

Business Succession - Estate Planning for the Family Business Owner

It is inevitable that a closely-held or family-owned business will lose its primary owner to death or retirement (if not sold first, of course). It has also been shown that inadequate estate planning and failure to plan properly for the transitions to the next generation, coupled with lack of funds to pay estate taxes, are among the three leading causes for the failure of family-owned businesses. In 47.7% of those surveyed, the transition and ultimate collapse of the firm was precipitated by the founder's death.

There are understandable obstacles to initiating a business succession plan. Owners must be able to give careful thought to myriad emotional issues. The process requires a commitment of energy and resources, all of which must be guided by an organized strategy over some length of time. It is altogether too easy to defer tackling the matter until the family retreat (that never seems to get scheduled).

However, solutions and strategies are available to business owners. New choices for business entities, traditional and sophisticated estate planning tools, and financial options for the family (including retirement plans, business purchase funds and estate tax payment funds) are just some of the arrows in the quiver of a good estate and business planner. A primary consideration is whether the current business structure is the optimal one for creating a succession plan.

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