

It's More Than Just Money

By Brian Nagle and Jeffrey Davis

It is estimated that more than \$10 trillion in privately held business assets will transition to the next generation in less than a decade. This inevitable transition can create turmoil and also provide an opportunity to establish sustainable companies that contribute back to society and families for generations to come with proper planning. Focusing on the shift within families and the related business transition is essential to successful business and family harmony.

This delicate balancing act requires an understanding that it is about much more than financial assets. A business owner's planning is frequently focused on the financial aspects of their business and its transition; profitability, growth and day-to-day operations are key. However, too often a very important part of the equation – the family – is omitted. The family dynamic and the incentives that drive different family members are important considerations when one is thinking about structuring their business for transition or distribution of assets at some future date.

When a child or grandchild understands that a large sum of assets will be transferred in the future, it can serve

as a significant deterrent to fully realize their potential of contributing productively to society. In contrast, when proper planning designed around these issues is established, it can provide the proper incentives to have the same individuals attain their potential, contribute to society, build self-esteem and accomplish the many things that they're capable of.

In this context, not each family member in a family business brings the same skill set to the business and not everybody responds to opportunity in the same manner. Unstructured wealth transfers of assets are a mixed blessing rife with emotional challenges. Some family members are actively involved in the business, while some are not. It is a complex landscape to navigate for the family leadership making the long term decisions on behalf of the overall organization, and can their decision will impact their family for years to come.

Often this legacy planning for children and grandchildren is done without confiding in or involving them in the process. Good communication and a multi-disciplinary team of professionals are invaluable to proper structuring and transition.

Transparency within the family and the estate plan provides for more suc-

cessful navigation of the business transition issues faced by the business owner and the business enterprise. Business succession within an operating entity should not be a surprise, but rather it should be clearly mapped.

Good planning involves mechanisms on how to keep the business going with the help of both the key members of the management team and the family. Change is constant and collaboration within the family and the business facilitated with the help of trusted advisors will provide the foundation for multigenerational growth, prosperity and happiness.

The mission of the Family Business Association is to help family businesses achieve this success. We provide forums for businesses to collaboratively exchange knowledge and experiences and assistance in the formulation and implementation of best practices. We look forward to continually finding new ways to offer assistance, provide resources and facilitate communication. ■

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