

ESTATE PLANNING ACTIONS FOR THE SMALL BUSINESS OWNER

A background image of a kitchen counter with several woven baskets filled with various fruits like lemons, oranges, and pineapples. In the background, there is a calendar on the wall and shelves with jars and kitchen items.

Two things people avoid talking about are death and money. Combining the two is estate planning—the process of arranging for the management and disposal of a person’s estate while minimizing gift, estate, generation skipping transfer, and income tax. Estate planning includes planning for incapacity, reducing or eliminating uncertainties over the administration of a probate, and maximizing the value of the estate by reducing taxes and other expenses.

Conversations about estate planning, though difficult, provide clarity and prevent conflicts. If you are a business owner, there are three estate planning conversations you need to have.

CONSIDER

What You Want

Would you respond with a blank look if a friend asked, "What do you want your estate to do?" Do you think someone else should figure it out for you?

Remember this: Your estate is yours, no one else's. Think about what your legacy will be from your point of view—not your children's, not your employees', and not your friends'.

Estate planning is not just about splitting up the goodies. Your legacy is about what makes you unique, what wisdom you picked up over the years, and what you want to leave to those who are here after you die.

Of course, your exit strategy will be a significant portion of your estate planning. If you decide to sell or transfer ownership of your company, you're making an important decision about your legacy as your company will live beyond your lifetime.

TALK

With Your Significant Other

If you're clear on why you want certain things to happen, share them with your significant other. You and your partner should have a real conversation about your reasons.

Don't be surprised if there are some areas where you have different ideas. If both of you are clear on your reasons, it's easier to find a resolution. If your reason is "just because," then think harder. Consider those you're leaving behind and the difference that your estate will make and the effect your exit strategy will have in their lives. After all, you're going to be dead (sorry, but it's true). This is about your legacy and their lives.



SHARE

Your Thoughts with Your Heirs

The next step is one that too few actually do. That is to sit down with your heirs and let them know what you think and why. Listen to what they have to say. Your decision will affect their lives and the way you're remembered. If you care about either of these issues, having this conversation is really important.

Our society doesn't do a great job of respecting those who are older. That's too bad. You have the opportunity to change this in your family by explaining your reasoning and making the right choice. This process helps those in your family learn about what your motives are and what you hope to accomplish.

Discussing your estate plan with your heirs also prevents unintended consequences. You might assume that the family business should be split equally between your children. This arrangement almost guarantees to end up in a major fight between children in the business and those who aren't.

Clarity is what makes a good estate plan. You really want to ask lots of questions and have an open conversation about what you want. I know it's hard to talk about death, but we're all going to have one. Wouldn't you rather be prepared?

ESTATE

Planning 101

After talking with your loved ones, you need to start framing your plan. To simplify this process, it can be helpful to consider three estate planning essentials: organizing your financial information, communicating your plans and, of course, taking action.

Organizing your financial and estate information

Create an organized record that details your accounts and legal documents, so your family can easily locate them. Include items such as:

- Professional and family contacts
- Location of estate documents
- Disability and life insurance
- Home and auto insurance
- List of financial institutions, accounts and account numbers
- Credit cards
- Beneficiaries of retirement accounts
- User names and passwords (including those to social media websites or online photo storage)

We tell ourselves we can get organized later, when things finally calm down.

But sometimes later can be too late. Most people believe they will live a long and healthy life, but one never knows. A major illness or death may occur before plans are in order, leaving loved ones scrambling to make sense of incomplete information and financial unknowns during a very stressful time.

Discussing your estate plan with family members

Any time you update your estate documents, communication is key. When you name your friends or family members to any role in your plan, you should notify them right away. Confirm that they are willing to take on the responsibilities of the roles, and explain your intentions.

Discussing these matters with children can be sensitive. Here are tips on how to make the conversations age appropriate:

For children in high school and college, let them know that you have plans in place. Tell them who you name to important roles (grandparents, aunts and uncles) and why.

For young adult children, you may choose to name them to primary roles in your documents. Let them know if you plan to do so, and show openness to engaging them in this discussion in the years to come.

As children reach middle age, giving them full knowledge of your financial situation is important. Mature adult children can help parents navigate the challenges that come with aging.

Taking action

Proactive planning requires careful consideration of possible future scenarios and a good understanding of yourself and your family. It also involves communicating your wishes to those close to you.

Finding the time to discuss death and finances in your busy life is difficult and unpleasant. But since one never knows what the future holds, it is best to be prepared.

Know that I'm available to help you create an estate plan that meets your wishes and should ease some of those uncomfortable conversations.

