

You Have Options

What if you could leave your business to those children best able to run it without overlooking the others?

What if careful planning allowed you to treat all of your children in a manner that felt "fair" to you without having to make everything totally "equal"?

What if you could provide tax-free income to one child to offset business income received by another?

What if you could equalize unbalanced assets in your estate so that your plan took care of heirs as you wanted?

What if you could set up an arrangement that created dollars needed in the future for pennies on the dollar today?

Let's Talk

There are several powerful strategies that can help you accomplish these, and many other, business planning goals. Let's sit down and talk and you can decide if any of these strategies might be of interest to you.



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Beware of Business Financial Hazards

Part 4

*Strained Relationships and Financial
Disparity: Could the Transfer of Your Family
Business Have Unforeseen Impacts?*

The Family Business

For many business owners, keeping their company in the family and ensuring the financial success of the next generation is a high priority. Without careful planning the hard work required to build the business in the first place can be unraveled by family-successors' disagreements, misunderstandings, and feelings of financial unfairness.

Is your business a large portion of your net worth? Do your children want to be part of the family business? Would any of your children have a hard time working together? Are any of them pursuing other careers paths or goals? Do they all have the ability to make sound financial and management decisions? Do you think they should have to work as hard as you did in order to appreciate the income they receive?

Advanced Planning Group

If kids feel slighted, could that affect what they remember about you, or whether they will feel comfortable being together at future holiday meals and gatherings?

Some owners may not have had the opportunity to consider the different motives of children who work "in" the business, versus those who might own, but be "outside" the business.

Let's look at a hypothetical example.

Could the way that your business transfers to the next generation have an impact on its continued success, and on the financial future and relationships of your children?

Ristorante, Inc. is a renowned, family-owned restaurant specializing in fine Italian cuisine and high-end catering services. Sofia is the hard-working owner and operator. She has three children: Antonio who came to work for the family business after he finished his MBA, and twin young adult daughters (Gabby & Sabrina) who are pursuing other careers at Top School University.

For Sophia, passing on the family business to the next generation could potentially ruin family relationships, and drive a wedge of financial inequity between the children and the memory of their mother.

Let's Look at the Numbers

Let's look at some of the challenges arising from the different ways Sofia's assets and business could transfer down to Sofia's children.

\$4.5 million (Sofia's net worth)

- **\$3 million** (value of the business)
- **\$450k** (Sofia's annual business income)

67% of Sophia's net worth is the business!

Estate distribution options:

1) All Assets Equally to All the Children
(\$1.5 million, annual income \$150k each)

Potential for strained family relationships:

- *Twins don't have to do any work to get income.*
- *Child in the business won't have voting control.*
- *Hard work by child in the business increases the wealth of those who had to make no effort at all.*

2) Business to Antonio (\$3 million, all the income);
Remainder to Gabby & Sabrina (\$750k/ea, no income)

- *67% of the wealth and all the income to one.*
- *Only 33% split between two, with no income.*

3) Find a Way to "Equalize" without Harming the Family Business or Family Relationships!

In other words, without taking the right steps, it could be difficult to devise a plan that provides for the children, preserves family harmony and helps ensure future business success.