



"A CPA firm that understands dealership management, accounting, and tax issues"

The Succession of a Family Dealership

Owners of dealerships work diligently during their lifetimes to build up their businesses. These dealers often disregard the issue of succession of their businesses to their heirs. The issue of succession must be addressed during the owner's lifetime to provide for a smooth transition of the business to his heirs. Some families do prepare and plan for succession of their business, but many never address the problem. Even some of the largest family businesses have had problems with estate taxes upon the death of family members. The powerful Wrigley family was forced to sell their baseball team (Chicago Cubs) to pay estate taxes when a family member died.

There are about 12 million family businesses in this country today, but only one out of three will survive into the second generation, and one out of seven into the third generation. The reason: poor planning for succession.

Most people enjoy running their family dealership and assume one or more of their children will decide to go into their business. Then, the question becomes how do you pass it on to them. The following are three common methods:

- ***Gift your stock to the next generation. This can be done by first getting a valuation of the worth of your dealership and then start gifting your stock over a period of time.***
- ***Stock redemption or a buy-sell agreement. This allows management to buy out shareholders who have no interest in the Company.***
- ***Creating two classes of stock. The active family members get 100% of the voting stock while the inactive members receive non-voting stock. Holders of non-voting stock retain an interest in the Company without control over management policy.***

These are just a few of the estate planning methods available to you and your family. The key to successfully passing on your business is to start to plan now by getting the proper assistance from your financial professionals. With their help, you can come up with the best plan to pass on your business to your family. It is so easy to delay this process. If you do so, the results may be what happens so often today. The business you worked so hard to build up must be sold to satisfy your estate taxes.

If you are interested in a firm that has specialized its practice to service the dealership industry, and has an understanding of succession planning, please contact Paul McGovern at pmcgovern@downeycocpa.com or call **781.849.3100**.

Visit our web site at www.downeycocpa.com.