Eight Steps to Building a Successful Transition Plan

Transitioning a family business is a delicate, time consuming and potentially hazardous undertaking. There are numerous tax and non-tax factors to consider. Common complexities include how to handle family members that work in the business vs. those that do not, and liquidity issues that inevitably arise when the bulk of the family's wealth is tied up in the productive assets of business. When embarking on this journey, consider the following suggestions:

1. Give deference to the unique talents, interests and needs of each family member. Rather than arbitrarily dividing the wealth equally, rationally assess the particular needs of each family member. Look at each individual's goals, objectives and ability to handle wealth.
2. Empathize with those who contribute to the success of the business. Put yourself in the shoes of family members who have helped build the business with their talent, sweat and tears. Is it fair to divide the business equally among the participating and non-participating family members alike?
3. Time to diversify? There is a great deal of truth to the adage "Avoid putting all of your eggs in one basket." Is there wealth outside of the business that can be transferred to non-participating family members? If not, it might be just another message that it is time to diversify.
4. Buy-out non-active family members. If dividing your business among all family members is your ultimate decision, consider a plan that includes a means by which the active members may buy-out the non-participating family members.
5. Don't let taxes wag the dog. Taxes are important. However, they should not be the driving force in developing your succession plan. First, identify your goals and objectives for the business and your family. Then, investigate strategies for tax minimization.
6. Get expert advice. This typically means accessing one or more of the following professionals: attorney, accountant, trust officer, financial planner and business appraiser. The bottom line is that the final product requires the expertise of professionals who do this type of work for a living.
7. Communicate the plan. As soon as reasonably possible, meet with the family to communicate the plan. The purpose of the meeting is not necessarily to gain approval, but to outline your goals, explain how the plan meets the goals and answer questions. It's best to get everything on the table as early as possible rather than wait for someone to be surprised.
8. Revisit the plan. Never put a plan to rest. To meet ongoing changes the plan must be regularly reviewed and updated.

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“What do you want to do? What do you want to be? What do you want to have? Where do you want to go? Who do you want to go with? How the hell do you plan to get there? Write it down. Go do it. Enjoy it. It doesn’t get much simpler or better than that.” Lee Iacocca