

# Assuming control of a family business

For successors, there are often more questions than answers. We can help.

After years of hard work and careful planning, many owners of successful businesses dream of transferring their company to family members. In reality, however, transitioning a family business can be exceptionally challenging. New generations may bring business ideas unfamiliar to current owners. Depending on the proposed structure of the transition, tensions can also run high, especially between siblings.

At the same time, most successors are eager to preserve both family relations and the success of the business for years to come. To achieve these goals, guidance, assurance and good planning are essential. At Grant Thornton LLP, our succession and estate planning professionals understand the challenges that can arise when transitioning a family business. That's why we've developed a diagnostic approach designed to help you clarify your objectives, articulate your needs and facilitate communication with your family.

## Get the answers you seek

As a successor, you likely have many questions related to the transfer of control of a family-owned business:

- When will your parent(s) be ready to begin the transition process? What will be involved? How will they choose a successor?
- Which family members want to remain involved in the business? Do they have the education, experience and skills to ensure the continued success of the business? How do we communicate and implement these requirements within the family?
- In the event of a disagreement with other family members, how do we fairly and equitably address all issues?
- How will we allocate business benefits between family members that are active in the business and those that are not?
- How will we determine compensation for family members active in the business?

While these questions seem difficult to answer, we can provide you with pragmatic and effective solutions suited to your needs. Our priorities are to facilitate a smooth business transition and lay the groundwork for effective ongoing family relations. offer support in the development and communication of your succession and wealth transition plans to family members and other affected parties.

### **The right tool for the job**

Although there are no one-size-fits-all solutions when transitioning a family business, there are many tools you can use to effect this transition

**Family councils** encourage effective communication by providing a forum for open dialogue about business issues that affect the family. They are also an excellent mechanism for educating future generations regarding family business topics. To ensure all family members have their say, and to streamline issue resolution, consider involving an external facilitator in your family councils.

**Estate freezes** are financial strategies that allow business owners to retain control of the company while still compensating successors for their contributions to the business. Often using family trusts, estate freezes enable successors to participate in the future growth of the company in advance of assuming full control.

**Shareholder agreements** offer a flexible way to establish the rights and responsibilities related to company ownership and administration. By helping transfer the founders' values to subsequent generations, these documents play a key role in preserving family relations and ongoing business success.

**Family trusts** allow income splitting with other family members and defer taxes that would otherwise arise upon the business owners' death. By enabling business owners to retain control over the company, family trusts form an essential part of many succession plans. As an added advantage, this ownership structure can protect the business against claims by the successors' creditors or spouses.

No matter what your personal situation, your Grant Thornton adviser can help you develop an effective business transition plan. By working with you and your family, we can assist with the development of communication skills that can help you preserve family relations—and business wealth—for generations to come.

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