

Is Family Business a Dying Breed?

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There are *5.2 million privately owned businesses with most owners between the age of 58 and 77. 80% of these owners are gearing up to sell or transfer to their business to the next generation in order to retire. So where do you turn to profit for all involved, Mergers and Acquisitions, transferring to family members, Selling to Employee's? With only **33% of family businesses surviving the second generation and 13% making it through the third generation what can you do to improve these odds?

When working on your business there are key planning points to increase the likelihood that your business will have sound structure, proper governance, and the right plan in place to sell or transition to a next generation that is ready to lead your business.

Employee Retention:

- How can we recruit and retain the best employees, without being in a salary bidding war?
- How do we ensure that our employees share in our success & that our customers feel secure?

Business structure:

- What are the core values & culture of a business?
- Do we know our target customer(s)? What are the business trends/needs?
- How do you balance family dynamics vs business dynamics in a family-owned business?
 - Family room, ownership room, board room, management room

Leadership:

- Balancing family needs and business needs- do they spill into each other?
- Is the next generation chomping at the bit to grow the business? Are they wanting to create a new product/service line?
 - Are we falling into the "grandma's ham" mindset, or are we thinking outside of the box and coming up with new and innovative ways to do things?
- Are relatives interested in joining the business?
 - What is their employment policy? Are they handed it or earn it?
 - Must they work outside of the business before family employment? Does everyone who wants a family business job get one?

Transition:

- Is your business designed to be sustainable? How will you stay out of the trap of 2/3 of businesses not making through the second generation and 87% failing in the third generation?
- If something happens to the business owner/CEO today, could the business survive?
 - What would key customers think?
 - How would cashflow look?
- How do I maximize my return on the business?

Succession Planning:

- Are all loved ones treated equal? Is ownership gifted, purchased, earned through work in the business?
- How do the needs of a business change between generations, yet aim to preserve the founder's core values from generation to generation?

The planning categories here are meant to get the conversation started in the art of working "on" vs "in" your business. At HFS Wealth Advisors, we are here to serve our clients in successfully transitioning that business from generation to generation, to preserve assets that you have built, in the pursuit of the legacy that you want to leave to the next generation.

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