

THE PERSONAL SIDE OF YOUR BUSINESS

Once upon a time there was a thriving business developed by an energetic, creative entrepreneur. He passed his business knowledge and enthusiasm on to his son, who continued to tend it well and even made it grow. The son grew older and his children—two sons and a daughter—began to look at the family business, as well as their own futures.

Where does the story go? Is it a tale of your family business? Many business owners put off decisions about the future, believing in the “happily ever after” scenario—that all family members will be dealt with “fairly” when the need arises, and that all will be dedicated to the continuation of the business.

THE GOOD NEWS

There are many positive aspects of being part of a family business. Relative (no pun intended) job security and financial benefits are two that readily come to mind.

Other “positives” include less public scrutiny and more privacy from competitors, as well as less concern regarding takeover possibilities. The business may reflect the strong personality of the owner and his or her commitment, which can be another “plus.” Employees may even be more loyal and appreciative of reduced bureaucracy than might be the case in a larger, publicly-held firm. In addition, family members, who have grown up in the business, may bring a level of competence to its management that would be unavailable otherwise.

ON THE FLIP SIDE

There is a possibility that decisions in a family firm may be made on an emotional basis rather than on sound, practical business sense. Family members may feel uncomfortable voicing their opinions to parents or siblings.

Job security can become nepotism, leaving valued non-family employees feeling underutilized and overlooked.

Family members may take advantage of their financial positions within the company, such as using business reserves for personal needs.

The owner may have difficulty planning for the day when he or she will leave the business, thus avoiding decisions about the future and leaving all employees—family and non-family alike—unsure of their futures.

In addition, family members not involved in the business may become involved during an ownership succession. This may or may not bode well for the overall health of the business.

WHAT CAN YOU DO?

The first step is to recognize that, as the owner of a family business, you have a dual responsibility: 1) to your family and their future security; and 2) to the business that provides a livelihood for many. Once recognized, both responsibilities can be planned for, typically with solutions that will support each other.

The counsel of a knowledgeable financial professional will be of great importance as you plan for the future of your family and your business. A comprehensive business plan may involve the creation of trusts, coordination of retirement funds and pension benefits, and the purchase of life insurance.

A professional experienced in business succession should also be part of your advisory team, and he or she may suggest the formation of a family council to look at the current and future aspects of your business. Your team can discuss all a buy-sell agreement, management responsibilities, and strategic business plans.

Once these proactive steps are taken, a “happy ending” may result in the continuation of your business and beneficial results for family members and trusted employees alike.

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