

The Curchin Group's *Family Business Advisor* e-newsletter Fall 2013

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Here's a sample of the type of useful information you can receive regularly from The Curchin Group's *Family Business Advisor* e-newsletter.

Why All Family Businesses Should Start Succession Planning Today

By Lynn Conover, CPA, CFBA

Succession planning is likely the most common topic presented by family business advisors and other experts, but for good reason. It is something every family business should do, yet less than 70% of them make it to the second generation, in part due to lack of a plan. Succession planning may seem overwhelming and too large and complex to approach. However, there are steps your family business can take today with many reasons as to why this shouldn't be put off any longer.



The "good" reasons family business owners have for postponing succession planning. There must be some convincing arguments to not start succession planning because so many family businesses forego this important step. Most of these are very human and subjective reasons, which are likely to crop up when the subjective nature of family mixes with the objective nature of business. Following are many of the imagined roadblocks:

- There is a lot of work to be done and simply not enough time to spend on planning for the future when there are concrete issues that need solutions now.
- Owners feel they are immortal, or at least do not wish to acknowledge the possibility of death, injury or a temporary absence - unforeseen or otherwise.
- There is plenty of time to think about succession planning as retirement is decades down the road.
- The mere idea of letting go of one's creation, the source of one's identity, is sometimes too much to bear.
- Putting into words the power and privileges some family members may

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receive – while others may not be included to the same extent or at all – is a recipe for family feuding.

- Everyone in the family is uncomfortable talking about mortality, money, ranking, and other topics that are part of a succession plan.

The good reasons family business owners should start the succession planning now.

Despite the arguments against planning listed above, a step back and an objective view can assist family business owners in seeing that a succession plan can actually prevent most of those issues, as well as help with others. Here are some solid reasons to the need for a succession plan, and to start it now rather than later:

- Time spent working on a succession plan today is a great time-saver in the long-run, and it fixes all the problems caused by not having a plan.
- Family business owners, like the rest of us, are not immortal. Accepting this fact will help with the realization that the business needs to be run when (not if) something temporarily or permanently happens to the owner.
- Planned retirement may be decades down the road, but see the immortality reason above for a reminder that anything can happen. And retirement planning is still planning – it must be done in advance in order to build the necessary wealth for financial freedom when the time comes.
- If the family business founder truly loves the creation that became the business and wants to see his or her values and mission maintained in the long-run, a succession plan can set up parameters, requirements, and indicate in writing what is most important to the business.
- Family members may fight over terms in a succession plan, but they are also very likely to fight when there is the



need for succession and no written plan. While handling family infighting has its own causes and solutions, spending the time to plan for the future and to give a head's-up to the family is more likely to prevent many skirmishes.

- Uncomfortable discussion topics such as money and mortality are natural. But these are common business topics that must be addressed. So, buck up and focus on the good of both the business and the family.
- Having a plan means there will be the opportunity to train successors, whether or not they are family members. Osmosis is not the best training method.
- Loving one's family and not wanting to worry them with these details while dealing with possible angst and grief caused by a transition is a reason for a succession plan, not against it.
- Careful planning, including estate planning with the succession plan, may help to preserve family wealth and avoid some taxes.
- If it turns out no one in the family wanted to be the successor and the business would have to be sold, the value of the business would be higher if planning occurred and different possibilities were taken into consideration.

First steps to starting a succession plan.

Once acceptance of the need of a succession plan has happened, the planning should commence without haste. A few starting points below can help the family business owner to begin this important process:

- Gather the key advisors (e.g., accountant, lawyer). Also, if the family business does not have any, now is the time to consult with a family business advisor. The professionals who have helped other family businesses with their succession plans can save precious wasted hours and avoid mistakes that a non-professional may make.
- Start the communications process with the family. Discuss expectations and desires of all involved members so planning will take these into consideration.
- Put emotions aside, and focus on the needs of both the family and the business.

No one succession plan will work for every family business, so working with a family business advisor can streamline the process and ensure every base is covered.

Contact me at Iconover@curchin.com or 732.747.0500 with questions about starting your succession plan or to receive a complimentary consultation with our family business advisors. ■

How Key Advisors Can Work Together to Benefit the Family Business

By Kimberly C. Melski, CPA, PSA

If your family business has achieved any measure of success, you already know that it couldn't be accomplished without the assistance of one or more trusted business advisors, such as an attorney or a CPA. To ensure continued success for the next generation and beyond, your key advisors should be called upon to work together to help you tackle upcoming challenges.

Your key advisors - the pieces of the puzzle. Your family business advisors likely weren't hired at the same time, and weren't introduced to each other at first. Starting a business, many people eventually hire an attorney and an accountant, then may add an insurance agent. Once the business is in full swing, the need for a business advisor may become prevalent. The original impetus to hire each one was likely for a specific need: the attorney helped set up the type of business (e.g., corporation, LLC, partnership), the CPA set up your chart of accounts and handles your taxes, and the insurance agent to obtain the proper coverage for the business.

Fitting the pieces together. Once your family business starts tackling the bigger and inevitable issues - such as succession planning - the need for your advisors to work together becomes more evident. You must have the goals and mission of your family business developed and communicated so that all parties know what their role is in executing the plan. Multi-layered, long-term planning will require many team members to be privy to the same underlying information. Although it may seem a major expense to pay to have multiple professionals attend the same succession planning meeting, having just one advisor attend may end

up being costly if all the variables are not addressed properly. Careful, thought-out planning is a common theme throughout successful family businesses.

When the pieces aren't interlocking. The term "trusted family business advisor" connotes more than just an outside vendor for the firm; it implies there is a closeness, a level of relationship more like family itself. And just like family, there can be jealousy about who is "most trusted." An advisor who isn't completely secure in his or her own competency or who doesn't have faith in the other advisors, may resist sharing the role of "trusted family business advisor" with anyone else. Of course this is not conducive to team-building, but the problem may not emerge until the other team members are in place. Resistance to sharing or openly working with other advisors may be a sign that this professional is not appropriate for your family business.

Picturing your advisory team - completing the puzzle. You now have what you know to be competent professionals serving all your advisory needs. Up to this point, you as the family business owner may have been functioning as the hub of the wheel and all your advisors as spokes - everyone

interacts separately with you but not with each other. It may be time to more formally arrange your advisors into a team. After all, you spend your time running the day-to-day operations and deciding your overall goals - you don't have time to then oversee all of the outside advisors as well.

An overall specialized family business advisor can work with your other chosen professionals under your guidance - attending important planning meetings, copying each other on their correspondence and progress, while keeping them all informed of the evolving wishes of the family business. As with all aspects of business, setting expectations and providing clear channels of communication will reduce or eliminate unwelcome surprises. When your advisors can focus on doing their "piece" in the puzzle, and not try to force their piece where it doesn't belong, your family business will be the picture of success.

Contact me at kmelski@curchin.com or 732.747.0500 with questions about getting your various players on the same advisory team or to receive a complimentary consultation with our family business advisors. ■

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For further information on The Curchin Group's Family Business Advisory Practice and its services, contact:

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