

# The Family Side Of The Family Business Re: Business Succession and Estate Planning

Article By:

McBrayer, McGinnis, Leslie & Kirkland, PLLC

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An estate-planning attorney will tell you that sometimes business succession planning for a small, family-owned business is as difficult as it is for a Fortune 500 company. Business is never "just business" when family is involved.

Often business owners come to me with the desire to establish a succession plan equipped with only minimal knowledge of ownership, assets, tax liability, etc. This is okay because it my job to know about those fundamentals. What an owner *should* be knowledgeable about, however, are his feelings, desires, and realities for himself and for his involved (and uninvolved) family members. This insider knowledge is what attorneys need to know before they can help establish a successful succession plan.

The following obstacles are ones that commonly arise in the succession planning process for family business owners. If you are such an owner, consider which of these apply to you and how you can address the issue when planning for the future of your business.

## ***Last-Minute Planning or None at All***

You may think that your family will know how you want the business to continue after you are gone, but rarely (if ever) is a family prepared to carry on a business absent an established, formal plan. Not only is post-mortem planning more chaotic and expensive, it separates family members who do not see eye-to-eye. Too many times, relatives think that only they know what you would have wanted.

Shareholders of major companies routinely demand that aging CEOs announce a succession plan in advance; so, too, should family members demand that you, as the owner, make it known what will happen when you are no longer in the picture.

## ***Failing to Train Successors***

Appointing a successor to run day-to-day business operations is an important action, but an appointment should be just the beginning. It is quite astounding how many prosperous business owners devote most of their life to making a company profitable in the present, but do nothing to ensure its success for the future. Beyond identifying someone in the plan, owners should prepare and

train the successor, which may require an apprenticeship. A successor should have intimate knowledge of the inner-workings of the company and a good working relationship with business associates. In small businesses, client relationships are often a key component. By establishing the successor early and properly training him or her, others outside of the business will trust that the future of the business is secure.

### ***Keeping it (exclusively) in the Family***

Continual family involvement in the business does not mean that outside professionals should be kept at arms-length. By bringing in non-bias professionals, such as attorneys or tax advisors, you can be sure that you are getting impartial, experienced advice. Professionals can play a middle-man role and help to get everyone on the same page. They often see the emotions, personalities, and dynamics of a family in a new light and can use their role to address ongoing problems or issues from a fresh perspective.

### ***Thinking Everyone Wants "In"***

Perhaps there are family members who are currently working within the business, but would like to do something else in the future. Maybe there are those members who have never wanted a part of it, or those who have not been involved thus far, but want to find a role. Individuals may set aside their wants and wishes for the betterment of the family and the day-to-day operation of the business, but they often possess strong opinions about their *future* roles and what they would like to do if given the opportunity. Discussions focused on succession planning can bring these opinions to the forefront. Direct, honest communication with family is absolutely necessary to determine who will, and will not, have a position in ownership and management.

### ***Excluding a Generation***

The individual(s) that started a business and those that will inherit it inevitably have very different needs and goals. For example, retirement-age individuals are often concerned about the cash-flow of the business, while those just starting their career may be focused on investing profits and creating new opportunities. Reaching a common ground between current and future owners is vital to limiting interfamily disputes and establishing a plan to which everyone can adhere.

Addressing impediments like the ones above not only can improve a family business financially, but also enhance it on a relational level. Owners may think that succession planning means giving up control, but in reality, it is the exact opposite. Succession planning means taking a proactive role and ensuring that the future of the business is in good hands even after the reigns are turned over to the next players.

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