

Planning for the Future of Your Business

Special Concerns For Family-Owned Businesses

Like many family business owners, you may be faced with several tough decisions:

Who Will Be The Next Owners?

- Will your business be held for the next generation or sold, either before or after your death?
- If more than one of your children will own the company, who will be given primary control?
- If one or more of your children are not active in the business, how will you balance their inheritance?

In many cases, a family business is not an asset that should be split equally among all children. For those active in the business, inheriting ownership can be critical to their future motivation. Transferring an ownership interest to family members not involved in the business is often a recipe for disaster.

When And How Will You Transfer Control?

- Will you give up ownership or control now?
- Will you wait until later? If so, consider how future growth of the business may affect the gift tax cost of waiting.
- Will control be transferred after your death? If so, consider the estate tax cost and estate liquidity needs resulting from this decision.

Why An Independent Valuation?

Obtaining a business valuation is particularly important for family business owners. IRS regulations allow the government to challenge the value of your business for gift and estate tax purposes. Without an independent assessment of the worth of your business, your children may have to endure a long, drawn-out estate tax audit. An up-to-date valuation by a certified appraiser can prevent this.

Succession Planning Strategies

A wide variety of business succession techniques, tools and principles are available to help you accomplish your planning objectives. The appropriate strategies will depend on your individual situation and your goals. They may include:

- A buy-sell agreement.
- A will.
- Trusts.
- Partnerships.
- Discounted gifts.
- Life insurance.

Your business has reached its current level of success due to your action, follow-through and attention to detail. The succession planning decisions that you make now, or elect not to make, will be a major factor in deciding the future of your organization.

A team of professionals to include your attorney, accountant and financial advisor can offer the expertise and experience needed to develop and implement succession solutions to guarantee that your legacy and your business will continue.

By establishing a succession plan and assessing its effectiveness regularly, you can make your vision for the future a reality.