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Ten ways to shift to whole-family financial planning

JOHN AMBRECHT
Viewpoint

For decades, estate and family business succession planning have been primarily about legally protecting and distributing family wealth and reassigning business assets, roles and responsibilities according to the wishes of those at the helm of the company or family unit.

However, the landscape is shifting to incorporate a more holistic approach toward understanding the dynamics of the "whole family" to help prevent the loss of family wealth as it moves from generation to generation.

Here is a Top 10 list of some obvious and not so obvious examples of the quiet shift toward a whole-family planning process:

1) Family dynamics play a role in both the accumulation and loss of family business wealth.

2) By incorporating "family issues" into the up-front planning process and also during administration of the estate, family conflicts that will likely arise in varying degrees during the succession process can be minimized.

3) Family communication specialists and personality tests can help family members develop a deeper understanding of what drives and motivates other stakeholders.

4) Increasingly, succession planning specialists have come to recognize that until it happens, no one realizes how the death of a matriarch or patriarch within the family or the loss of a business leader can throw the whole family and/or business into what planning professionals now call a "roles crisis."

5) There is nothing simple about the passing of "role power" from the parent or parents who started a business to their heirs, which may include cousins, nieces and nephews, along with their own children. Interactions and behaviors within a family or business unit often become trickier when the group lacks an understanding of what's happening within their new "roles" structure.

6) One effective tool is something called an "agreed governing structure" that defines everyone's "roles" in the business (current and future) and delineates "agreed governing rules" for joint decision-making among the key family members in the business. Such a governing structure, agreed upon in advance if possible, helps the next generation keep and more successfully operate the business or more peacefully sell and distribute the assets once the founder departs.

7) Such a governing structure will also help the group address in present time other important long-term issues like determining who in the next generation will develop the skills to lead the business, who gets a "vote" within the new family or business structure and how will the selection and shift of "roles" affect the morale, behavior and actions of everyone else who is tied to the family business and/or its wealth.

8) The key for the professional advisor is to get the key players as well as the family to go an extra step further and sit down together, increase their understanding of each other, and develop the necessary skills, "roles" and "rules" to collaboratively make future decisions.

9) A facilitator such as a family communication specialist can help with this process.

10) Family business leaders often find it difficult to realize when it's time to set such a plan in motion. As human beings, we generally love what we create. Often, we fear that if we let go of the controls, something bad will happen to our creation, our business and/or our family. Bottom line, it's hard for all of us to realize that as "logical" and "tough" as we often are in business, on the inside, like it or not, we're all emotional creatures who hate the passage the time. Sometimes have difficulty trusting, and feel uncomfortable with change.

The secret to success is to remember that transitions to new leadership are tough for all. It's called being human with all of our human biases.

If you can keep this in perspective, you'll only be a step away from beginning to generate the strongest kind of business succession plan in existence today — one that will help all of you better navigate the waters that lie ahead.

• John Ambrecht is the founder of Ambrecht & Associates, a law firm in Montecito specializing in family business succession planning. He is the author of "For Love and Money: Protecting Family and Wealth in Estate and Succession Planning."