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## Succession Planning and Estate Planning: What's the Difference?

Succession planning and estate planning are terms often used interchangeably by business owners. After all, if the estate plan is in place, the question of who will implement the plan has been answered, right? Not so fast! Succession and estate planning are two separate actions, equally vital to ensure the continuation or successful distribution of a business.

Estate planning is an essential component of the succession planning process (or transition planning, as it is often referred to as well). It relates directly to the assets of an individual or couple and how they wish for those assets to be disposed of at death. Estate planning protects/preserves personally owned assets and assists in their distribution. Elements used to achieve these goals include:

1. Wills and trust agreement creation
2. Retirement planning
3. Estate tax exposure assessment
4. Insurance policies (life, disability, long-term care, etc.) purchases
5. Personal financial plans drafting
6. Family goal documents creation
7. Business plan writing including:
  - a. Articles of incorporation
  - b. Business bylaws
  - c. LLC operating agreements
  - d. Employment contracts
8. Real estate documents

Succession planning integrates estate planning, retirement planning, and business continuity planning. Its primary focus is on either maintaining the strength and success of a business or, if the business is deemed not viable past current generations, establishing the proper liquidation or sale of the business. In the case of family businesses in particular, family meetings and consultations with professionals are essential throughout the process. Objectives of succession planning typically include providing equitably for descendants, continuing control and leadership by the patriarch or matriarch, ensuring business stability, providing smooth management transitions, and preserving cash flow for family members.

Too often business owners delay or completely avoid succession planning as it touches on sensitive areas. No one likes to think about or plan for their own mortality. Beneficiaries don't want to appear greedy and grasping by asking about plans for the family business. The added component of possibly challenging family dynamics can lead to unclear management succession situations and create uncomfortable Thanksgiving dinners! This avoidance of ticklish subjects leads to subpar estate planning focused only on tax minimization instead of value maximization as well, with little regard for the current owner's wishes and vision for the future of the business. To make clear your wishes and vision, start planning for both your estate assets and for the management of your business after you are gone before it's too late.

Allen Capital Management/Allen Trust Company can help you with questions regarding succession planning and estate planning. If you are one of our clients, or think you might want to be, please contact us at (503) 292-1041 or via email at [allison@allentrust.com](mailto:allison@allentrust.com).

