



Let's talk about the family!

You love your family and your business. But when it comes to exiting your company, you have to think about them independently and then decide how they should be mixed together now and in the future.

When your family works in the business.

When making the decision to have the family work in the business, it is a double edge sword in many ways. You get to have those around you that you love and you can trust. So you say..."What's wrong with that." Nothing, as long as : (1.) you understand when to wear your family hat and when to wear your business hat – you have to balance your time between business time and family time and sometimes mixing them can be like mixing oil and water. Do not create a volatile situation for your family; (2) understand that to take care of your family you first have to take care of your business and hire the right people for the right job – never put a family member in a position that their God given talents do not match that of the position because then both the business and the family member will suffer; (3) When the day comes for you to exit the business, if you have not hired correctly, you will have a family member that could be fired immediately, or will actually have control of the value of the company. You need to make sure that you are in control of this decision if you are the controlling stockholder. Do not be surprised!

Exiting with family members in the business 3- problems to avoid

One of the problems that I see over and over is that a founder has family members in the business that he has promised "One day this will all be yours." Unfortunately, many times one of two things have happened, (1.) the founder knows in his/her heart that the family member(s) do not have the gifts and talents to take the business forward or (2) the heirs do have the ability but they have never been able to let go of the control and therefore have made poor tax decisions, to the point, that his heirs cannot afford the business.

The third problem that crops up for family members concerns those individuals that have special employment issues that the owner of the company has developed special benefits that he/she would not have afforded other equally qualified workers. In this situation, the owner and the family member have to understand that the employment agreement is special and is actually a gift and not a true fair market agreement. Therefore, when the business is sold, the value of the business will be reduced.

An example of this third issue could be, continuing to hire family members with health issues, and in order to keep the health insurance active, you continue to hire the family member though the insurance rate is much higher than the industry.

So where does this all bring us...Priorities. As the owner, you just have to decide whether you are going to give your family cash in the form of a gift, or are you going to jeopardize the business and hire employees, such as your family members, and give “stock options to those employees” that are not best suited for business nor best suited for the family when it comes time to sell.

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