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Succession planning

Taking advice early and developing a personal financial plan is crucial to meeting long-term goals

Succession planning may be one of the most challenging experiences facing any leader, especially an entrepreneurial business person who has built a family business from scratch, so it is crucial to get right. For a family business, transition is a once-in-a-lifetime decision. Perhaps no challenge has as much potential to exacerbate the special stresses – or, conversely, highlight the special advantages – of operating a family business.

PROSPERITY FOR GENERATIONS TO COME

A good succession plan can be the first step in maintaining the strength of an enterprise and the family's prosperity for generations to come. Discussing how a family business should continue beyond the career, or even the life, of the founder can be difficult, as it often crosses business and personal spheres. Issues around succession planning make up four of the top ten worries keeping family business owners awake at night, according to research from Close Brothers Asset Management (CBAM), conducted by Family Business United.

SECOND AND THIRD GENERATIONS

The challenges faced by the second and third generations are substantially different from that faced by the first generation. Also, given that the

first generation of business owners are often highly entrepreneurial, they may tend to overlook succession planning until the last moment. This makes the process even harder.

MAINTAINING FAMILY VALUES

A survey of family businesses found that management succession planning was a worry for 39% of business owners, while 35% cited engaging and developing the next generation as a concern. Ownership succession and developing responsible future owners were stated as worries by more than a third (34%) of business owners. The same number also highlighted identifying and maintaining family values as an ongoing concern.

REMAINING A PROFITABLE BUSINESS

The day-to-day running of the business came in as the top worry for family business owners, with

40% saying that continuing to develop and remain a profitable business was a key concern. Personal finances also stood out, with worries about planning for later life highlighted by 38% of owners.

REGULATION AND LEGISLATION ARE WORRIES

Outside of family businesses' immediate control, four in ten (39%) business owners said red tape, regulation and legislation were worries. Family businesses employ almost 12 million people^[1] and turn over an estimated £1.3 trillion each year, over a third of the turnover of the private sector^[2].

FAMILY-OWNED SMALL BUSINESSES

UK Small and Medium-sized Enterprises (SMEs) face a multitude of challenges, and family-owned small businesses can have an especially hard time navigating regulation and adapting to changing



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policy while remaining loyal to their unique set of family values. All this must be done in addition to running a profitable business.

CRUCIAL TO ALLEVIATING ANXIETY

Succession planning is naturally a significant concern for family businesses and requires careful consideration. Not only must owners consider developing their replacement, and ensure family values are adhered to, but they must also plan for their own retirement. Taking advice early and developing a personal financial plan is crucial to alleviating anxiety and meeting long-term goals.

TOP TEN WORRIES KEEPING FAMILY BUSINESS OWNERS AWAKE AT NIGHT

1. Continuing to develop and remain a profitable business
2. Management succession planning
3. Red tape, regulation and legislation
4. Planning for later life
5. Engaging and developing the next generation
6. Ownership succession and developing responsible future owners
7. Identifying and maintaining family values
8. Extracting value from the business
9. Taxation
10. Developing effective marketing, social media and PR strategies

Source data:

The research was commissioned by Close Brothers Asset Management and conducted by Family Business United in Q4 2015. 173 family businesses were surveyed across the UK.

[1] Figures from Oxford Economics for the Institute of Family Business (IFB)

[2] Figures from research conducted by Family Business United (2015)

LOOKING TO DEVELOP A SUSTAINABLE ORGANISATION FOR YEARS TO COME?

Handing a family business to the next generation is a major process, from selecting and developing the successors to protecting the brand reputation and retaining knowledge. However, the effort is crucial to develop a sustainable organisation for years to come. To discuss your requirements, please contact us for further information.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE. TAX TREATMENT IS BASED ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. ALTHOUGH ENDEAVOURS HAVE BEEN MADE TO PROVIDE ACCURATE AND TIMELY INFORMATION, WE CANNOT GUARANTEE THAT SUCH INFORMATION IS ACCURATE AS OF THE DATE IT IS RECEIVED OR THAT IT WILL CONTINUE TO BE ACCURATE IN THE FUTURE. NO INDIVIDUAL OR COMPANY SHOULD ACT UPON SUCH INFORMATION WITHOUT RECEIVING APPROPRIATE PROFESSIONAL ADVICE AFTER A THOROUGH REVIEW OF THEIR PARTICULAR SITUATION. WE CANNOT ACCEPT RESPONSIBILITY FOR ANY LOSS AS A RESULT OF ACTS OR OMISSIONS.