Keep Your Family Intact with Proper Estate Planning

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It can be difficult to consider what will happen to your business and your family if you die unexpectedly. Without proper planning, you could be leaving your family and/or key stakeholders in a huge mess. Proper planning allows you to keep your business on the right path even after an unexpected tragedy leaves you unable to continue running your business.

Estate plans focus on transferring assets upon an owner's death. A successful estate plan achieves three important personal goals:

1. **Financial Security:** For the decedent's heirs.
2. **The Right Person:** The decedent (rather than the state) chooses who receives his or her estate assets, including ownership of the business.
3. **Estate Tax Minimization**: Reduces the government's bite, leaving more funds for the decedent's heirs, when estate taxes are a factor.

Estate planning can also be a tender topic for business owners because they will occasionally need to decide which family member is the most appropriate candidate to continue running the business after their death. Families have been torn apart over poorly executed estate plans. Consider the hypothetical example below.

Jonah Kaczmin sat nervously in his office. Until the day before, he had been president of Kaczmin's Electronics, one of the region's largest electronic component distributors. Now he was on his way out of a job and felt he was a victim. Naturally, his first thought was to sue those responsible for his misfortune. The targets of his wrath were his younger sister and his mother. They had forced him out of the business, out of a job, and felt he was a victim.

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

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

Despite the economic slump that hit the region, the business persevered under Jonah's stewardship. It had a long-standing tradition of service and good name identity because the elder Kaczmin had pioneered new packaging and distribution methods.

Because of his dedication to the business, Jonah 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.

Jonah 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, Jonah was removed from his posts, fired as an employee, and given three months of severance pay—after 25 years in the business.

Johah 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 and the future of the business—the elder Kaczmin made his son an unintended victim.

Jonah's unfavorable business transition experiences may have been avoided had Jonah's father asked and answered six critical questions.

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

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

Keep in mind that a well-crafted estate plan is only one key element of a successful plan for you, your family, and your business. Don't let an unattended estate plan be the weak link in your overall plan.

We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

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