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pulse of the SME sector

The great Australian dream

How to grow a successful family business

THE POWER OF BEING UNDERSTOOD
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CONTENTS

Hard work and perseverance are the backbone of any successful business, but in a family business they take on an emotional dimension.

Family business: the backbone of our economy

Family businesses are the backbone of Australia's economy, holding a remarkable position in our nation's entrepreneurial landscape. Accounting for the majority of Australian businesses, they contribute half a trillion dollars to our economy and create job opportunities for a huge portion of the workforce.

> It's not an overstatement to say that family businesses are the lifeblood of our nation's economic health.

Yet running a family business isn't always easy. Balancing the dynamics of family relationships with the nitty-gritty of daily operations can be a juggling act. The office doesn't always stay in the office; it often spills into family dinners, weekend gatherings, and even holidays.

One of the biggest challenges is the mix of personal and professional roles. Dad may be the CEO, but he's also, well, dad. Drawing the line between family and business in conversations and decision-making is crucial but often easier said than done. This becomes especially complex when family members have different levels of involvement in the business. For example, one sibling might be fully engaged in day-to-day operations while another might be more hands-off. This can lead to potential conflicts around decision-making authority, compensation, and even the long-term direction of the company.

Hard work and perseverance are the backbone of any successful business, but in a family business they take on an emotional dimension. The stakes are higher; it's not just a job, but a legacy. The hard work isn't just for the sake of profitability, but also for the family name and future generations. This added pressure can be both a driving force for success and a source of immense stress.

It's not just the adults who feel the strain either. Children growing up in a family business environment often feel the weight of expectation which can influence their own career choices and educational paths. The balance between encouraging involvement and allowing individual freedom can be tricky to maintain.

In any family business, planning for the future brings its own challenges. Succession planning, for example, can create tension between generations and among siblings. Who will take over the reins? How will the transition be managed? These are not just business decisions but family decisions too, often leading to delicate and sometimes confronting conversations.

All these challenges make the landscape of family business unique, requiring a fine blend of business acumen as well as patience and understanding. It's not for everyone, but for those who can navigate its complexities, running a family business can be incredibly rewarding – professionally and personally.

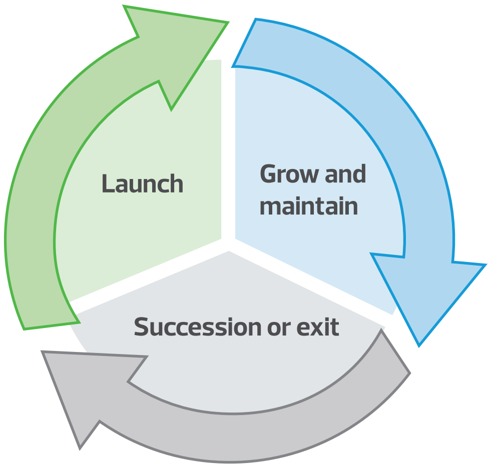
RSM has been supporting family businesses in Australia for over 100 years. Our collective expertise has helped our clients navigate the array of challenges they face every day: from structuring to tax compliance, cashflow budgeting, strategy, growth, asset protection, succession planning, and much more.

The family business lifecycle

In this latest thinkBIG report, we've picked the brains of some of our most experienced advisers to bring you a collection of valuable tips for family businesses.

Wherever you find yourself in the family business lifecycle, this report aims to be your comprehensive guide. We've assembled a wealth of useful information covering key areas such as launching, scaling, and exiting a family enterprise.

Feel free to jump ahead to sections that address your current challenges or align with your future aspirations. Our goal is to provide you with useful insights at every stage of your family business journey.

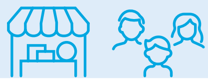


Launch your family business

Launching a family business is both exhilarating and daunting. Your initial actions set the tone for the entire venture, shaping its prospects for success. It's a stage filled with promise but also fraught with choices that can significantly impact your business's future trajectory.

Whether you've just founded a family enterprise or are contemplating the leap, understanding the key steps involved is invaluable. Even if you're at a more advanced stage of your business, re-visiting the foundational elements could prove useful – either to find opportunities to improve or simply reaffirm your existing strategy. It's never too late to optimise your approach for long-term success!

By planning carefully and looking ahead with clarity, your family business stands a stronger chance of not just surviving, but thriving...especially during those risky initial years notorious for new business failures.



Laying the foundations

Starting a family business is no small feat, and the complexities are often underestimated. A clear vision is imperative from the outset, guiding every decision and strategy that follows. It's not enough to merely have a great idea and dive in; today's business landscape demands a level of sophistication and planning.

Professionals like physios and dentists may excel in their fields, but entering the business world is a different kettle of fish. This makes an initial business vision crucial, as it helps outline vital considerations such as budgeting and capital requirements. Without this forethought, business founders might find themselves blindsided by unexpected complications.

For instance, many are unaware of the tax commitments that can accumulate quickly – such as a substantial tax bill that could fall due at the end of the first year, along with ongoing tax instalments for the current year. These sorts of financial obligations can easily derail a young business if they aren't accounted for from the get-go.

Create values to live by

Family dynamics can sometimes blur roles and responsibilities in a family business, so it's important to create a strong set of values and a code of conduct early on.

The aim is to establish clear communication channels and foster a culture of active listening and mutual respect. For example, thriving family businesses will often hold regular meetings (like 'toolbox talks' or 'stand-ups') which serve to keep everyone aligned on objectives and engaged in problem solving.

Good business values don't just guide day-to-day operations. They set the tone for your entire business from day one and become increasingly essential during phases of transition to prevent potential misunderstandings and disputes.

Get your structure right

Getting your business structure correct from the beginning isn't a luxury; it's a necessity. Engaging professionals such as accountants and advisers can help you determine the best structure to achieve your goals – be it a partnership, company, trust or a combination.

Even though the cost of professional advice and services may seem like a hurdle initially, the benefits will far outweigh the outlay. This is because a well-structured business will always:

- operate more smoothly
- be more tax efficient
- have less risk

Proper structuring provides a framework within which roles are well-defined, and this enables both family and non-family members to function effectively and adapt to change.

> **The way you start and conduct your family business** – including how you communicate, manage staff, and adapt to change – defines how your business journey will end when you're ready to exit.

CASE STUDY: THE STORY OF TWO FISHERMEN BROTHERS

Meet two brothers in the fishing business who turned pandemic challenges into a chance to pivot their business model. Initially focussed on selling to brokers and fishmongers, they switched to direct-to-consumer online sales during COVID-19. This change didn't just keep them afloat, it soared their profits to new heights. They now serve customers all over Australia and have more demand than they can meet.

Crucial to their success has been a willingness to change and a robust business structure, backed by expert accountants. This setup isn't just about immediate gains; it also paves the way for a smooth transition of the business to their children in the future.

Their story serves as an example of how businesses can adapt and thrive when faced with challenges. Their readiness to shift their business model, coupled with a well-planned structure and professional advice, embodies what makes a business successful: adaptability, forward-thinking, and a constant eye on growth opportunities.

Grow your family business

For some family businesses, rapid growth can take founders by surprise. Hard work and a quality product or service leads to strong results and before long there is more demand on the business than it's set up to handle.

Other times, growth is a source of inspiration for business founders. Expansion can't come fast enough, and the urge to pursue bigger and better opportunities may even come at a cost of creating stable foundations from which to grow from.

If your family business is experiencing unexpected organic growth, or you're itching to make your mark on a wider audience, it's important to try and stay grounded – and remember that even a little business nous can go a long way.

The value of a commercial mindset

A commercial mindset is a way of thinking about and approaching your business with a perspective that seeks to maximise:

- opportunity
- efficiency
- profitability

It goes beyond the basics of delivering a quality product and service, and seeks to answer: what is the best way to deliver this product or service to realise the best possible financial outcome?

There are several key aspects of a commercial mindset that are surprisingly overlooked by many family businesses. This is unfortunate as these are usually vital for long-term survival in today's competitive landscape.

Governance

Governance refers to the rules, practices, and processes by which you run your business. It's also a critical enabler of growth because it provides a blueprint for operations which can then be scaled up as opportunities present themselves.

While it's uncommon for a young family business to have strong governance in place, this approach is unsustainable once the business becomes more established and starts turning over millions of dollars a year and employing a large number of staff. Operating the same way as you did in the beginning won't cut it – your approach must evolve to match the business size and complexity.

Implementing good governance requires adopting a commercial mindset and taking active steps to treat your business like a business. This can include:

- forming a board of directors
- documenting policies, processes and procedures
- conducting internal audits
- engaging in regular strategic planning
- maintaining compliance
- committing to staff training
- establishing feedback mechanisms

If this is not your forte, an experienced business adviser can be a great source of advice and guidance as you embark on improving the level of governance within your business to enable growth.

Be wary of advisers who promise the world and are overly optimistic about growth potential. You want someone who is grounded in reality and will take the time to understand your business, starting with the basics to ensure you don't falter as you scale. What are the key success factors? What gives your business a competitive edge? An experienced adviser helps you examine these aspects and more. They delve into the foundational elements — ranging from accounting systems to compliance, up-to-date financial reporting, and strategic plans.

It's about taking stock of where you are in your business journey and what governance processes need establishing or refinement. Essentially, it's a chance to look 'under the bonnet' to identify weak points and work out how to address them.

Scalable systems

Another important aspect of governance is the systems you have in place to support your growth journey.

Perhaps your family business started with a basic subscription to cloud accounting software for invoicing, and kept customer records in an excel spreadsheet.

While this is fine when you have a limited customer base, it's not going to be adequate when you expand.

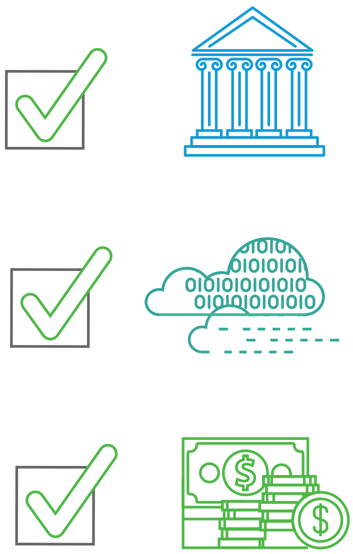
Investing in quality systems, such as an ERP (enterprise resource planning) platform, will save you time and make you more efficient. It will also equip you with better oversight of the business and data that can be used to inform decision making.

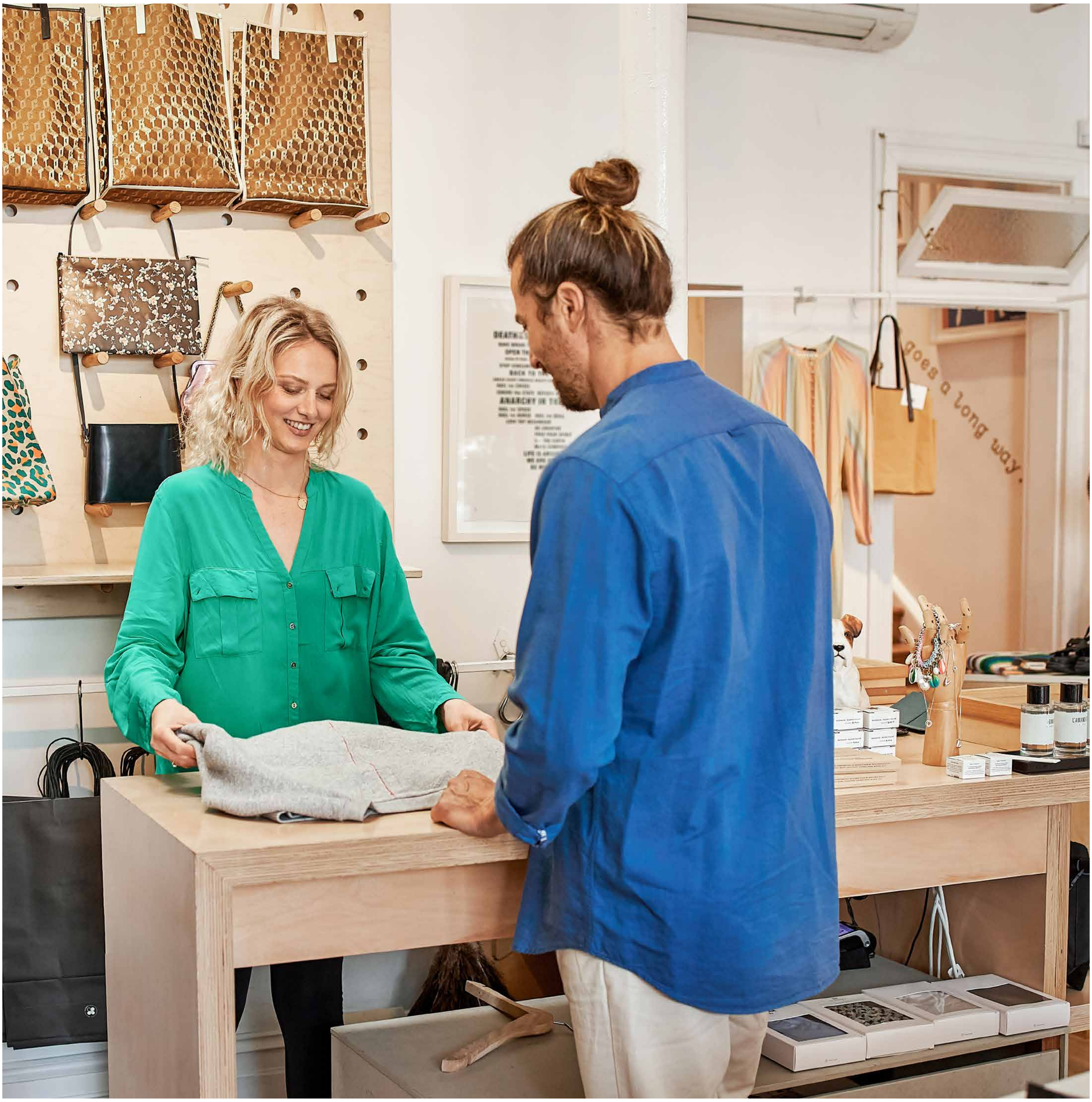
Capital investment

The capital to support your family business's growth can come from several sources: business funds, lending or investment. Often, a combination is required to support different growth activities at different times.

Securing loans or investment isn't as easy as it seems and has become a lot more difficult in the current economic market. Even if you believe you have exhausted all available avenues, a quality adviser may still be able to assist you in finding a legitimate funding source.

For example, at RSM we frequently leverage our networks to find funding for our clients and can also assist with preparing supporting documents and financials. Importantly, we can support this with scenario planning to ensure you will not be too heavily leveraged which can have devastating effects if growth plans don't go as expected.




goes a long way

The day-to-day of a family business

It's easy to get swept up in the daily rigmarole of running any business, let alone a family business where so many other dynamics are at play.

Keeping on top of customer orders, employee dramas, and tedious admin leaves you exhausted at the end of the day and putting a second thought to anything else can feel impossible.

Yet there are some aspects of running a family business that shouldn't be overlooked. Taking the time to understand them and put in place good practices can go a long way towards ensuring your future success.

Superannuation

For many business owners, the business itself often serves as a de facto superannuation fund. The mindset tends to be, "When I sell the business, that will be my retirement." While this strategy isn't ideal, it's the reality for many.

Keep in mind though that superannuation can be a very useful investment vehicle. For instance, one area where superannuation can benefit a family business is in the use of Self-Managed Super Funds (SMSFs) to hold a business premises. When done correctly, this strategy allows business owners to pay tax-deductible rent into their own retirement fund. It also creates a valuable asset that can either be sold later or used as a revenue stream, with significant tax benefits and protection from creditors if anything were to happen to the business.

The same principle applies to farmers, who may wish to put their land into super as a way of protecting it and securing tax advantages. Super can also play a role in building off-farm wealth in a concessional tax environment, which is especially beneficial when planning for ways to ensure non-farming children in the family are looked after financially when you pass away.

Just be wary of establishing an SMSF with business partners outside your immediate family. Co-owning assets within a super fund with business partners can spell disaster if the relationship breaks down, and have cascading effects on the financial structure of a business and personal retirement plans.

Despite the temptation to overlook superannuation, don't neglect to make it part of your holistic financial strategy. Whether your business is small or large, establishing an SMSF or making extra contributions into an existing superfund can be a great way to protect money for future generations and safeguard your own retirement.

Insurance

Insurance plays a pivotal role in protecting the future of a family business, regardless of age. Life insurance in particular serves as a vital component of this safety net and greatly reduces the stress that accompanies unforeseen events, such as the death of a business partner.

In scenarios where a business partner passes away, the situation can become complex — especially if the deceased partner's heirs (usually their children) are not equipped to manage the business. This is where a buy/sell agreement, backed by life insurance, becomes invaluable. Such an agreement allows either partner to buy out the other's share under specific

circumstances, like death, to ensure a smoother transition of ownership.

Suppose the business is valued at $5 million and one partner dies. The life insurance policy can fund the buyout, providing liquidity to the deceased partner's estate. This enables the surviving partner to take full control of the business, avoiding potential disruptions that might arise from inexperienced management.

Life insurance isn't just about protecting the business either; it can also be a financial lifeline for children who aren't set to inherit any part of the business. By setting up a designated life insurance policy, you are taking steps to protect their financial future.

Insurance is not merely a backup plan. It's an instrumental part of business continuity and family financial planning. Through life insurance and buy/sell agreements, you can navigate complicated scenarios and ensure the long-term stability of your family business.

Division 7A Loans

Division 7A is a set of provisions in the Australian tax legislation that applies when a family business owner draws money from their company without paying tax on it. In essence, this extracted money is treated as a loan to the shareholder. The loan must be repaid within a specified period (often by the end of the financial year), or by the time the tax return is lodged for that year.

There is no minimum or maximum amount for Division 7A loans – loans can be as varied as $500 or $80,000. However, it's vital to manage the loan account carefully.

Here are a few key points to remember if the loan is not repaid by the end of the year, or the due date for lodgement of the income tax return:

- The loan must be repaid within seven years.
- There must be a written and signed loan agreement.
- Repayments should cover both interest and principal.
- Interest rate to be charged is determined by the ATO.

Failure to meet the requirements of Division 7A can result in what is known as a deemed unfranked dividend, which is subject to the highest individual rate of tax. So to avoid this, it's important not to treat the company account as your personal piggy bank.

If you wish to withdraw money from your family business – be it for a car, holiday, emergency, and so on – ideally speak to your accountant so you first understand the implications. When done correctly, there needn't be any adverse tax implications and the funds can be made available to you very quickly for whatever you need them for.

Dealing with divorce or death

While no one enters a family business anticipating the complexities of divorce or the tragedy of death, the reality is that these life-changing events can occur unexpectedly. Failing to prepare for them not only makes emotional turmoil worse, but it can also have devastating consequences for the business itself.

One way to protect your business and keep family ties intact is with a Buy/Sell Agreement, as discussed earlier in insurance. This is like a rulebook that says what should happen if someone wants to leave or is forced to exit the business. It also stipulates who takes over the reins if one partner were to become incapacitated or pass away.

In the event of a divorce, the value of the family business (determined by an independent valuation) is usually a key consideration for asset division. Achieving an equitable split can be challenging, particularly if the business is the main asset in the couple's matrimonial pool.

A primary aim in family law settlements is usually to sever ongoing financial ties between the parties, which could lead to a business sale to allow post-tax proceeds to be divided. If one party wants to retain the business, the Family Court will view it as both an asset and a means for that individual to support themselves financially. As such, the other party must be compensated accordingly.

Divorce can get extra messy when it involves the relationship of a child in a family business. To prevent loss of family assets (especially in the case of farming properties), parents will often ask their children to have a binding financial agreement signed either before or during their marriage. This clearly sets out the terms for asset division if the marriage fails.

For anyone involved in a family business – be it immediate family or by marriage – it's always worth learning about the business and how it operates. Don't be afraid to attend business meetings, ask questions, and take notes. If you are financially tied to a family business in any way, being an active participant can help protect your interests if difficult situations unfold in the future.

Particularly for companies in the energy and resources sector, leading by example in this space will place you in a more confident position moving forward.

Philanthropy: the cornerstone of legacy

Philanthropy in a family business goes far beyond simply being a virtuous activity or a tactic for tax planning. It offers an opportunity to:

- unite the family around a shared goal
- impact a cause you are passionate about
- establish a lasting legacy beyond the family enterprise

In families that have built considerable wealth through successful businesses, philanthropy can offer invaluable benefits that far surpass the financial aspects of giving.

For instance, children within the family business might be given their own charitable fund allocation – allowing them to make crucial decisions on its management. This can inspire all family members to focus on matters greater than individual needs or even the business itself. Such a process can encourage even the most challenging personalities to contribute harmoniously to a common goal.

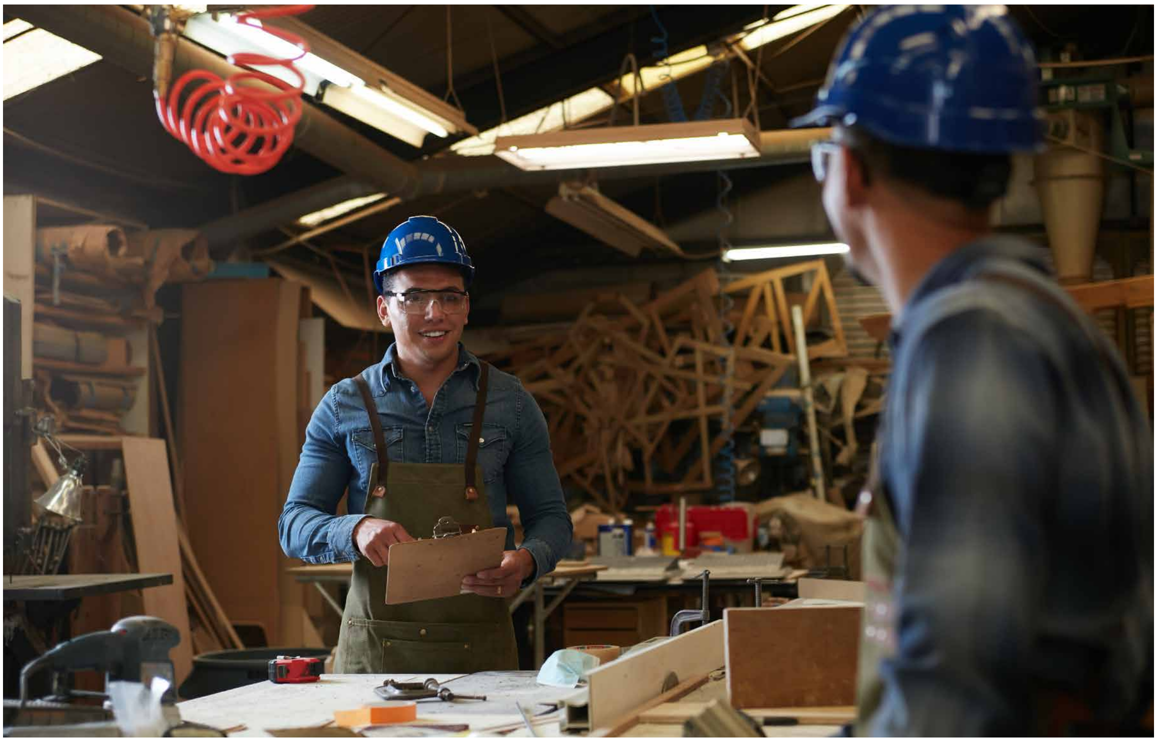
Well-executed philanthropy often results in a fortified family culture and a sense of stewardship that carries into the next generation during succession planning.

Your decision to engage in philanthropic activities depends on your personal goals, and it can take many forms depending on the family's financial resources. For example, you might decide to donate 10% of your annual company profits to a charity and involve family members in deciding on the distribution. Or, you may choose to establish a non-profit organisation under the family name to manage social and charitable initiatives separately. Alternatively, a family office could serve as the optimal platform for managing philanthropic efforts as part of broader wealth management strategies.

To determine if philanthropy aligns with your ambitions, make time to review your values and objectives. If you decide to move forward, stablish common goals and a clear vision and have a strategy on how you will best use your resources.

Consulting a trusted adviser can assist with managing your charitable funds most effectively, and ensuring maximum impact for the causes you care deeply about.

> It is more difficult to give money away intelligently than to earn it in the first place.
>
> *Andrew Carnegie*



CASE STUDY: ANYWHERE TRAVEL

In 1982, Barbara Whitten founded Anywhere Travel with only a team of two and an intention to provide unique corporate and high end leisure travel experiences. Four decades later, the business now employs more than 25 staff and is highly sought after for its expertise in corporate travel management.

Over the years, businesses owned by Barbara's husband and sons also grew – leading the family to unite them all under an umbrella group comprising travel, hotels, property investments and an investment banking firm. Today, her sons' skills and experience in their own chosen fields significantly enrich decision making in legal, financial, and HR matters across all businesses in the group.

Strong governance is Barbara's cornerstone advice for family businesses. A board with regular monthly meetings ensures decisions are collective rather than individual, and an external CFO adds an unbiased voice to the board's decisions. The family also sets financial limits for investments; any amount exceeding the set limit requires board approval. Open discussions and mutual respect among family members are non-negotiable and help to keep everyone aligned.

Learning over time, they also realised the importance of a structured approach. A family office adds a layer of cohesion, providing genuine help when needed. External consultants are employed for specialised advice, and diversification is a key business strategy. Barbara is an advocate of seizing opportunities as they arise, fully aware that not all will succeed but it's important to try.

As for the future, succession planning is already in play. Barbara and her semi-retired husband face new choices about passing on their businesses, especially as they consider the roles their grandchildren might assume. Barbara emphasises that sound management is crucial in determining whether a family business will be sold, closed, or can continue to flourish under the next generation. A well-structured, cohesive, and diversified approach has been their formula for sustainability and growth – and it's a formula they're keen to pass on to the next generation.

anywheretravel.com.au

Succession or exit: the full circle moment

You've put in the effort and reached a pivotal point in your business journey: it's either time to let your family take the reins or sell the business to fund your dream retirement.

As we've emphasised throughout this report, the way you start and manage your family business influences your succession or exit strategy. Whether you aim to step back soon or are simply laying the groundwork for the future, the following guidance will help you navigate this transition smoothly.

Succession planning

Succession planning in a family business starts with a straightforward question: What's the endgame? Whether the goal is to sell the business, pass it down to the kids or something else entirely, it's essential to make these plans known from the outset.

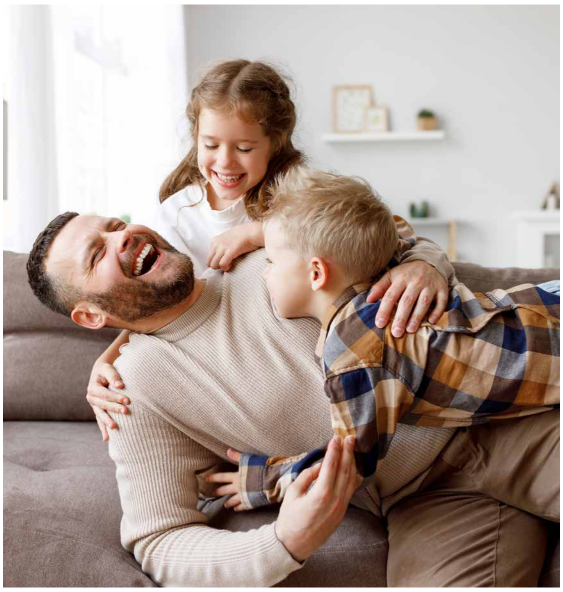
Take a dad who wants to sell his company and retire. After candid talks with his two sons who work in the business, the father finds a buyer. The sale goes smoothly, providing the parents with a comfortable retirement fund and the sons with a reasonable share from which to launch their own business. This scenario worked because everyone had an open, honest conversation from the get-go.

But not all family businesses end this well. Sometimes, an older generation can resist change, even when it's crucial for survival. Despite pleas from the next generation to adapt and evolve, this resistance eventually leads to failure and the legacy (and financial value of the business) is lost.

> When thinking about succession planning, it's important to look beyond the business itself and ask: what will our family legacy look like? Is it merely financial, or is there a community or social cause to consider? What wealth do we have, and what steps are we taking to preserve it for as long as possible?

Often, it's very useful to bring in a trusted adviser to help answer these questions and mediate discussions between family members. They can explain exit strategies and make sure everyone – including those who are not directly involved in the business – are considered in the planning to avoid disputes.

Astute advice and good planning saves a family more than just money; it can preserve relationships and ensure a legacy for generations.



Transferring wealth after a business sale

If your family business is sold, you'll have important decisions to make about how to use that money in the next chapter of your family's life. Whether it's for retirement, investing, charity or a new business, you'll likely move from being an active business owner to a more passive investor.

When becoming a passive investor, you will want to generate income from your assets to fund your lifestyle and for the benefit of your loved ones. Secondly, you may also like to grow and protect your hard earned wealth for future generations to come.

From straightforward cash investments to more complex opportunities such as shares, managed funds, ETF or venture capital, your choice of assets should reflect your financial goals, investment experience, and risk tolerance.

Putting your money in a mix of structures like family trusts, investment companies, and superannuation or retirement funds is also key. The right structure will help with tax planning and protect your assets from difficult unforeseen events such as a divorce or legal action. Depending on your overall objectives, you may wish to set up a family office to assist in managing the assets and the overall needs of the family, especially when there is more than one generation to take care of.

When transferring wealth, open conversations within the family are crucial. Everyone will have their own goals for the future and they may vary greatly. Respecting each person's views and being transparent about your own aspirations can help keep everyone aligned on future steps.

An experienced accountant and financial adviser is pivotal in wealth transfer – from assisting with the sale of the business to structuring assets, acting as a sounding board for investment decisions, explaining tax implications, and facilitating family discussions.

Keep in mind that wealth transfer planning isn't just for the very wealthy either. Even if your family business has sold for a moderate sum, that's still a lot of money that you'll want to manage carefully. The aim isn't just to have wealth, but to grow and protect it and then transfer it on to future generations. Otherwise, you could well become one of the many families whose wealth dissipates after only two generations.

By treating this change seriously, you have an opportunity to maximise your family's financial wellbeing while reducing risks and preventing conflicts.

Estate planning: more than just a will

Estate planning is essential when you're preparing for succession in a family business. How you manage your affairs now has a big impact on what happens after your death, including the likelihood of your will being contested in court – which is a lot more common than you may think!

Setting up enduring power of attorney is also a safeguard for scenarios where you cannot manage your own affairs. This is worth thinking about regardless of whether you're 30 or 70, as you want to ensure someone with your best interests at heart will make sound decisions on your behalf if something does happen.

Most importantly, you must know the structure of your business inside and out while you are well and of sound mind. Many family business owners overlook this and don't realise the impact it has on their estate after they're gone. For example, trusts and companies continue to operate after your death. Often, control of these aren't covered by a will but are dictated by trust deeds or company constitutions. Understanding your business structures will allow you to take steps to protect it (and your family) in the future.

It's wise to discuss your business structures with a trusted adviser to determine how assets will be passed on and what the tax implications might be for those who inherit. If you run a farming business, for instance, have you decided who takes over the business and who inherits the land? If some children aren't part of the business, how are they considered in other financial plans like superannuation, insurance, or other off-farm assets?

These points should all be documented, and that document isn't always just a will. A regular accountant will be able to assist with simple estate planning scenarios, but for more complex estates it's worth considering a specialised adviser. They will be able to engage in strategic discussions with you, above and beyond basic compliance.

CASE STUDY: MONARO SCREENS

For three decades Dave and Deirdre (Dee) Byatt worked hard on their business, Monaro Screens, not thinking much beyond building it into a successful enterprise they could one day sell to fund retirement. When their sons came on board several years ago, it wasn't because they intended to turn it into a multigenerational affair.

"Truth be told, we probably would have preferred to put the business up for sale at some stage, given the pressures involved in running it," Dave says. *"It's hard work!"* As it turned out however, their son Ben was keen on the challenge and a gradual passing on of knowledge meant that as retirement grew closer, a competent new leader was emerging.

"When we realised Ben was capable of running the place virtually on his own, we consulted with our accountants and started the succession plan," Dave says. *"As we reduced our input into the business, we found we could rely on Ben to fill that void. I drew the line last month and stepped out of the business. Dee will drop down to three days a week for maybe the next 18 months to two years before she retires as well."*

Ben officially took the helm last year, and Monaro Screens joined what RSM in Canberra principal Thiru Kandiah says is a growing contingent of local multigenerational family businesses as the city's business community matures.

"The business landscape in Canberra is not dominated by large corporations. Businesses here are predominantly SMEs (small to medium enterprises) and many of them are family businesses," she says. *"We've helped a lot of business owners who reach retirement age step down and pass the torch onto the next generation."*

Aside from Monaro Screens, its list of successful handovers also includes ASX-listed business Racing and Sports, which went from father Gary Crispe to son Stephen in 2021. Increasingly common though it is, it's not a simple case of passing the baton. Any kind of wealth exchange between generations – from property to businesses – requires a measured approach to ensure all the checks and balances are in place. Monaro Screens had already been an RSM client for more than 20 years when the time came to make the intergenerational transition – a process that has been taking place over the past four or so years.

"It was important for Dee and me that it was done properly, as Monaro Screens was our life's work and retirement plan," Dave says. *"That involved in-depth discussions with RSM and their business advisor – they've been instrumental in this process. Eventually it came down to how Ben would obtain the funds to buy into the business and eventually, buy us out."*

The family met with RSM and its business advisor each fortnight so Ben could learn what went into monitoring expenditure and performance and about the compliance and tax requirements to get business and structuring advice and ultimately, ensure a fair exchange. The process involved making referrals, compliance and tax management, issuing shares and eventually, creating a shareholders agreement so all three parties were clear about roles and responsibilities.

"Throughout the process you need a good working relationship between the clients and the various advisors involved – accountants, lawyers, bankers, business advisors – all the people who play key roles at the various phases of the business," Thiru says. *"Yes, Dave and Deirdre are Ben's dad and mum but in the context of a business changing hands, they're business partners."*

As the business enters its next phase, the Monaro Screens success story continues to be widely embraced by the Canberra community.

> ***"Family businesses resonate with the community. They're involved in the local community, they're invested and there's incentive to do right by it," Thiru says. "The people who own family businesses are also relatable, we want to cheer them on when they succeed, hit milestones and sometimes, get passed down to the next generation."***

monaroscreens.com.au

Dione David, Multigenerational successes ensure Canberra's community matures, The RiotACT, 2 July 2023, https://the-riotact.com/multigenerational-successes-ensure-canberras-business-community-matures/674897

Our top 10 tips

There is so much we could share when it comes to launching, growing, maintaining, and exiting a family business. But ultimately, much of it boils down to a handful of key ingredients that we see time and time again in the most successful family businesses we've worked with over the years.

Here are our top 10 tips for family business success...

1

Effective structuring

Be it a sole trader, partnership, company trust or combination, the right structure is vital to minimise unnecessary tax, protect assets, and enable smooth succession to the next generation.

2

Care about cashflow

Like any business, it's imperative to know your numbers. Don't let your accountant be just for annual tax compliance – have them develop a three-way budget forecast regularly so you always know your financial position and are optimally positioned for opportunity.

3

Treat your business like a business

While you may be skilled in your profession, you either need to invest in building business skills or surround yourself with those who have them. Take the time to establish good governance and implement quality systems, and actively seek ways to drive efficiency and profitability.

4

Start with the end in mind

What exactly do you want your business to achieve? Is it to provide an immediate source of income, or to build real wealth and leave a legacy? By being clear on where you're headed, you'll be more confident when making the decisions that will lead you there.

5

Document everything

From policies and processes to buy/sell agreements, absolutely everything in your business should be documented. This not only makes everyday management simpler and supports growth activities, but can prevent family relationship breakdowns in serious situations.

6 Hope for the best, plan for the worst

Try not to put all your eggs in one basket (your business) by diversifying your wealth using clever strategies around asset protection, superannuation, and other investments. Take out sufficient insurance so you have peace of mind that if the worst did happen, your family is taken care of.

7 Don't make the business a rite of passage

Expecting children to enter the family business at a certain age, or allowing them to regardless of their skills, can lead to all sorts of issues. Instead, encourage children to explore their own career path and, if their choice includes your business, encourage them to gain qualifications or start out small and work their way up.

8 Cultivate respect and open communication

Having genuine respect for each family member, and actively listening to their views, creates a strong culture that can withstand even the greatest challenges in running a family business. If the founders lead by example, every generation who enters the business will follow suit and contribute to building a powerful legacy.

9 Look beyond your business

A family business can take on so much more meaning when the family unites for causes that extend beyond the core enterprise. Be it community involvement, charity or philanthropic initiatives, the drive to do more together for the greater good leaves a lasting impression on everyone involved.

10 Engage good advisers

Many of the most successful business owners can attest to the fact that a good adviser is worth their weight in gold. Their objectives are very simple: help you achieve your success by being a source of valuable insight and guidance, and a trusted confidant you can rely on at any stage of your business journey.

RSM: Supporting family business for over 100 years

From a farm in remote Western Australia to a small family restaurant in Adelaide, or a multinational manufacturing business in Sydney, our experience with family business spans all states and territories across all industries.

Whether you're a first generation family business or are preparing to welcome a third generation into the fold, RSM's experienced accountants and business advisers are here to help you navigate the complexities and capitalise on the opportunities that appear on the horizon.

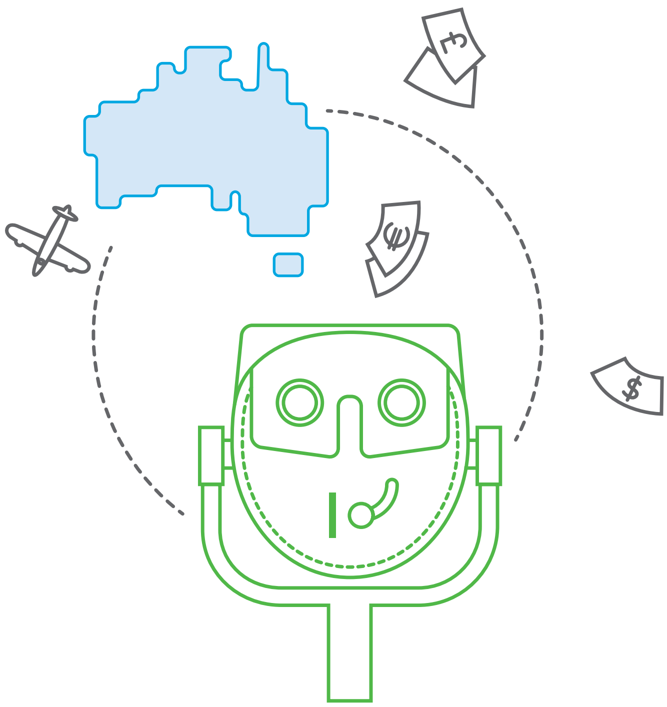
You can engage us for:

- general tax compliance
- business structuring
- strategy and planning
- cashflow budgeting and forecasting
- company valuations
- securing investment
- succession planning
- estate planning
- philanthropy and family office
- plus much more

As part of a global group of trusted advisers (and the sixth largest tax, audit and consulting network in the world), we are well placed to assist you at any stage of your family business lifecycle.

Our aim is to support your family business to succeed in whatever way success looks like for you.

To learn more, our friendly team is only ever a phone call away. Simply reach out to your local RSM office.



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