

# Succession Planning

## *Transitioning to the Next Generation*



### **Ensuring Your Family Business Legacy**

Either you or the IRS can choose the future of your family business. An often cited statistic is that only one out of three family businesses survive the transition from one generation to the next. Thus, if you are hoping to pass your business to your children, the odds are stacked against you.

The largest impediment to success is the overwhelming tax cost of failing to properly plan. If not structured properly, the IRS can end up with more than half of your business value.

### **How Epiphany Law Can Help**

Only through careful planning and preparation will you have a fighting chance of success in your succession plan. A successful succession plan must address cash flow needs, legal challenges and sophisticated tax issues. It must also ensure that the younger generation is rewarded for their efforts and that they are provided with the tools necessary to succeed.

Epiphany Law helps business clients transition from one generation to the next and beyond. We have seen the failures and we have been a part of the successes. Epiphany Law prides itself on not only providing assistance with the legal and tax issues, but also with the unique personalities often involved in family businesses.





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### **What causes succession planning to fail?**

Succession planning fails for a number of reasons. It may be a parent's flawed assumptions. It may be the failure of the younger generation to differentiate ownership from management. It may simply be poor communication between generations. Often, however, the real cause of failure is a lack of competent advisors who have experience with the multitude of complex issues involved in succession planning.

### **What legal issues need to be addressed?**

There are an abundance of legal issues to be addressed in even the most basic succession plan. Generally, the structure of control of the company needs to be addressed. In addition, issues regarding wages, dividends and other compensation need to be spelled out. Often, retiring owners are provided tax-beneficial deferred compensation plans. Whether to structure the transfer as a gift or a sale, and the tax effects of each, must also be addressed. Ultimately, the legal issues are often as varied and complex as the family business itself.

### **When should I start thinking about succession issues?**

Ideally, you should begin thinking about succession planning the day you start the business. If that has not happened, you would ideally like to begin planning two or three years before the older generation plans to step down. While not recommended, even if your horizon is less than a year, significant steps can be taken to effectively structure the transition and to significantly reduce the tax burden. In any case, now is the time to call a knowledgeable business attorney to begin the planning process.

**Rely on Epiphany Law as your source of business law expertise for your growing organization.**



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