

AIB Sustaining Your Family Business

Grow • Protect • Succession



Five touchstones for effective succession planning.

1. BE PROACTIVE, START TODAY.

Family business succession is not simply a matter of passing the baton to a daughter or son. The longer the succession planning process the better your chance to mentor the next generation or find the next leader outside of the business. The rule of thumb from advisors is that you need up to ten years depending on your size of business to plan for a smooth succession.



2. SETTING GOALS

The first step to establishing an effective succession plan is to set specific objectives. Ask yourself: What should the plan accomplish? Decide whether you want the business to continue to be family-owned and managed, or if you plan to sell the business to an external party. Also, as a retiring owner, you need to structure your exit from the business in a way to achieve your retirement goals and cash flow needs.



3. LET YOUR ADVISORS KNOW

There are a lot of things you have to work through which include taxes and legal issues. Make appointments with professionals as early as possible. Speak with your accountant, tax consultant and solicitor well in advance. An external adviser can objectively discuss with you your options of handing over the reins to one or more of your children or a non-family member to run the company.



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4. YOUR FAMILY GOVERNANCE

As the business passes from one generation to the next, it's important to create an organisational structure which is not dependent on one single individual. Decisions should be made collectively, and with proper information and preparation. Putting a governance structure in place can help you evolve from the kitchen table to potentially having a board in place if appropriate. Governance will assist in ensuring that family members find the right role in the business to fill.



5. ROLE OF THE RETIRED GENERATION

Once you do hand over the company to your child or children, allow the new owner or owners to run the show. The current generation should have a clear plan for their life after retiring. This will prevent misunderstandings, or the temptation to interfere. Taking on roles outside the family business – in the community, for example – can be both worthwhile and rewarding.



QUESTIONS TO ASK YOURSELF TO HELP START TODAY

- When do I want to hand over my business?
- Do I have a succession plan with milestones?
- Is family succession the best option or would an alternative exit strategy - such as a trade sale or management buy-out - be a better option?
- Does my plan consider all family members?
- Does my intended successor have the right skills and abilities?
- Will succession be tax-efficient?

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Important/Regulatory Information

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