



Family succession is a special subset of exit planning for business because family businesses include layers of additional complexity. The pressure of daily decision-making and implementation in a family business can add tension to every situation and especially to those associated with a transition.

There are multiple strategies to consider which include tax ramifications on the business, the sellers, the buyers, and the non-business children or other relatives. If you are considering charitable giving, the transfer of the business may be an excellent time to use charitable deductions to defer taxes on your business value.

Family Succession planning must consider all of the critical areas associated with the transfer of the business, including:

- Corporate governance and authority through the transition
- Inheritance limitations
- Preparing offspring for management
- Decision making processes between multiple children
- Debt and the family psyche
- Risk management through the course of implementation
- Dealing with non-family key employees
- Balancing inheritance with business value



The Three Circles of Family Business



The three circles refer to the engagement of multiple family members in a business to include a blood or marriage relationship, family members participating in management decisions, and at least one with an ownership stake. All three must be present in order for it to be considered a true “Family Business.”

However, all three factors together set up a structural conflict that is challenging to deal with. The change in one body not only alters the effect on itself, but also the effect on the others. It is particularly apparent when family members hold two roles in the business, both employee/manager and ownership.

The pressure of decision-making and implementation in a family business adds complexity to every situation. Family members know each other too well to make a completely unbiased analyses. You have to identify these three circles of influence especially when considering a transfer.

Take a FREE ExitMap[®] Assessment

The ExitMap[®] Assessment breaks down the four major categories of exit readiness by Finance, Planning, Profit/Revenue and Operations. To find out where you and your company stand in your level of preparedness, complete our online questionnaire: MPNInc.com/ExitMap.

