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Most Family Business Owners Should Update Their Estate Plans

Often skilled estate planning is essential to the tax-efficient transfer of the family business across the generations. While the majority of family business owners have estate plans, the majority of these plans can be considered dated.

Family businesses are responsible for more than 70% of global production and are one of the principal creators of private wealth. Often critical to the continuity of the family business and to the perpetuation—if not enhancement—of family wealth is estate planning.

In an international survey of 336 middle-market family businesses, more than nine out of ten family members who are senior executives with equity in the firms have estate plans. The complication is that only 22% of these estate plans are have been updated within the last two years. A quarter of them have been updated between two and five years ago. The remaining half of them has not been looked at in over five years.

According to **Daniel Geltrude, Managing Partner of Geltrude & Company and Director of the firm's Family Office Practice,** "Most estate plans become 'old' after a few years. Usually circumstances in people's lives such as family relationships, business matters and their net worth change making it wise to review and potentially refine their estate plans." To this point, 78% of the senior executives with estate plans report that they are appreciably wealthier today than when their estate plans were drawn up.

Aside from dated estate plans, there is also the question of the quality of these plans. "Many family business owners fail to take full advantage of ways to legitimately avoid paying estate, gift, and other taxes," says Frank Seneco, President of Seneco & Associates, an advanced planning boutique and author of Maximizing Personal Wealth: An Advanced Planning Primer for Successful Business Owners, "Depending on jurisdictions, there are very powerful ways to effectively economically benefit the family. In some situations, there are ways to improve the financials of the business while economically benefitting the family. For example, a captive insurance company, in the right satiation, falls into this category."

So, not only should estate plans be up to date, they should be designed to take into account the latest advanced planning strategies. "In helping successful founders transfer the family business to their children, we consider it essential to make sure every legal and ethical way to mitigate taxes is considered. Therefore, we ensure that estate plans are not only current but also that the appropriate tax mitigation strategies are being used," says Geltrude.