

# 5 LEGAL MISTAKES BUSINESS

OWNERS MAKE WHEN PASSING DOWN

THEIR BUSINESS TO THEIR CHILDREN



Legacy Street Law

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# WE UNDERSTAND...

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We have worked with so many clients to know and understand how important your business is to you and the people you were called to serve with it. We also understand that your business is a main resource that provides for your family.

If you own a profitable business, are making great impact on the people who you are serving, and you want your business to continue doing that while being a secure and stable asset that is provision for your family, you need a plan for that - PERIOD. If not, your business will end up in the wrong hands - i.e. the government, courts, and/or someone you don't like or don't trust to handle the amazing business you've built over the the years.

We're going to share those 5 mistakes as promised with you. Some of you are going to read them and be ready to take action and implement. Others of you are going to eat them up and know that you need guidance, accountability and more to implement. For those of you in the latter, we will introduce you to an amazing service, created to help you take the next step toward amplifying your legacy - more on that later. Let's get into these 5 mistakes!



# 1. NOT TALKING TO YOUR CHILDREN

We know and understand that you really desire to leave your business to your children in order to provide for them and truly leave a long-lasting legacy. But not talking to them about it can provide some serious legal consequences if they don't actually want to manage the operations of the business.

Business succession planning requires not just the right legal paperwork (which we'll touch on in a bit), but also making sure whoever is taking over knows how to actually run and oversee the business. This is a huge responsibility, and if it's not something your children are interested in doing, then you need to know this upfront so you can examine other alternatives.

Legally, leaving the business to your children when they don't want that responsibility can cause your children to make poor management and legal decisions concerning your business because they simply don't care.

## 2. NOT CONSIDERING THE AGE OF YOUR CHILDREN

Alright, this is a big one. If your children are currently minors or just really young and you desire for your children to take over the business, you really need to stop and think this through.

Would you really want your business to be managed by a 3 year old? I think not! And as a matter of fact, this legally wouldn't happen anyway because a court is not going to allow a minor to inherit a significant asset, especially something like a successful business. So in this case, a court and judge would have to get involved, and that means your desires will likely not be carried out in the way you would want concerning your business. (Now there are planning strategies you can and should take advantage of to pass down your interest in the business to your young children - more on that later).

What you'll want to do instead is, until your children reach an age where you can really talk to them (see #1 above) and train them to oversee the business, you'll want to plan for someone else to manage the business in the meantime. Because what if something happens to you and your child is still 3 years old? You'll need to have a solid plan in place so that your business continues to run and operate and doesn't just stop functioning because you're not able to.

# 3. NOT HAVING LEGAL DOCUMENTS IN PLACE

You WILL NEED legal documents in place no matter who you are handing your business over to, and you will have to determine what those documents are, since your situation and goals will be different from the next person.

Do these documents need to include a buy-sell agreement (depending on the relationship of family members in the business)? As a note here - all buy-sell agreements are not created equal and you'll need to identify, based on your situation and goals, which type of buy-sell agreement may be right for you.

If we're talking transferring business ownership within the family, you will need to have a well-thought out estate & legacy plan in place that works together with your business succession plan and has the right provisions which leaves the business to your children. This is a MUST if you have minor kids.

You've worked way too hard in and on your business to not fully consider all legal and tax strategies that need to be in place for a successful generational business transfer.

# 4. NOT CONSIDERING TAX CONSEQUENCES

Your business succession planning absolutely needs to consider tax implications - it is just like passing down any other asset. When money and asset ownership is transferred, taxes will almost always be owed. The key to this is implementing strategies in your planning that addresses and minimizes the tax burden on business partners and/or family members.

Practically, addressing taxes when it comes to business succession planning looks like figuring out what type of agreement you'll utilize in your planning if you're implementing a buy-sell agreement like we just talked about.

And then also your estate and legacy planning needs to minimize estate taxes as much as possible and address how to deal with taxes that may still be owed. This will mean including the right provisions in your estate planning documents to address these things.

# 5. NOT CONSIDERING DISABILITY AND RETIREMENT

What will happen to your business should you become disabled or are maybe in the hospital and can't make important business decisions on your own? What about when you want simply want to retire and no longer work in your business?

In your buy-sell agreement (if one is necessary and needed), you'll need to discuss all scenarios for when the buy-out will occur. The most common scenarios that need to be considered and fleshed out in this agreement are what happens at your death, disability and retirement. Will there be a mandatory buy-out? Will the money be paid out over time? If so, how much? How will it paid out? What money is going to be used to pay for the buy-out? Where is it going to come from?

All of this is honestly why you should considering working with an attorney on your legacy and business succession planning, because you are bound to miss something that is super important to include and think about..

# ACTION STEPS YOU CAN TAKE TODAY TO AVOID THESE MISTAKES!

1. Talk to your children about your business. We recommend that when they reach the age of understanding what you do and who you are as it relates to your business, start making them become familiar with your business and its day-to-day operations. Kind of like talking to children about money, you can make this to be age appropriate and introduce more advanced concepts the older they get.

2. If your children are under 18 right now, you're very likely going to want to consider establishing a revocable living trust so that someone (a trustee who you name) can

easily oversee the management of your children's ownership of the business. Your documents should clearly outline what that practically will look like as well as include thought-out provisions on the actual operations of your business, since someone else will likely be doing that until your children take over its management (if that's part of your plan).

3. Get your legacy & estate planning done. Period. Your legacy planning and business succession planning, though different, work hand-in-hand and address situations like what happens if you become hospitalized and can't make decisions for yourself. This is a very important component so don't skip it.

4. Invest in a good attorney that especially focuses on legacy & business succession planning for full-time business owners with families, so that you are minimizing tax burdens as much as possible, making sure things are done and done right the FIRST time, and creating the right plan for YOU.

# READY TO MAKE SURE YOUR BUSINESS IS SOUND & SECURE FOR YOUR FAMILY?

*Introducing...*

## Our FIRST Plan™

Remember earlier when we said that some of you were going to need more in order to implement a plan of the magnitude we were discussing? We want to introduce you to our proprietary FIRST Plan™.

With our F.I.R.S.T Plan, we help our clients create a structured legacy plan to ensure their business and assets are rightfully passed down to their family.

When you work with us to establish your FIRST Plan, you will --

- Shift from your business and family being at risk and unprotected to having a bulletproof plan for the transference of your wealth and legacy without having to keep creating plan after plan that doesn't actually work, even if you have no idea where to start with the planning process.
- Finally stop playing around with your legacy and planning for your wealth, saying "I'll get to it after I do X," so that you can actually create and establish the generational wealth for your family that you keep talking about without having to have your business, life, or finances in the "perfect" place before getting started with this process.
- Master having the competence and education surrounding legacy and generational wealth planning in 7 Simple Steps without spending tons of time trying to understand legal jargon on your own. (We break it all down very easily so that you feel empowered in your decision-making and can pass this information and education down to your children).



# ABOUT LEGACY STREET LAW

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For young, family-oriented business owners, we are the leading law firm that provides comprehensive generational wealth and legacy planning. We're also particularly passionate about helping young CEOs of color. Unlike other law firms, we combine customized planning strategies, culturally relevant education, and the legacy goals and values of our clients to make the ultimate plan that actually works and impacts generations to come.

When it comes to protecting and preserving generational wealth and legacy, we provide the leading legacy planning solution, which properly and completely transfers wealth and legacies from generation to generation. Unlike other legacy planning services, we not only plan for tangible wealth but also intangible wealth like beliefs, experiences, life lessons, and values so that the next generation has an understanding of the actual intentions behind planning decisions.

For the last 6 years, we've used a proprietary plan called a F.I.R.S.T Plan™ that helps our clients protect their financial, intellectual, relational, spiritual, and trade/business legacies. The F.I.R.S.T. Plan™ is the proprietary legacy plan our clients have been leveraging and implementing to create true generational wealth for their families, even if they didn't come from a wealthy family, feel like they are young, don't believe they own enough assets, or feel like they need to be at a certain place in their life or finances to get started.

# READY TO ESTABLISH YOUR LEGACY?

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## CONTACT US

Schedule a Discovery Call at [www.legacystreetlaw.com](http://www.legacystreetlaw.com) if you are ready to implement your **FIRST Plan™!**

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