Succession Planning In the Jewish Community

Mark Seruya

In the New York area, we are fortunate to enjoy a professional array of just about every career and occupation. Many local families have successful and profitable businesses. Our children have endless choices, the main ones being: go to college and become whatever you want, or go directly into the family business. Of the families whose children choose the latter, many have three or four children going into the family business.

The problem is that many parents have not created a family governance, or legacy plan, which outline the structure for future business scenarios. For instance:

• Who among the sons or daughters will take over the family business?

• How will it be configured—who will manage which aspects of the business?

• How will the business and wealth be transferred to the next generation?

Though these may seem like obvious considerations, too many families disintegrate because of infighting over control of the family business.

A formalized working agreement can make the transfer seamless, addressing not only current concerns but issues the family had not even considered:

• How will various family members be taken care of?

• How will a charitable legacy be continued?

• What are the employment standards for the next generation?

• How will the members be compensated?

• What is the succession process? What is the retirement age?

• What are the career development policies for family employees?

• What will be done about ownership, including buy-sell agreements?

• How will they handle dividends?

The ultimate goal is to generate a multi-generational team in which the succeeding generation participates in decision making and leadership long before their parents pass on.

A governance plan should outline not only the family's policies in business, but its core values and guiding vision that regulate the family members' vis-à-vis their business. Once a financial advisor has generated a plan, the family should implement a method of communication. It is never too early to begin gathering on a regular basis. A family meeting, held annually, is a good basis for communication.

At a family meeting, one person is designated as the leader. All adult family members should attend. Ideally, the discussion will clarify roles, rights, and responsibilities for each member. The meeting should include presentations and updates on the status of the company, and can be a good opportunity to educate members on skills, such as reading a financial statement. Have shares changed hands since the last meeting? Are there new tax laws that have implications for shareholders? Are there members who have acquired degrees or developed talents that can be beneficial to the business?

The age at which children should begin to attend these annual meetings may be unique to each family. Some families feel that children should be included by preschool age. Others believe that high school age is more appropriate.

It is easy for kids who step into the family business to think they are going to make lots of money, but all too often, they have not considered—nor are they prepared for—all the details and decisions that go with it.

A professional plan can make the difference between a family business that is fraught with disagreement and one that is harmonious and honors the wishes of what the previous generation worked so hard to build.❑

Mark Seruya is a Brooklyn resident, Managing Director and Senior Portfolio Manager with the Global Wealth Management Division of Morgan Stanley Wealth Management in Manhattan.
