

Six Questions Every Family Business Should Answer

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Tax and business planning is important for the success of any organization, but especially for the family-owned enterprise. Here are some important questions that owners of family businesses need to address.

- 1. Do you have a plan?** Without a plan, your business has no direction and possibly no future. You can be sure your strong competitors have written plans. Write a business plan that includes both short and long-range goals. Include specific goals such as profit, growth, and market-share targets. Plans for conflict resolution and transition should also be included.
- 2. Who's running the store – family, outsiders, or employees?** When several family members participate in the company, an organization chart should be drawn to clearly show lines of authority. Promotions should be based on a clear, fully understood set of guidelines.
- 3. Should the legal form of the organization be changed?** Whether your business is a sole proprietorship, a partnership, a regular corporation, an S-corporation, or a limited liability company, you should review your business form periodically to see if it's still the best choice for your business. The legal form under which you operate can make a difference in the taxes you pay, the costs of doing business, and the amount of paperwork and red tape you'll have.
- 4. Have you reviewed your retirement and fringe benefit plans?** The types of plans available depend on your business form. Besides being an excellent tax planning tool, such plans can be effective in motivating and retaining employees.
- 5. Are formalities observed?** Family members occasionally overlook the fact that business assets are not personal assets. Company loans to family members need to be documented. Shareholder or employee use of corporate assets, such as automobiles, may have income tax consequences. Get advice so you structure transactions properly.
- 6. Who's next in line?** Many family businesses are lucky enough to have a very strong member at the helm. But that person won't live forever.

The survival of any family business depends on how wisely one generation passes ownership to the next. The more family members, the more complex the situation is likely to become.

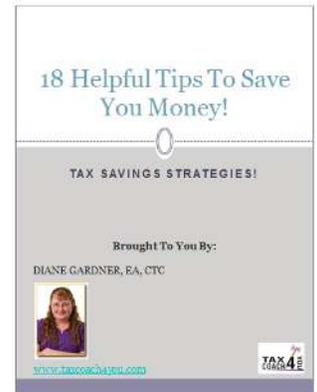
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