

## QUESTIONS FAMILY-OWNED BUSINESSES ARE ASKING (AND WHY TO ASK THEM)

### **Am I willing to give up some control over the business?**

At some point, someone else will be leading your business. "One day" isn't the ideal time to prepare them for that leadership – it's useful to start thinking about it.

### **If I die unexpectedly, can the family continue running the business?**

The family needs to be prepared and equipped to be able to continue stewarding the business when you're gone – especially if it's unexpected. Also, if you're gone, the family may be facing some liquidity issues. For them to continue running the business, provisions will need to be made to fund it and there are a few options to think through.

### **Will I have enough income when I retire?**

This becomes especially important in a family-owned business where resentment can build if senior family members take cash from the business to fund their retirement, to the detriment of younger family members. Some careful thought and planning can help.

### **Do I have a business succession plan that will protect the family and the business?**

Succession plans aren't just about the business. In the absence of one, a family can go into chaos as it struggles to handle the business while trying to handle its own dynamics. Planning out the succession can smooth out the succession.

### **If I die unexpectedly, will my partners pay my family a fair price for my business?**

When you are gone, you need a mechanism to ensure that your family is treated fairly by your partners. Do they have a way to do that?

### **How will my share price be determined when I want to leave the business?**

There are many ways to value a business, including:

- Book value
- Appraisal value
- Multiple of earnings
- Cost of hard assets
- As agreed upon

All of them have pros and cons and should be decided early on – not at the last minute.

### **Do I have a plan for management succession?**

It's one thing to address who will own the business in the future, but knowing who can successfully run the business is very different. Both require planning.

### **Does my succession plan address the fact that different children with different abilities or interests are working in the business?**

It can be challenging to develop a plan that addresses the different needs of different family members. But, with good planning, often times family conflict can be avoided before it activates.

### **What will be the tax implications of passing the business on to my family?**

Taxes need to be a prime consideration because they can have such an impact on the business and the family. It's worth ensuring you've covered all your bases.

**Can I pass on my estate but still keep control while I'm alive?** You may want to control things while you're alive, but start passing assets on to various family members. It can be done in advance, and requires some planning.