

Family Business: Key Steps for Business Succession

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We recognize that our clients' wealth more often comes from non-traditional sources such as real estate, privately-held businesses, private equity, oil and gas, royalties and concentrations. Clients have put enormous effort, energy and planning into building, growing and then transferring their businesses. When the business is a family business, we find that it is vital that even more and earlier thought and planning go into succession planning to ensure the best results for both the family and the business. A few key considerations that we share with our clients are detailed below.

Before determining any business succession plans...

start with discussions and a plan for family succession. These goals and objectives should be outlined first as they will often determine or impact the family business.

Establish an advisory team that includes family and business tax and legal advisors, the estate planner, valuations specialists, and wealth, investment, philanthropic and family office and governance specialists. With insight from the advisory team, the family can better plan the preferred ownership structure(s), assets and the timeframe for execution of the succession plan, which is critical to ensuring that the business is best positioned for any change or sale. Potential forms of succession include family member succession, sale, partial sale, outside management or equity participation by management, family and outsiders

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One of the key recommendations we make to our clients is to establish an exit strategy upfront that clearly defines all roles in the management of the business and is communicated to the entire family as well as the management. The strategy should cover both a liquidity event and a succession trigger.

Preferably before any sale or transfer, discuss investment goals and objectives, bearing in mind the various structures put in place, tax considerations, income needs, risk tolerance and other assets and then develop the asset allocation plan and timetable. The new wealth, or addition to wealth, must be properly invested to meet the wealth preservation, growth and intergenerational transfer plans for the family.



Recognize and prepare for the somewhat difficult transition for the business founder who can face an identity crisis after the sale or transfer of the business. The first step is often setting a new career or philanthropy focus going forward now that he or she is no longer CEO.

Create another structure—both format and program—for family governance. With some families, we are working with the fifth and sixth generations of a formal family council. Family dynamics can change. The family has grown through the generations and through the council and other vehicles, they will not only learn about their shared wealth, assets, estate planning and investments, but perhaps more importantly, they will continue to share values as a family. The family's philanthropic vehicles often provide a structure as well.

Provide wealth education for the next generation. A major concern for families is the effect that wealth will have on their children, and specifically the values and character of their children. Planning lessons on philanthropy, how to set up private foundations or give through charitable trusts, how to cement a family's legacy, as well as adding stipulations or incentives for inheriting wealth are all good options.

Whittier Trust Company Statistics - 2011

Number of Clients	261
Account Minimum	\$10 Million
Average Account	\$28 Million
Total AUM or Advisement	\$8 Billion
Number of Staff	108
Number of states we do business in	31
Client to Administrator ratio	20:1

The Whittier Trust Company has managed the wealth of families since 1935. We have developed the myriad of skills needed to increase wealth and pass assets effectively to future generations. We deliver a level of attention that truly is unmatched in our industry. Our unique approach to wealth management combines the best aspects of a corporate fiduciary with a classic private family office.

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