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BUSINESS**

THE 5 MOST IMPORTANT THINGS YOU NEED TO KNOW ABOUT FAMILY BUSINESS SUCCESSION PLANNING.

Succession planning in Family Businesses is frequently ignored, leading to disastrous outcomes. The future of the business is not the only consideration because it is also the impact on the family behind the business that needs to be carefully considered.

TO KICKSTART THE DISCUSSION, THE PIVOTAL QUESTION ARISES....

WHAT IS MORE IMPORTANT, THE FAMILY OR THE BUSINESS?

While each Family Business is different, how this question is answered sets the stage for the ensuing five important points :

1. START EARLY – THE SOONER THE BETTER

Begin early – the earlier, the better. One common mistake repeatedly made is delaying the initiation of Family Business succession planning until it's too late. Suddenly losing the individual who initiated & steered the business for numerous decades - due to death, illness, accident, or personal choice can significantly harm the business. Even more detrimental is neglecting to commence this process.

Not initiating planning early & frequently can lead to the next generation feeling disheartened & frustrated, often prompting them to depart from the Family Business & pursue other endeavours.

2. DOCUMENT YOUR PLANS. IF IT IS NOT WRITTEN DOWN IT DOES NOT EXIST

Put your plans in writing. While plans are subject to change, it's essential to record them. If alterations occur, document those changes as well. Frequently, I've encountered a substantial variance between the incumbent's explanation & the heir apparent(s)' description of the business's succession plans.

It's crucial for everyone to have a clear understanding of these plans. Whether the plans are set in concrete or in the early stages of development. It is important that all the appropriate people are involved in the process.

When family relationships are good and everyone is working towards the same goals, discussions can be informal and amicable. Unfortunately, this is too often not the case, especially when there is a wide range of family members involved. In those times, it is often necessary to bring an outside advisor in to talk to the relevant people individually or in small groups to try and determine what everyone is thinking and what their expectations are.

3. MAKE SURE YOU HAVE AN UP TO DATE AND RELEVANT WILL, AND SHAREHOLDERS AGREEMENT?

Many individuals either lack a Will or possess an outdated one. It's advisable to seek suitable financial & legal counsel & revise your Will based on changing circumstances. Contemplate the necessity of a Power of Attorney, Enduring Power of Attorney, Advance Care Directive etc. where appropriate.

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.

4. WHO WILL RUN THE BUSINESS ONCE SUCCESSION OCCURS?

Another pressing issue that sparks significant concern revolves around competing ambitions & sometimes egos, potentially jeopardising both the business & the family unit. Implementing proper procedures becomes crucial to identify the most suitable heir to succeed the incumbent leader/owner.

If the next generation isn't adequately prepared to take the reins, appointing an external candidate to manage the business temporarily might be the most prudent step until a suitable family member is ready.

Many family businesses believe that family always comes first - even to the detriment of the business – however if this happens & the business suffers the financial security of the family may be lost.

Don't employ family just because they are family - they must be the right person for the position!!

5. REVIEW YOUR SUCCESSION PLAN ON A REGULAR BASIS

Regularly assess and adjust your Succession Plan as necessary. Schedule annual meetings with your professional advisors to thoroughly review your succession plan, particularly if your business & family matters are complex. This becomes especially important as you approach "retirement age."

Even the most carefully planned & well documented succession plan can still be challenged by a disgruntled family member & where there are blended families involved, which is very common these days, protecting the next generation can be problematic if not dealt with properly.

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To book your no obligation initial meeting with Graeme & set your business up for success please contact him directly on the details below.



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