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TAX AND WEALTH ADVISOR ALERT: IT'S ALL ABOUT LEADERSHIP… STRUCTURE

Loyal readers of this blog (thank you!) know that my position on succession planning is that success depends primarily on leadership. A business is successful based on the quality of its decisions, which means its success depends on the ability of the decision-makers. In my opinion, too much succession planning time, energy, and client money is wasted on issues of taxation and asset protection, and too little energy is focused on the more important first question—if not you, then who?

In this blog post, I want to share a quick anecdote on this issue from my practice. I met with a potential client last year who was the 100% owner of a business he purchased from his parents. As I got to know this person, it was clear he was smart; incredibly savvy, he knew his industry, and he knew his business. Eventually, we came to the issue of succession. His plan was to leave 50% of the company's stock to each of his two children. I began to question him about how the children worked together, how they collaborated, what their values and beliefs were, and how they meshed. The client, sheepishly, had no answers to any of these questions. While he had prepared his children to do their jobs well, he had not prepared them for the role they were to play—50% owners of the company. These two people could collaborate to drive company success or deadlock to drive it into the ground. And he had no idea which.

What is interesting is this client was more thoughtful, smart, and well prepared than 95% of the clients that walk through my door. He prepared his children well for their future jobs; prepared clients, vendors, and employees well for transition; and prepared himself well for retirement. But as I ask my clients all of the time—what would Apple do? Would they implement an untested decision-making structure? Absolutely not. So, remember, it is not only the who (makes the decisions) that needs to be thought through, but the how (decisions will be made). And the owner needs to always keep in mind, the business needs to come first; it is the economic engine that drives happiness.