



# Managing your firm through the global financial crisis

## A Practical Guide To Surviving And Thriving In A Downturn

Succession and Retirement Planning

Volume 4

A tough economic environment can present challenges to business that will threaten their very survival. It can, however, also offer great opportunities for those organisations which are well prepared to weather the economic storm.



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All material contained in this publication is written by way of general comment. No material should be accepted as authoritative advice and any reader wishing to act upon the material should first contact HLB Mann Judd for properly considered professional advice which will take into account your own specific conditions. No responsibility is accepted for any action taken without advice by readers of the material contained herein.

#### Other topics in the “Surviving and Thriving in a Downturn” series include:

- Corporate Governance and Risk Management
- Managing Your Cashflow
- Using Strategic Analysis and Planning to Drive Business Improvements
- The Carbon Economy

## 4 Surviving – Succession and Retirement Planning

### 4.1 Are you 50 years of age or older?

Small business 'succession' involves transition of business ownership, through means such as:


- the sale of the business,
- generational change/succession,
- management/employee buy-out,
- liquidation of assets, or
- public listing (on the stock exchange).

Although most people view their business as part of their superannuation/retirement plans, there is often a lack of action by the business owner on preparing the business for their exit. This often results in the realisation by the business owner that their business is not worth as much as they thought, and the consideration paid for the business is insufficient for their retirement plans. For a family business, the transfer of ownership and control to a succeeding generation is even more important.

There is an overwhelming need for action oriented and practical business succession planning for members of the printing industry. The printing industry is the fourth largest sector of manufacturing in Australia with currently 4,650 printing organisations employing more than 115,000 people, and an annual turnover in excess of \$18 billion.

The bulk of the industry comprises of small business with approximately 85% of companies employing less than 20 employees. Many of these are family owned businesses, many with owners who are approaching retirement, but do not know how to deal with planning their exit and retirement.

The last study undertaken by *Printing Industries* revealed that 67% of respondents to the survey were 50 years or older, 71% rated business succession planning a priority and 64% of the respondents indicated they were planning to exit within the next 10 years. Another key statistic is that just 29% of those who consider succession planning important actually have a plan.



64% of members are planning to exit their business within 10 years.

## 4.2 Printing Industry Key Statistics

Other key findings of the survey were:

- 68% of respondent companies were classified as family owned businesses;
- More than 67% of the respondents were aged 50 years or more, with a significant proportion —24.5% aged 60 years or more;
- More than 71% of the respondents rated business succession planning a priority for their business;
- Over 31% indicated that they had no business succession plans;
- Of those that have some form of business plan, nearly half expressed a desire to update or improve said plan;
- Ensuring business continuity and a commitment of future business success were the main reasons cited for developing business succession plans;
- The two main reasons given for the failure to develop business succession plans were business owners not yet ready to retire and successors not yet identified;
- Almost 39% of business owners are planning to exit the printing and associated sectors within the next 6 years while approximately 64% are planning to exit the industry within the next decade.

## 4.3 Are you Retirement Ready?

Ask yourself the following questions:

- Do you know how much income you will require to meet living needs in retirement?
- Do you have a clear understanding of your businesses current value and areas that need to be addressed to improve the business value (and the options available for succession)?
- Do you understand the relationship between retirement funding and business realisation?
- Do you understand the need for succession planning?
- Do you understand what drives business value and the selling process?
- Do you have a clear understanding of the current market and future trends as they relate to small business?
- Have you developed any succession strategies?

If you can't answer 'Yes' to all of the above questions, now is the time to consider the following actions. Here are some helpful hints:

- Work out the timeframe between now and when you want to retire,
- Work out what your retirement needs are and the level of income required,
- Conduct a value audit of your business to get an idea of its current indicative worth and the key areas impacting business value,
- Put in place a plan to optimise business performance and therefore maximise business value,
- Identify and consider the different succession options, evaluate them and then put in place a preferred course of action; and
- Seek professional help.

**Remember selling your business usually requires you to agree to not work within the industry for a period of time –usually 3 years.**



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The HLB Mann Judd National Association consists of 6 member firms and 3 representative firms and has approximately 80 partners and 550 staff members. It provides a full suite of professional accounting, financial and business advisory services including business services, taxation consulting, corporate finance, financial services, carbon accounting, audit and assurance services and business recovery.

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HLB Mann Judd, trusted advisors to the printing industry.

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The Printing Industries Association of Australia (*Printing Industries*) with a history dating back more than a century, is the peak advocate and support organisation for companies operating in the print, packaging and visual communication industries in Australia.

The Association is an independent not for profit member based organisation, representing some 2000 companies nationally more than 90 per cent of which comprise of small to medium sized companies.

Reflecting the general diversity of the industry membership covers all imaging and communication sectors and includes printers, desktop publishers, graphic designers, prepress houses, publishers, software and hardware manufacturers and distributors, paper and paper board manufacturers, paper merchants, ink and other consumable suppliers, sellers of printing equipment, packaging and flexible packaging, paper converting, binding and finishing, communication and media services.

A national network of offices manned by 31 full time staff provides support and representation.



Enterprise Connect is a \$271 million program that aims to help Australian small and medium sized enterprises (SMEs), acquire the knowledge, tools, and expertise to help them become more innovative, efficient and competitive.

The first level of service offered through Enterprise Connect is a comprehensive Business Review. The Business Review is a thorough analysis of a firm, carried out on site, by skilled and experienced Enterprise Connect Business Advisers. It examines aspects such as:

- the strengths and weaknesses of the firm;
- potential areas for business improvement; and
- strategic business issues;
- potential areas for growth.

This is provided at no financial cost to the firm.

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