

# The Importance of Business Succession

David, aged 57 is married to Paula and has two children. David is in a partnership with Xavier who is 36, married and is expecting his first child shortly. David and Xavier run an up and coming architectural firm based in Melbourne. David is an expert in sales and knows all the right contacts within local governments to keep the new projects coming in while Xavier has great technical knowhow. Together they have built a thriving, growing business which is now worth \$2 million.

David is an avid bike rider and rides every weekend. One Saturday whilst taking a ride he is hit by a car and is killed. David leaves his assets including his 50% share to his wife Paula.

Gradually the new business pipeline starts to dry up and the business starts to lose money. David's family still need money to live and continues to draw money from the company whilst Xavier can't afford to hire a replacement for David as the company has no cash.

David's wife Paula has no interest in the business and doesn't have the necessary skills to be running the business but still expects to receive David's salary or to be bought out for a fair price.

Xavier goes to the bank to borrow money to pay out David's share but the bank refuses to lend him the funds as a number of key clients have left the business and the business is no longer making a profit. Xavier has no other option but to try and sell the business as a whole but is offered considerably less than its true worth. He decides that he has worked too hard to sell the business for peanuts and is determined to turn the situation around.

Within 6 months the business shuts its door and Xavier goes bankrupt losing his family home (as with most business owners he has personally guaranteed a loan to the business).