



Key Considerations in Succession Planning

There are six elements to consider when designing a succession plan for a family business: the Founder, the Family, the Business, the Management, the Ownership, and Governance and Tax.

Succession planning begins with the Founder. The Founder must answer several essential questions:

- Do I want to pass my company to my children? Why?
- What hopes do I have for my children? For my company?
- What does my spouse want for the future?
- How do I want to be remembered?
- Do I have my own personal 5-10 year plan?
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Given the complexity of these questions, the Founder must recognize that succession is a process not an event. Answering these essential questions and involving family members takes time.

With respect to passing the business to the children, some considerations might be:

- How much time will the next generation need to gain a better understanding and appreciation for the business? They will need to learn about the financial aspects of the business, decision making processes, conflict resolution tactics, and management principles.
- What are the possibilities for the children's involvement in the business? Although the Founder may want them to follow in his/her footsteps, the children's interests and talents may lie elsewhere. Remaining open to how the children can be good, responsible owners and possible managers of the business is essential.

Contemplations from a spouse's perspective may include:

- How will the transfer of the business ownership and management affect the children's relationships with their parents and siblings?
- How will the Founder's continued involvement with the business and succession impact retirement plans, both financially and personally?
- How can the business be preserved as a legacy for future generations?

Ultimately, succession is complicated, with many moving parts, and often involves the pursuit of more than one exit strategy. Seeking outside expertise with the process can make it easier. Advisors can educate the next generation, facilitate important conversations, coordinate connections with other necessary professionals, such as estate planning attorneys, CPAs, and insurance advisors, and ensure that the process continues to move forward.