

# Succession planning

## Securing the future for your business



### Making the future happen

Sooner or later, family businesses will face some tough and sensitive decisions regarding ownership and control of the business.

They're decisions about what happens to the business when the present owner/managers want to take a 'step back' from the entity, either by choice or through unexpected events.

Most owners will want the business to continue. They have a sense of obligation to their families, employees and customers. They don't want to dissipate or dismantle something they have worked so hard to build.

Often there will be next generation family members willing and able to take hold of the reins. That's good – except that it's rarely a straightforward exercise. Many issues need to be considered, such as:

- Can the retiring owner extract value from the business while leaving it in a financially viable state?
- What about the expectations of family members who may not wish to participate in the business?

Matters get even more complicated if two or more individuals or families jointly own the enterprise. It can involve different, and potentially conflicting, financial needs, different retirement plans, and different views about the future of the business. These differences need to be reconciled in a fair and amicable way to ensure the continuity of the business and family relationships.

In other cases there isn't a new generation of family members who are ready, willing and able to continue the business. The family may need to consider employing non-family members as managers or even selling the business. In this case, a trade

sale (or perhaps a sale to existing employees) is a possible option. A business sale raises a different set of issues, such as:

- How to maximise the net proceeds from the sale?
- How are the proceeds to be distributed?
- What are the tax and estate planning implications of the transaction?

As business owners work to build a successful enterprise, it is easy for them to overlook these succession planning issues. And, anyway, the time to make these decisions is a long way off, isn't it?

The reality is decisions made today about a business's management, structure, financing, and tax planning can affect how a business is eventually passed on or sold years into the future.

In truth, it's never too early to start thinking about business succession plans.

### How we can help

KPMG's Private Enterprise practice helps family-owned businesses develop sound and practical business succession plans.

Succession planning is about improving the management and operation of the business in a way that best supports the long-term lifestyle and wealth creation needs and expectations of family members and other stakeholders.

Working with the current owners and other family members, our professionals focus on the key ingredients of an effective business succession plan:

- The current owners' personal needs and objectives.
- Family needs and expectations.

- Ownership of the business going forward.
- The family's ongoing role in the management of the business.
- Day-to-day management of the business.

The result is usually a formal, written document (sometimes called a 'Family Constitution' or a 'Family Creed') that sets out how the business is to be passed on or disposed of when the appropriate time comes. The business's structure and operations can then be adjusted to reflect the family objectives set out in the document. It removes much of the uncertainty from succession planning, and reduces the risk of future family disputes.

Effective business succession planning is a complex process that raises many potentially difficult emotional, financial, tax, legal and equity issues. It draws on a range of professional disciplines.

KPMG's succession planning process leverages our core capabilities in the audit, tax and advisory disciplines, and its alliances with academics, family business facilitators, legal practitioners, financial planners and business mentors. Not to mention, decades of experience in dealing with some of Australia's best known family businesses.

Our advice assists you to address all relevant issues, including equity transfer through will, sale or gift, ownership and management succession, retirement planning (including DIY superannuation) and estate planning. It helps business owners and other family members meet the challenges associated with accumulating and preserving wealth, increasing the value of the business, managing change, professionalising the management of the business, and resolving conflict between family members.

### Why select us

Our professionals combine strong technical capabilities with deep business insight and experience. They understand how family businesses operate and know the importance of getting results in a timely, no-fuss manner.

We know our clients don't have the time to wade through advice that is vague and impenetrable. Our advice is practical, jargon free, relevant and timely. We work with family business clients to simplify complexity and isolate the key business issues.

We've also forged alliances with academics, family business facilitators, lawyers, financial planners and business mentors. We are also particularly proud of our long standing relationship with and sponsorship of Family Business Australia.

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### Contact us

To learn more about how KPMG's Private Enterprise practice helps family businesses to prepare for succession contact:

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