COMPANIES

Principals & Owners Summit 2019

Succession Planning Overview



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Succession Discussion

Focus Group Succession Survey:

- Undergoing Succession
- Succession in the next 2 to 5 Years
- Succession in the next 5 to 10 Years
- Currently Have a Plan
- Working on Developing a Plan
- Don't Have a Plan
- Share any Comments Including Successes, Challenges, etc.

Consultant Succession Considerations

Specific Considerations Key to Consulting Engineers :

- Banking Requirements, Covenants, etc.
- The FAR
- Earnings Club vs. Capital Appreciation Club
- Open and Closed Ownership Models
 - Having a plan and good communication is critical
 - Manage Leverage (Short Term, Long Term Debt, Equity and Working Capital)
 - Manage Cash Flow
 - Potential to Keep Off Balance Sheet, Etc.
 - Other ?

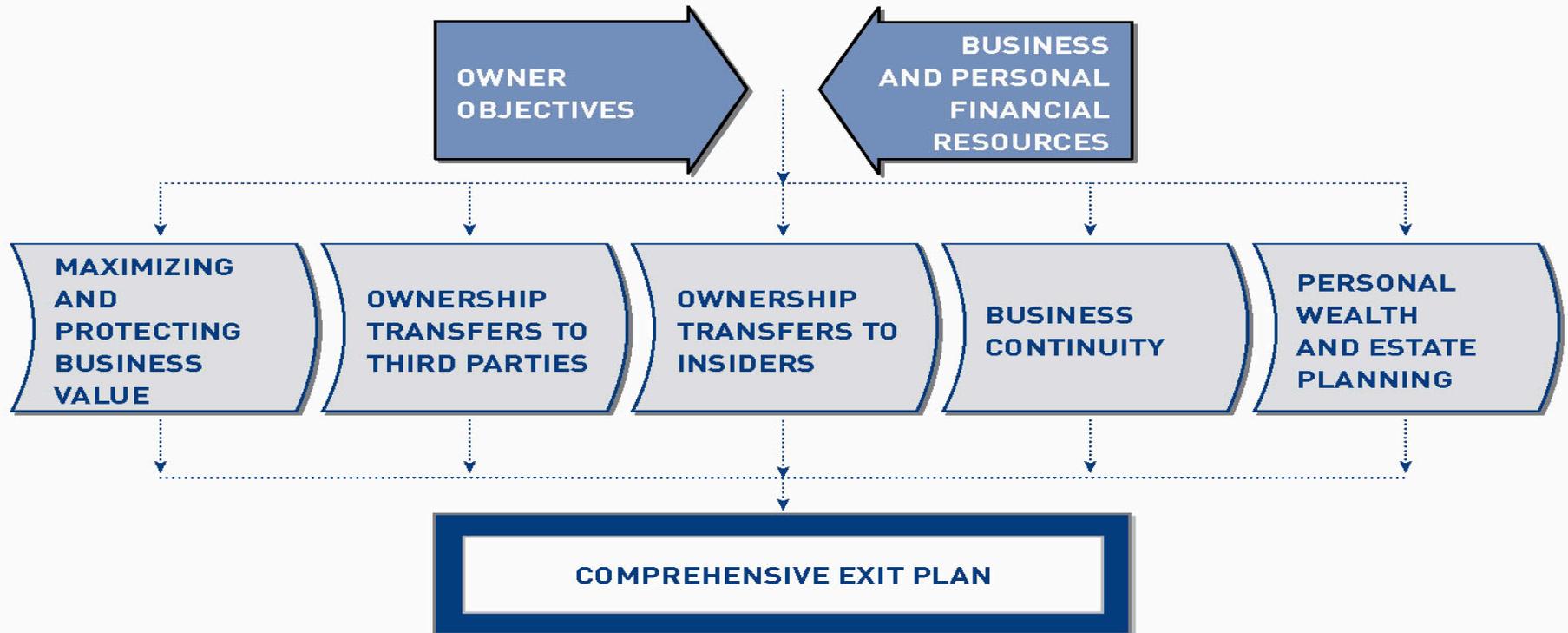
Designing a Succession Plan Web of Details

Planning Considerations	Common Options	Triggering Events	Funding Mechanisms	Tax & Other Considerations
Management Goals and Objectives	Internal Transition with Key Employees	Death	Cash	Stock Sale vs. Asset Sale
More Time is Better (5 to 10 Years)		Disability	Bank Financed	Future Earnings
Cover the Worst and Ideal Case Scenarios	Third Party Sale		Seller Financed	Accrual vs Cash Basis
Short Term and Long Term Considerations	Merger/Acquisition	Cessation of Employment		Accrual vs Cash Basis
Management Continuity vs Ownership Succession	Stock Swap	Prohibited Act	Private Equity/Investors	C Corp vs S Corp vs LLC
	ESOP	Divorce	Earn-out	Ordinary Income vs Capital Gain
Valuation Methodology	Transfer Within Family Unit	Retirement	Stock	Treatment of Goodwill
Voting vs. Non-Voting Interests			Life Insurance	
Cost/Benefit Analysis Modeling, Cash Flows, Tax, Etc.	Combination		Disability Insurance	
Risk Assessment			Combination	
Form/Structure (Rigid/Flexible)				
Simple/Complex				

Ingredients of a Successful Plan

- Must be based on the owner's objectives
- Experienced team of advisors to design and implement the plan
- Cash flow and a quantified business value
- Strong management team in place
- Time

Succession Considerations



What Do I Want?

- When do I want to leave the business?
- How much income or capital do I want in excess of my financial security need?
- Who will succeed me?
- Do I want my family to receive this level of income if I don't survive?