

STRATEGY PROFILE

CLIENT SUSTAINABILITY

- Clients wanting to pass a business to successor managers
- Clients concerned about statistics showing that 60% of families waste away their wealth by the end of the second generation. By the end of the third generation, 90% of families have little or nothing left of money received from grandparents. Ultimately, 95% of all traditional inheritance plans fail
- Clients who want to learn from the successes of 30% of family businesses that make it to Generation 2, and to learn from the 3% that still generate profits in Generation 3

HYPOTHETICAL RESULT

- Maintain tax-efficient income for Generation 1 while passing the business to Generation 2
- Pass on core values to successor managers before passing on the value of the business

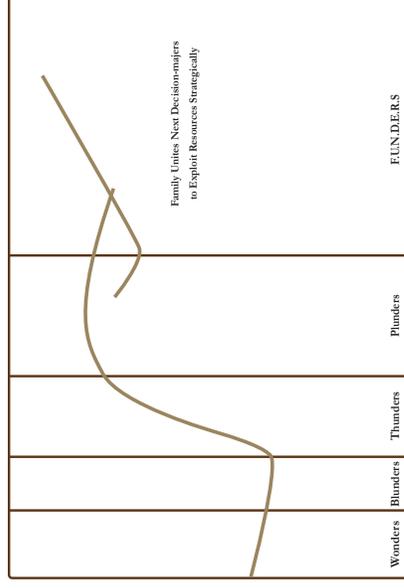
Business Succession Agreement

OBJECTIVE: To put in place integrated agreements to help a business transition to the next generation.

Thomas and Virginia Smith respected King Solomon's warning in Proverbs: "An inheritance quickly gained at the beginning will not be blessed at the end." Solomon's wisdom seemed especially relevant as the Smiths considered transferring their business to the next generation.

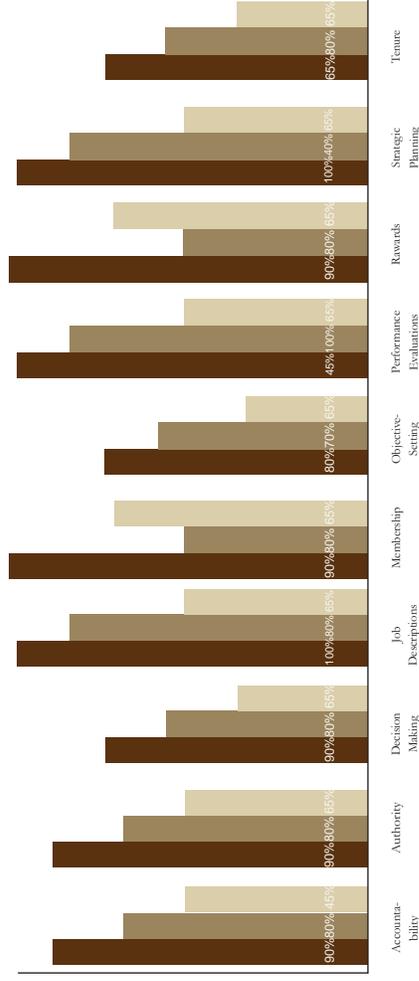
The Smiths read many books and articles about the decline and fall of great family businesses. A Generation 1 leader typically builds the enterprise with fire in the belly. During the early years, the business founder may wonder and dream about future possibilities. Initial attempts at starting the business usually lead to challenges. The founder learns from blunders, establishes a firm foundation for future prosperity, and enjoys thundering success, often for several decades.

Eventually, the business owner must transition the business to the next generation of owners and managers. These successors will usually not fully appreciate the vision and values of the founder. Successors (or their family members and advisers) will often be tempted to spend corporate assets and cash flow instead of reinvesting with clear vision and values. This starts a process of plundering that will undermine most businesses.



Statistics Reveal the Dangers of Wealth

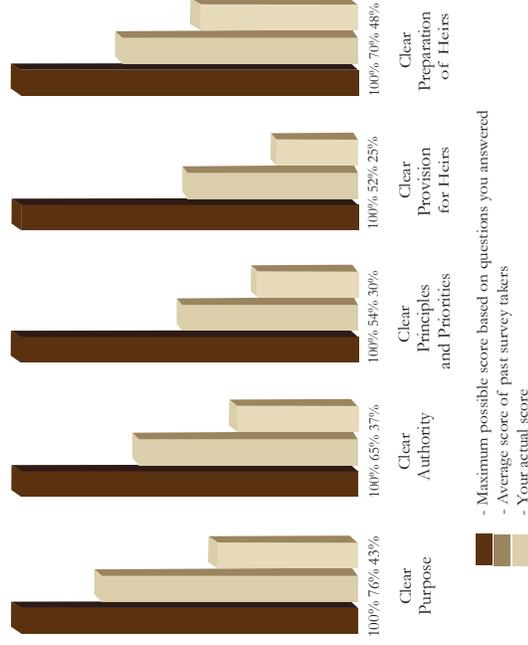
The Smiths hired a business succession team to help evaluate the management team of their business. Experts analyzed the authority and accountability process as well as decision-making processes. The team also confirmed that job descriptions were current and fully aligned with corporate objectives, performance evaluation, and compensation systems. The strategic planning systems were reviewed vis-a-vis industry standards.



Maximum Score: 100%
Average Score: 80%
Your Score: 60%

■ Maximum possible score based on questions you answered
 ■ Average score of past survey takers
 ■ Your actual score

After reviewing the problems in the business, the business succession experts recommended how business managers could use 21st-century assessment tests, proven planning methodologies, and web dash boards to guide success in preparing successor managers for optimal stewardship of assets. Consultants confirmed that the Smiths had clear purposes for managers and a compelling mission for the business, along with well-documented processes, consistent core values, and clarity about the preparation and provision for successor managers. This preparation of the next generation helped family leaders unite the next decision-makers in expanding resources strategically. In this way, the Smiths had confidence that they could leave an increasingly influential legacy across the generations.



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