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Things to Keep in Mind as You Plan for Transition

We live in amazing times. Technology has not only reduced barriers to starting a company but also lengthened the time-frame in which to do so. People are healthier for a longer period of their lives leading them to living longer, fuller lives generally. Many are willing to slow down but reluctant to retire. For some, staying in the game and mentally active as long as possible is part of the ‘bucket list’ and key to a fulfilled life.

An entire generation of CEOs of family businesses in their 60s and 70s are looking forward to their next adventure or project. Of course, we are often surprised to see in our advisory practices how many of these ordinarily sophisticated business people give little or no thought to the management of their business affairs after they pass on.

This is particularly true where there are transactions that will last long after the death of the business principal and will need attention to manage and complete, or where there are partnerships or relationships that are difficult (or impossible) to unwind or split. After death, who will remember the all-important side deal that you struck with your partner?

No one likes to talk about death, and discussions around mortality are highly sensitive and fraught with emotion. Conversations about the management of a family business or estate can be additionally painful as they require an honest assessment about the capabilities of those who will survive and carry-on. Can they, will they, or do they want to carry on the necessary work?

Procrastination is the most human of reactions, and for most, these discussions are delayed as the urgent work of the day is prioritized. Even for those that meet the challenge head on, the road is full of twists and turns. This is not surprising at all. After spending decades building a successful enterprise, no one should think that wrapping up all the loose ends can be done overnight.

Sound familiar?

Planning for the future is not easy but it need not be fraught with sleepless nights or complex structures, little of which you will benefit from nor see the results of after you are gone.

The risks of getting it wrong can be severe, however. We have seen fortunes squandered, and families ripped apart fighting over matters that could have been dealt with beforehand. In the absence of a matriarch or patriarch to rule on a matter, finding consensus is difficult, and we all too often listen to the lesser angels of our nature.

Transition issues are complex, and you don't need to run the marathon overnight. You can, however, start moving towards a resolution by taking a few early steps. Below are a few pieces of sage advice that we have gleaned from our experience from the front lines.

1. **Communicate** – Talk to your partner and talk to your kids. Find out what the next generation is thinking. There might be a successor to your business that you have not thought of. It may be the reality that no one wants to take over the business. Children may not want a financial relationship with each other forever. Your spouse may really want to retire to some place where they don't need to deal with any of them. Your life is not a failure because no one wants to walk in your shoes.

2. **Don't Assume Anything** – Just because your children have been watching you raise a family and run a business over the years, don't assume they know anything about what you do. You probably have forgotten more things than they know. Don't assume they know how to deal with your advisors, partners or any of the millions of matters that have crossed your desk. Also don't assume they will deal with any of those matters in the same way as you have (See Rule 4 below).

3. **Empathize** – Have some empathy to the needs of your beneficiaries. They may have a different reality from the one you grew up in and might have different interests and motivations. Try to put yourself in their shoes and make choices that you want but, most importantly, they can live with.

4. **Don't try to rule from the grave** – For people that have spent a life in control, this is often the hardest message to hear. You might know better than your beneficiaries, but that doesn't make any difference when you are not around to enforce your will. Consider your legacy carefully. Remember that the words you write down, and the plan you leave behind, will be (for better or worse) how your descendants will remember you.

5. **Plan** – Despite all of your best efforts and every medical miracle, you will not live forever. If your deepest desire is that your legacy should continue after you die, then you need to plan around the issue. Bring your beneficiaries into your confidence, so that they know as much as you do, and they are ready when you are not around to answer the questions they will have.

6. **Choose your advisors wisely** – There are good lawyers and not-so-good lawyers, just as there are good accountants and not-so-good ones. Hire advisors you trust and most importantly your beneficiaries can work with. You may even want to consider a different advisor to your current one (although they can certainly be part of the conversation). Your current advisor has spent a lifetime defending you and your interests, and may not be the best choice to assist the next generation. Allow your beneficiaries to form the trusted-advisor relationship that you had the benefit of during your career.

This article has been prepared for the general information of our clients. Specific professional advice should be obtained prior to the implementation of any suggestion contained in this article. Please note that this publication should not be considered a substitute for personalized tax advice related to your particular situation.

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