Blogs
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Public Chatter

Spring Cleaning: Dissolve Unnecessary Subsidiaries

Following up on my blog entitled "**7 Rules of Thumb for Subsidiary Governance**," on your annual calendar of "to-do" governance tasks, you should include a check-in as to whether you have any subsidiaries that have remained dormant for some time and are unlikely to be used again. For some companies, this is easy. For some, it can be quite a task. I worked in-house at a company that had hundreds of subsidiaries. Working on the governance for those was a full-time job for one of our staff! To be able to accomplish this, you'll need to keep track of what your business needs are – and know which entities you need to accomplish those needs. You should be able to spot those LLCs and C corps that are just hanging around, that are no longer serving their original purpose. Of course, before you decide to pull the plug on a subsidiary, you should talk to some business people that were involved when it was initially set up or when it was operational to ensure they don't need it anymore. Make them aware of the costs involved in maintaining it. Many people don't realize how much a dormant subsidiary costs. On average, for each one, about $5,000 - $10,000 per year to handle legal, accounting, and banking costs. That adds up. You'll want to prune your subsidiaries as much as you can.

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