

Selling your business: the impact on your family

Selling a business is usually a cause for celebration. However, it is also likely to be a time of significant change for you – and, just as importantly, for your family, too. George Maltby, Portfolio Director at Cazenove Capital, explains why it's important to consider the wider impacts – on family members' career plans, for example, and on your estate planning.

Business owners going through the sale process are often most concerned with whether they are selling the company to the right partner. In addition, they want to make sure that the sale proceeds will be sufficient to support their family's lifestyle in the years ahead.

They may also seek reassurance that the sale will not adversely affect their family's lives. Coming into life-changing amounts of money places not only the entrepreneur but also potentially their family in the spotlight.

So it's important for sellers to discuss exit plans with them as early as possible, particularly when family members either work for the company or may have been expecting to join it in the future.

Passing it on

The crystallisation of wealth through a business exit opens new possibilities, but also brings new responsibilities. One area where clients may need to review their plans in the run-up to an exit is inheritance. Thinking about this early on allows for more effective tax and succession planning.

Business assets in the UK currently benefit from Business Relief, allowing them to be passed on free from Inheritance Tax. However, a sale of the business for cash jeopardises this. Careful planning can help in this scenario.

The sale of a business may also require you to change your plans for the division of assets between members of the next generation. An exit may create scope to divide assets equally, but it could also disappoint individuals who had been expecting to take over the leadership of the business.

One business owner we worked with had agreed to sell his company for a nine-figure sum. However, he pulled the plug on the deal in its final stages because he did not want to deprive his eldest son of the opportunities and satisfaction the company gave him. The son had worked in the business for over 20 years, and it was his passion.

It's a good example of just how important it is to understand the family dynamics and the range of aspirations of different family members before embarking on a sale. The sale process can be a highly pressured and emotional time, and that's not usually the best time to start a difficult conversation.

Despite the challenges, selling a business can come with huge benefits for the family – and often for others beyond the family unit. It can provide the flexibility and financial freedom to explore new passions and pursuits. In many cases, it has also allowed families to donate large sums to charity and use their resources and expertise to help others.

This article was written before the government's October 2024 budget review announcements.

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