

The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

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Does Your Client Know Who She Wants to Run Her Business After She’s Gone?

Many of my clients have spent decades building businesses right alongside raising families. They’re entrepreneurs, and I love that about them.

For as much calculating thought as clients put into running successful businesses, many don’t think about who’s going to run the place after they’re gone – whether by retirement or death.

They haven’t asked themselves how much money they might need in order to exit the business (retire) or under what terms they would transfer the business (sell). If they plan to sell, will the buyer be a relative, an employee, or someone outside the picture?

It behooves us as advisors to help our clients realize the critical importance of proper succession planning.

“I Thought Junior Would Take Over”

Many mistakenly fall into a common trap of assuming one of their children will step in and carry on the family business. But let’s face it – sometimes our kids think our jobs are boring and want no part of it.

I know an optometrist, David, who wants to retire soon and regularly prods his adult daughter to take over managing his successful practice of three offices. He wants to hire another eye doctor to serve his patients, and to receive income from the business during his retirement.

However, his daughter has never expressed any interest in running the business. She has a graduate degree in literature and enjoys teaching. Eventually, David, who is in his early 70s, will have to stop working. He’ll be forced to sell his practice for less than it’s worth, or shut it down and miss out on any retirement income because he didn’t do any reasonable succession planning.

Nobody Wants a Family Feud

On the flipside, more than one child might want to take over a client’s business, and the subsequent conflict could tear the family apart.

For example: Tim ran a successful manufacturing company that makes pneumatic tubes. After he died, he left the business to his wife, Sue, with a small percentage of shares also left to each of their three children.

Sue is ready to retire. Their oldest child, Rick, has worked in the business since college and has managed it alongside his mother since his father’s death. Rick wants to buy out his two sisters so he can run the factory on his own. While

she’s never managed any part of the business, his sister Kelly decides that she wants the same thing. Unfortunately, they have no desire to run it together, and Kelly refuses to sell her shares for less than a grossly inflated price.

Sue wants to keep the business in the family, but she has been unable to broker a decision that either side sees as fair. A legal battle is looming.

Don’t Put It Off, Do It Now

In the two examples I’ve shared, we have a father putting off succession planning to his own financial detriment, and a mother too afraid of hurting anybody’s feelings to make a decision that’s best for the business.

Both situations could have been avoided through proper planning. I encourage you to talk to clients about what they want to have happen to their businesses after they’re gone. Show them what might happen if they don’t start to make some important choices now.

As always, I hope that this article has helped you and your clients. If there is a specific case or concern you’d like to discuss, please contact our office.

Workshop Schedule

The Truth about Estate Planning

Usually Tuesday nights, 7:00 pm
(Please call for current dates)



IRA Preservation Planning

Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!

(Please call for current dates)

On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to [Medicaid](#) laws ever enacted.

Medicaid Planning Workshop

The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.

Usually Tuesday nights, 7:00 pm

(Please call for current dates)

Registration: Contact Mary Lang at (847) 367-4460

<http://eblawgroup.com>

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We invite you also to direct your clients to
http://eblawgroup.com/FAQ_medicaid.htm
for more information on Medicaid Planning.