

# Nontax Challenges and Resulting Strategies for Family

## Nontax Challenges



Structuring an estate plan for a family enterprise that minimizes estate, gift, and generation-skipping taxes, as well as income taxes is a complex process. The complexity is compounded by particular nontax challenges, some of which include the following:

- Business owner's determination to retain control for the duration of his or her life (and whether the business owner should transfer the business during life or at death)
- Owner's need for an income stream if lifetime transfers are made
- Current business structure, involvement of other family members in the business, and their qualifications for assuming management of the business
- Nature and quality of family relationships
- Nonbusiness assets available for transfers to family members who are not qualified to work in the business (if equalizing amounts given or bequeathed to heirs is important to the owner)
- Cash flow and capital needs of the business and how any liquidity needs at the death of the business owner will affect them
- Nature of the business industry and applicable market conditions that will impact the plan
- Concern for the entity's employees and the community where the business is located

## Resulting Strategies



Overcoming these challenges requires thoughtful, professional, and extensive planning. According to some experts, few businesses are sold to pay estate taxes, but many are sold because of poor succession planning. The following strategies address these challenges:

- Assemble a trusted group of expert professionals, including, but not limited to, an attorney, accountant, banker, appraiser, and insurance professional. Insist on a team approach to planning
- Involve the entire family if possible
- Establish both a family mission statement and a business mission statement
- Formulate a business strategic plan with measurable goals
- Analyze various business structures to implement the plan, including a controlling successive owner or some form of shared leadership
- As part of the governing structure, consider the use of boards or committees to separate business issues from family issues (i.e., a forum for strictly business concerns and one that addresses family issues)
- Include written plans and policies to facilitate the education of all family members
- Encourage open communication
- Determine the family's goals