

Brabners
we make the difference



Family Business:
Succession Planning

Succession Planning for Family Businesses

Succession planning is a key part of any successful family business, that requires foresight and specialist legal guidance.

It's one thing setting up and running a family business but it's quite another to turn that into a multi-generational family business, planning for successive generations to take over at the helm.

This takes vision, commitment and hard work with a framework put in place that allows for expansion and succession at the right time.

Our trusted team of family business lawyers are highly experienced in the issues and challenges that face family businesses throughout their lifespan. We provide both legal and practical advice and representation to help you deliver a smooth transition, ensuring the ongoing success of your business for all the individuals involved.

Succession Options

Shareholders' Agreements and Company Structure

One of the most important pieces of the jigsaw for a business with ambition is to have an agreement in place between the shareholders detailing how the business will be structured, how decisions will be made and how the shares can be transferred to the 'next generation' when the time comes.

Shareholders' agreements, in conjunction with bespoke articles of association, are the best way to do this and are a relatively simple and cost effective way of ensuring that everybody knows what they are working towards and how the business is to be run.

Shareholders' agreements can be entered into at any time of a company's existence, although it is most common for this to happen at the time of incorporation or when a re-structure is taking place.

One of the key benefits of a shareholders' agreement is that it will often set out the circumstances in which a shareholder can sell their shares, to whom and the basis on which those shares are valued. This, in our experience, avoids a significant source of disagreements as shareholders look to retire.

Enterprise Management Incentives (EMI) and Employee Ownership Trusts (EOT)

The senior employees of a business tend to play a vital role in planning for succession. Either the business will be run in such a way that the management will step up to become the eventual purchasers of the company by way of a management buyout or they will be vital for the purposes of continuity for any third-party purchaser.

It is therefore essential that such employees are incentivised to stay within the business. One way of doing this is to issue them shares within the company pursuant to an EMI scheme. The shares can be issued under the scheme immediately or upon certain targets being met. Employees can then start to receive either dividends or "exit only" shares, where the employees receive some of the sale proceeds when the shares in the company are sold.

Employees can also play a part in the owner's exit plans by way of a sale to an employee ownership trust. A trust is set up for the benefit of the employees of the company and the trust will then purchase all or a majority of the shares. Mutually beneficial, there is no capital gains tax payable by shareholders selling to an EOT, whilst employees can benefit from an income tax exemption on bonuses.

What's next?

Preparing the business for sale

When you have considered how you might pass your business on, it is then important to ensure that the business is ready for sale, should that be to related parties, management teams or outside investors. The better prepared you are, the better the chance of maximising the company's value in the market.

That means making sure that the business is running efficiently and effectively, with up-to-date contracts, policies and procedures and minimal bad debts. We can help review these aspects and put in place strategies to ensure that you can demonstrate a viable and well-run organisation.

Our team is also highly experienced in engaging in the due diligence process required in most company sales. Advising both purchasers and

sellers, we know what issues are likely to come up and what steps can be made to make the process as smooth and efficient as possible - maximising your sale price and minimising any risk.

Financial planning for individuals

Behind every family business are the key stakeholders, who are often shareholders, directors and employees.

We can advise you on your options regarding your personal interest in the business. We consider your position and provide an overall strategy including wills and inheritance planning, using a range of estate planning options such as inheritance tax exemptions and allowances, gifts and family trusts to ensure your future is secured in a comprehensive and tax efficient manner.



Bringing together the experts

Having the right team to support you through the lifecycle of your family business, whether in the first generation or multi-generational, ensures you will be able to achieve the best outcome for your business and stakeholders.

Any family business will require a range of legal needs and we bring together expertise in employment law, corporate law, commercial law, dispute resolution, property law and private client matters, to deliver innovative and pro-active strategies, advice and representation that will help at every stage of your businesses' journey.

The Team



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