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Does Your Family Business Have A Succession Plan?

Family-run businesses form an essential part of the economy. Tradition, success, history, and their unique dynamic can create a thriving business that many may wish to see continue.

However, as with any business, the conversation about succession and how to continue the business into the future needs to be had.

With only 1 in 4 family-operated businesses considering their approach to succession formally, succession in a family business is one of the greatest viability risks to the actual business and needs to be addressed accordingly.

Family business succession maintains the strong connection between the two most important things in a family business owner's life; their business and their family.

Every family and family-run business is unique, and every transfer or succession of a family business will also be executed differently. If you are thinking about what your family business's plan is for succession, you may want to consider keeping these critical factors in mind:

- Where is your business going? What do you want for your family and business? What are your goals and your time frames for achieving those goals?
- Is the vision you have for your business shared by your family?
- You must understand each individual's perspectives and motivations that the succession impacts. Ongoing communication is vital to gaining this understanding, but an advisor can be employed to unbiasedly look at the situation independently and take the emotion out of a conversation.
- Create a plan to plot out the path of the business's future, the challenges it may face along the way, and what it is currently facing.

- **It's important to remember that a family business does not have to be succeeded by a family (though it's an outcome you may want). Always consider what your family members wish to do, and consider alternatives if none wish to take over the business.**

A succession plan for a family business needs to be created to move forward. It should detail all of the actions you intend to take (including the steps involved with both management and ownership succession).

It needs to be flexible, adaptable and ready to evolve as businesses (as well as families), change over time. Your succession planning process should be transparent and understood and align with the goals set for the business's further development across the generations.

The most effective succession plans:

- **Preserve and generate family wealth**
- **Minimise disharmony and disruption**
- **Minimise the impact of tax**
- **Encourage personal growth of family members**
- **Fund the retirement and family lifestyle**

In a family business, communication is critical. A lack of early, constructive communication and planning on succession results not only in disagreement between family members and personal stress but also leads to business underperformance and potential erosion of family wealth.

Ensure that all aspects of the succession plan are conveyed to the appropriate parties and that they understand their roles and positions.

Want to know more about how succession planning could assist you with your life goals? Speak with your trusted advisors in preparation for this step.

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