



## THE PRIVATELY HELD BUSINESS

# Are you and your family ready for a business transition?

### Four issues to consider when transitioning your business to a family member

A challenge for any business owner is knowing when and how to transition leadership. If you run a family business, the decision can be even more complex as family harmony and relationships are often at stake. If you have a strong desire to keep your business within your family, the following considerations can help you prepare for a successful transition.

#### 1) Your readiness

Determine whether you are personally and financially ready to transition the business to the next generation:

- Will you be able to retire when you want?
- What means of financial support do your children have?
- How comfortable are you with giving up control, and do you have a capable successor?

**TAKEAWAY: Giving up ownership and control of your business is both a financial and an emotional decision.**

#### 2) Your successors' readiness

Determine whether the next generation is ready to sustain and grow the business when you're not at the helm:

- Which of your children are competent to run the business, and are they willing?
- Are your children prepared to invest the time and capital needed to grow the business?
- Will you treat your children equitably or fairly? (There's a big difference.)

**TAKEAWAY: The next generation must be willing/able to take over the business before they assume control.**

#### 3) Your family's harmony

Find a way to maintain family harmony while determining the best succession plan for your business by considering:

- Can you meet the demands of the marketplace while preserving harmony?
- Do any of your family members oppose your decision?
- Are you willing to have difficult discussions with your family about succession planning, and do you need to engage a third party to facilitate these conversations?

**TAKEAWAY: Involving your family members in the decision-making process may be critical for the long-term success of the business.**

#### 4) Your financial planning options

Determine the value of your business and how to structure the transfer to the next generation most efficiently.

- Have you obtained a business valuation and a valuation of your non-business assets?
- Do you have a team of advisors that can help you identify the best transfer technique?
- Can life insurance be used to facilitate the transition?

**TAKEAWAY: There's no single "right" way to transition a business to the next generation. Consider all options and engage trusted advisors to determine the best approach.**

While it is a major, life-changing event, if done well, passing on a business has the potential to allow you to realize your business, family legacy and philanthropic goals after years of hard work. **For more information, visit our *The Privately Held Business* resource page.**