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FINANCIAL PLANNING

Family business succession can be tricky to navigate. We start by creating ...

Harmony

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Can you imagine how different the world would look if our greatest architects couldn't find the contractors and expert tradespeople to erect their buildings?

In the world of financial planning, no advisor is an island.

Many certified financial planners take a holistic approach to the important work we do, and recognize we can't do it all on our own. That's why many of us have cultivated strong relationships with fellow trusted and experienced professionals—accountants, lawyers, money managers and health care experts.

Aside from the work I do in charitable giving, another activity

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I find deeply gratifying is helping the hard-working founders of their own businesses craft adequate life insurance provisions and tax-effective succession planning.

Ready for business. How about business succession?

Most successful business owners are great at taking care of their customers, clients, staff and suppliers. But they are often so busy taking care of everyone else that they neglect to take care of themselves and their families. This happens all the time.

A CIBC study conducted in 2012 revealed that most business owners had no plan for succession; 10 per cent had formal and written succession plans in place; 38 per cent had informal, unwritten arrangements; and the remaining 52 per cent reported no plan at all. With an estimated wealth transfer of \$1.9 trillion in assets to occur in the next five years, proper planning

needs immediate attention now.

When approaching the issue of business succession, I must ask uncomfortable but necessary questions. Who will open the doors to your business tomorrow if you are not around? How will your spouse get an income? What will your suppliers and bankers do? What have you done to protect your children—in and out of the business? What about your partners and key staff members? What share will the tax department take?

The delicate intersection of business and family dynamics

Many of the issues that arise when discussing these topics circle back to the family dynamics of the business and potential conflict within families and among siblings.

That's when I turn to the expertise of a seasoned professional who steps in to get to the heart of the issues.

A 'Fixer' for family businesses

One such expert is Phil Kriszenfeld, President of Transitions Mediation and Consulting Group. As a Family Enterprise Advisor, he improves communications among family members, bringing resolution to conflict and providing next-generation mentorship in family businesses. In a nutshell, Phil is a "Fixer."

He looks at the soft-skill side of helping a family with a business by mapping out healthy succession plans, and doing the "deep

dives” in a non-financial way.

Where his passion comes from

Phil’s passion for family businesses arose quite naturally. He grew up in one and was forced to take over his family’s mattress company when he was 29, after his father suffered a massive stroke. As he explains, “I loved the business at the time, but I was ill-prepared. No one ever asked me what my goals and objectives were, how do we map out a strategy and what areas of the business do you want or need to learn? There was none of that. It was just: ‘Do it.’”

How he became a ‘Fixer’ for family businesses

He was unprepared for succession, and forced to work seven days a week for many months. The importance of succession planning was something he learned the hard way, working without a break for months on end.

He decided to leave that unfulfilling grind and devote himself to helping others find the solutions that work best for them in the sensitive area of family businesses.

Mediating family conflict to achieve resolution

“My passion is helping families in business operate better—find ways of dealing with conflict, because there will be conflict. I want to equip people to deal with conflicts on their own.”

People reach out to him because there is a conflict. Phil defines himself as a mediator. He determines from the outset if the family is open to the idea of fixing both immediate and longer-term problems to help them

function better as a family and also in the business. In many cases there are deep-seated issues among siblings that have percolated for years and only bubble to the surface when he arrives.

Bridging the generation gap

A frequent source of family conflict begins with a generational communication problem. The father of the house—patriarch and founder of the business—often started his enterprise with the so-called “traditional” family model where he worked and the mother stayed home and raised the kids. Nowadays, it’s more likely that both parents are working and one—or both—are involved in taking their children to sports events, practices and play dates. “It’s a different mentality today. Often people don’t understand each other’s paradigms,” he says.

Establishing the trust factor

To dig deeper, Phil must first earn trust among individual family members. He then has them come together to determine what can be put on the table to be openly discussed. Phil also helps his clients come to terms with what’s needed for them to have a productive, proactive discussion on difficult issues—laying the groundwork for bringing about change. “If they don’t need to change, they don’t need me there,” Phil points out. But, he says, in many cases, “clearly something is broken—usually it’s a communications breakdown.”

Setting the template for resolving current and future disputes

When dealing with conflicts and disputes in the family business, each side presents its views

openly without interruption, followed by a discussion of the individual dispute. During this process, each person discovers his or her own personal best practices that can resolve the current problems and form the basis for resolving or avoiding disputes in the future. Phil frequently conducts an extensive follow-up to prevent the backfire of bruised egos and bad emotions that often arise when a parent and child continue to have business disagreements.

Confronting the elephant in the room

He also takes a step back to reflect on a key question that doesn’t often get asked: Does the child really want the family business when Dad (or Mom) is ready to retire? The answer is often, No. There are many times when the kids have very different ideas of what they want to do in their future than their father had.

Mentoring the old guard—and the new

In addition to acting as a mediator, Phil also mentors both the current and next generations. When it comes to the current boss, he tries to come to an agreement on how the founder should let go of the business—whether to pass it on to a child, or even sell the enterprise altogether.

The next generation needs help too. There are plenty of universities with impressive business programs, but some things just can’t be taught in school. “How do you go from being an employee to a manager to an owner? There’s no manual for that.”

A perfect fit: The ‘Fixer’ and The Financial Planner

The work Phil does with experienced financial planners like me blends perfectly. We are both involved in wealth preservation: Phil looks after the “people” side to ensure the family dynamics are healthy enough to keep the family business moving; while I ensure there is money in place to fund shareholders’ agreements, key person coverage, provide income replacement and financial equity among family members both in and out of the

business, and fund estate tax obligations and charitable bequests, etc. We keep as much wealth as possible in the hands of a harmonious family when the founder is no longer around.

‘All in the family’ can be good. With a little help, it can be even better

Keeping a family together without a business can be stressful enough, but add in a family business that the founder wants to pass on to the next generation and it’s a potential powder keg.

The good news is you don’t have to do this alone.

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