



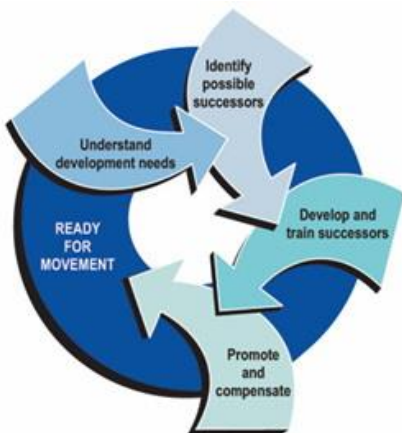
# Family Business—Laying the Groundwork for Success

## *Ensure Your Legacy*

Is your growing business still a one-person operation? As your company continues to grow and the workload increases, it is easy to find yourself wearing too many hats and not having enough hours in the day to accomplish everything that needs to be done. At such a turning point, many small business owners turn to their families for help.

### **Explore the Possibilities**

Involving family members in your business isn't a course of action to take lightly. If you are considering this option, it is best to approach it as seriously and professionally as you would any other business venture.



Begin by exploring the following questions with your family and key advisors:

- Do family members want to be involved in the business?
- What are their individual interests, talents, and areas of expertise?
- What positions would they hold within the company?
- How would they be compensated?
- How well do they interact with one another?
- Who would be best qualified to succeed you if you were to step down or something unexpected were to happen to you?
- What ownership shares would both participating and non-participating family members receive?

## Elements of a Succession Plan

Once you've determined that family members are interested in becoming involved in the business and have the skills and talents to contribute, consider developing a **succession plan** that details strategies for transferring business assets or selling the business. With the help of your advisors, consider such factors as your age and health; the ages of your spouse and children, as well as their interests, talents, and expertise; and the expected growth rate of your business.

Next, formalize your succession plan with a funded **buy-sell agreement**. This legal contract will obligate family members or other parties to buy out your share of the business for a predetermined price should you die or become disabled. Buy-sell agreements are typically funded with **life insurance**. If left unfunded, family members or the company (depending on the type of your agreement) may not have the cash or the borrowing ability to buy out your interest. This could put an end to your company.

Ownership can also be shared with family members through a gifting strategy. You may be able to reduce gift and estate taxes by using your **annual gift tax exclusion** (\$15,000 for single filers and \$30,000 for joint filers in 2018) and your lifetime

**applicable exclusion amount** of \$11,180,000 (in 2018). Careful planning is essential to help ensure that these gifts aren't drawn back into your estate.

Ideally, a succession plan should also include a business plan with short-, medium-, and long-term goals. The business plan must be based on realistic budgets and financial forecasts that are compared to actual results on a consistent basis and adjusted for changing conditions.

Remember, business advisors and other non-family members can also play a key role in the success of your company. Inviting non-family members to serve on your board of directors can open the door to fresh ideas and new perspectives. Non-family members may also be more objective, allowing them to help mediate family disputes involving the business.

## Ensure Your Legacy

A well-designed succession plan can help lay the groundwork for the successful development of your family business. It can support your company's growth and help ensure its continuity. Consult your qualified life insurance professional to help ensure that your plan meets your overall objectives.

