

Succession planning for sole traders

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While nobody likes to think about what might happen after they've died, it pays to plan ahead, especially considering the COVID-19 pandemic. Lalita Kauldhar proposes five tips for helping sole traders prepare their business and estate for life after death.

1. Treat succession planning as a process rather than a one-off event

As a sole trader, it is important to create a succession plan for your business, as well as your personal affairs. Could a staff member fill your shoes in the event of your death? If yes, why not start training them up today? Or consider entering into partnership with them. In this case, you would need to create a partnership agreement. Amongst other things, this sets out what would happen to the business if one of you were to die or lose capacity. It is important that you obtain specialist legal advice before entering into a partnership agreement to ensure it is tailored to your needs.

2. Include your business in your will

“AS A SOLE TRADER, YOU
ARE YOUR BUSINESS.”

This means that when you die, your entire business will form part of your estate and you can decide who will inherit it under the terms of your will. If you do not make a will, your business will pass to someone under the intestacy rules. Your business could then fall into the hands of somebody who does not have a business mind.

3. Think about who to appoint as your executor(s)

You should appoint someone who has the skillset to take over the running of your business, even if only for a limited time. Your executor(s) should understand your business and retain and realise its true value before it is passed on to your successor/beneficiary or sold under your will.

4. Make a list of your assets – and keep it up to date!

You should make a list of all your business's assets and liabilities and keep it up to date with your will. If you update it every year, it will help your executor(s) to administer your estate more efficiently.

The Coronavirus outbreak has sparked a digital revolution, with more businesses having an online presence than ever before. It is important to think about any digital assets you or your business may own, and to include them in your schedule of assets and liabilities.

5. Put Lasting Power of Attorney in place

Death is not the only reason you may not be able to work or manage your affairs. Illnesses such as Alzheimer's and dementia are on the rise. If you are temporarily or permanently incapacitated and therefore unable to work, a personal and business affairs Lasting Power of Attorney (LPA) will allow you to appoint someone to continue running your business or, if necessary, sell it while it still has value. It is very important that you consider making an LPA to cover this possibility.

If you are a sole trader, why not give private client lawyer, Lalita Kauldhar a call today to discuss your options.

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Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.

