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Avoid This Business Succession Scenario by Answering Six Estate Planning Questions

Jerry Newman sat nervously in his advisor's office. Until the day before, he had been president of Newman Manufacturing. Now he was out of a job and felt like a victim. The targets of his wrath were his younger sister and his mother. They had forced him out of the business.

Jerry's Story

After his father's death, Jerry had received 49% of the stock in the family business. Another 49% share went to his sister. The remaining two percent-the swing vote-was held by their mother.

Jerry's father brought him into the business early and taught him well. After the founder's death, Jerry assumed all responsibilities for sales and became the key person in the business. His sister, Grace, handled the bookkeeping and other administrative matters. Her husband managed the service department.

Despite the economic slump that hit the region, the business persevered under Jerry's stewardship. It had a long-standing tradition of service and good name identity because of the hard work and innovation of the elder Newman.

Because of his dedication to the business, Jerry had not spent much time nurturing family relationships. He was less a devoted son to his mother than was his sister a devoted daughter. As their mother aged, she became increasingly susceptible to the influences of her daughter. Family friction continued. A confrontation was inevitable.

Jerry had always assumed that his superior abilities and position as president and board chairman would enable him to win any family showdown. He was wrong. At a special meeting of the board of directors, Jerry was removed from his posts, fired as an employee, and given three months of severance pay-after 25 years in the business.

Jerry naturally felt victimized...but not so much by his sister and mother as by his deceased father. By failing in the most important remaining task in his life-to plan his estate-the elder Newman made his son an unintended victim.

How to Avoid This Succession Scenario: Six Questions

The unfavorable business transition experiences described above in the hypothetical case study may have been avoided had Jerry's father, with the help of an experienced advisor, asked and answered six critical questions.

- How can I provide for an equitable distribution of my estate among my children?
- Who should control and eventually own the family business?
- How can I use my business to fuel the growth of my estate outside of my business interests?
- How do I provide for my family's income needs, especially those of my spouse and dependent children, after my death?
- How can I help preserve my assets from the claims of creditors during my lifetime and at my death?
- How can I minimize estate taxes?

An owner's thoughtful answers to these questions, followed by appropriate implementation, may well prevent a similar experience in your family and support a smoother business transition for all parties involved.

For more information or to learn how L. Harris Partners can help you plan your exit:

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