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NEWS AND ARTICLES
FOR OUR CLIENTS

COMPUNDING GENERATIONAL WEALTH – A BUSINESS EVOLUTION CASE STUDY

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The choices that we make in the transition of our businesses, the management of generational change and the disposition of our wealth are personal individual and unique to our circumstances.

No two businesses are the same nor are any two families the same. Business Evolution is what Pitcher Partners refer to as succession planning – the building, retaining and passing on of wealth from generation to generation.

The implication is simple, we need to ensure that what we do in the compounding of our wealth, its growth over generations and the development of our families, is tailored to our circumstances. Here are some examples of how some Pitcher Partner clients have achieved their desired outcomes:

- John commenced business by acquiring a 50% interest in a small business and built it into a successful publishing house over some 25 years. Although he had 6 children he did not see their future or their interest in his existing business so he crystallised its value and cashed out. He invested the proceeds in a diverse investment portfolio held under a trust structure that contained provisions for the independent management of those monies for future generations and a range of family value provisions to underpin a strong work ethic.
- Peter was a medical specialist and was the beneficiary of a substantial interest in his grandfather's estate including business equity. He allowed the value of that interest to grow for the benefit of his family and when his children were of a mature age, cashed out his entitlements. The resulting funds were used to buy properties for his daughters, provide capital for his sons' businesses and to donate a substantial sum to charitable causes.
- Michael owned a 50% interest in a well established import/distribution business with his brother. He had recently retired and the business was managed by an independent management team. Michael was keen for his only son to follow in his footsteps but was concerned that he did not have the necessary business experience. A small new start-up business was hived off from the main business operations for the son to manage and grow, with a limited sum of capital support. The new start-up continues to grow and the son is gaining valuable hands on experience.



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- A third generation business had grown to the size that it now consisted of a number of businesses that all supported each other and the various children’s families. However these businesses were also growing in different directions and the parents could see a time in the not too distant future in which conflicts would begin to grow. After careful planning the businesses were separated into different legal entities, with ultimate control retained by the parents. This structure allowed for each of the businesses to grow independently with each family having confidence that ultimately they would achieve full ownership.

For each of these families the desire has been to compound their wealth over generations, whilst also ensuring individual growth and family unity. They have seen that one goal could not be achieved without the other. If you are seeking guidance in the evolution of your business, Pitcher Partners has produced a workbook entitled “Business Evolution – A Simple Guide for Closely Held & Family Businesses”. To obtain your free copy simply email your mailing details to business.evolution@pitcher.com.au



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