



10 critical things you should know about Family Business Succession Planning

Succession planning for a Family Business is too often neglected with disastrous consequences. The future of the business is not the only consideration because it is also the impact on the Family that needs to be carefully considered. The starting point in this discussion is the question – what is more important, the family or the business? Every Family Business is different however it is how this question is answered that will set the scene for the following 10 critical points:

1. Start early – the sooner the better

The biggest mistake that is made time and time again is leaving it too late before starting your Family Business succession planning. If all of a sudden the person who has started the business and driven it for a number of decades is no longer there - either through death, illness, accident or even personal choice - then the business can suffer greatly. What is even worse is to never start the process.

Failure to plan early often leaves the next generation becoming disenchanted and frustrated and often they will decide to leave the Family Business and go off and do other things.

2. Document your plans. If it is not written down it does not exist

I have heard too often a completely different version of the succession plans for a business as explained by the incumbent and the heir apparent(s). It is important that everyone has a clear understanding of what the succession plans are. Plans can and do change and that is fine but you have to document them and if and when they do change document the changes.

3. Make sure that where possible appropriate people with a vested interest are aware of the succession plans

Whether the plans are set in concrete or in early stages of development it is important that all the appropriate people are involved in the process. That does not mean that everyone has to be involved from the beginning however as the process develops there will no doubt be additional people who need to become involved. When family relationships are good and everyone is working towards the same goals, discussions can be informal and amicable with participation from a wide range of family members however too often relationships are not great for a variety of reasons. In those times, it is often necessary to bring an outside advisor in to talk to the relevant players individually in order to try and determine what everyone is thinking and what their expectations are. I like to provide written question-

naires in the initial stages to gather as much information as possible about attitude and expectations. Not only does this help reduce time and costs but often it will enable the participants to look at the situation from a different point of view early in the piece and this can help when the group is brought together to try and reach a consensus.

4. Who will run the business once succession occurs?

Another question that causes so much concern. Competing ambitions and sometimes ego will potentially destroy not only the business but the family. It is critical that the proper processes occur in order to find the most suitable heir apparent to the incumbent leader/owner.

If the next generation is not quite ready to take over, it may be that the best course of action is to appoint an outsider to run the business for the short term until someone from within the family is ready.





One has to make sure that if family considerations take priority then the business does not suffer because the financial security of the family may be lost if the business fails or does not realise its true potential. On the other hand many family businesses believe that family always comes first even to the detriment of the business.

5. Make sure your business is always operating as though you are trying to sell it

While this is very important for all business owners at any time, it is even more important when considering succession planning. Family Business will not always be transitioned to the next generation – sometimes the family decision will be to sell the business (or even in extreme conditions close the business down and realise the individual assets).

If the business is not ready for sale and circumstances unexpectedly change which require a quick sale the result can be disastrous for the family and the business.

You cannot all of a sudden change a poorly managed and/or non-profitable business into one that will realise the maximum sale value.

6. Make sure you have an up to date and relevant Will

So critical but so often there is no Will or if there is one it is completely out of date. Seek appropriate financial and legal advice and update your Will as circumstances dictate. Consider the need for a Power of Attorney and/or a Testamentary Trust.

7. Ensure you have a Shareholders Agreement if there are other existing shareholders

Where there already exists shareholders from different generations or families one of the most critical aspects of succession planning is to ensure that a relevant and up-to-date Shareholders Agreement exists.

8. Review your Succession Plan on a regular basis

Review and amend your Succession Plan as required. Meet with your pro-

fessional advisors at least once a year to review your succession plan especially if your business and family affairs are complicated – and you are approaching “retirement age”. Remember there are no black and white rules for this – each situation is different.

9. Family Trusts and corporate Trustees require special consideration

While Family Trusts are an important aspect of owning and running a Family Business, there are complications which have to be considered when it comes to succession planning for the Family Business. Providing certainty to the next generation can often come down to the question of who controls the Trustee of the Family Trust. Speak to you Legal people about this one.

10. Be aware of the Family Provisions Act

This is a particularly complicated and some would say draconian piece of legislation that does not sit well with many successful business owners. Even the most carefully planned and well documented succession plan can still be challenged by a disgruntled family member. Another one for your legal advisor.



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As an accredited Family Business Advisor with over 40 years experience, Graeme assists family members manage their internal and external relationships positively, protect family and business interests, support growth and succession and maximise the value of the business.

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