



Keep the business, and family, intact.

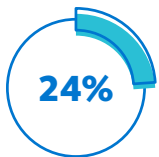
How to avoid conflict in the
planning of your family business



As you know, managing a successful family business takes time, strategy, and sometimes a little luck.

As an owner, you don't just plan for next week or next month. You must plan years into the future despite many uncertainties.

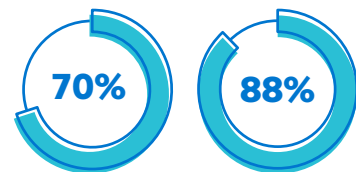
You'll need to apply the same kind of careful planning to your financial future, including the day you pass the business on to the next generation. A sound transition plan can help you avoid many of the challenges family businesses face.



24% of family businesses haven't done any succession planning besides writing a will.¹



39% of family businesses don't have an exit plan.¹



Almost **70%** of family businesses don't make it through the second generation; **88%** don't make it through the third.²

Take small steps now that will help you:

- Provide estate liquidity for fair distribution
- Help cover debt
- Create supplemental retirement income
- Meet your goals to give back in the community
- Keep family peace

Keep the family in the business, and conflict out.

You've spent a lifetime building your operation. Keeping your legacy alive, and the business in the family, is important to you and those you leave behind. Consider these ways to avoid family conflict and lost opportunities.

Decide what fair inheritance looks like.

The inheritance you leave each of your kids may not be identical and equal, but it can still be fair and equitable. Take your time to decide what legacy you want to leave, and what fair looks like to you. Then you'll be able to assess your options and find your solution.

For example, creating an equal share of the business for each child is tough. It sounds fair, but in reality it leaves the big decisions to the kids and puts the future of the business at risk if those who want to take over can't afford to buy out those who don't.

On the other hand, leaving the business whole for one or more kids and passing on non-liquid assets for others is tough, too. Often times, businesses are asset rich and cash poor and the smaller value of non-business assets doesn't allow you to be as fair as you'd like.

Consider life insurance to equalize your estate.

If you can't leave an inheritance you think is fair without risks to the future success of the business, life insurance can be a critical tool. It may allow you to keep the business intact while helping to maintain peace in the family, which is the ultimate goal.

For example, your life insurance benefits could provide a more fair inheritance for children who aren't taking over. You can name them as beneficiaries of the policy. Similarly, the kids who are taking over can purchase a policy and use the benefits to fund the purchase of the business. If estate taxes are a concern, gifting techniques can provide solutions. Your team of professionals can help sort through the complicated details and find a solution that supports your specific goals and needs.

Keep lines of communication open.

One of the keys to making any arrangement work is discussing your plans with your children in advance. Explain the reasoning behind the choices you've made, and the enormous care you've taken to be fair. While the discussions may be tough, they'd be harder if you weren't there.

 [Learn more](#)

Contact your financial professional today. Visit principal.com.

¹ The 2023 Principal Business Owner Insights survey is based on 1,000 online interviews conducted in January 2023 by Dynata.

² Family Business Alliance, fbagr.org/resources/cited-stats, as of April 2023.



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