



# Welcome

Advivo Accountants and Advisors in conjunction with  
Transition Planning and Families in Transition present:

## Family Business Transition

25<sup>th</sup> August 2016


### Speakers

- Ø Peter McNoulty, Transition Planning
- Ø Susanne Bransgrove, Families in Transition
- Ø Leon Stephan, Advivo Accountants and Advisors



Why are we having these seminars?

“Our combined, holistic and differentiated approach to transition planning assembled a team to deliver what no one group can or does.”



# Introducing

Peter McNoulty  
Transition Planning Australia



**TRANSITION PLANNING**  
AUSTRALIA

# **ADVIVO Family Business Transitions**

An aerial photograph of a coastal landscape. On the left, there are green, rolling hills with a winding road. A sandy beach curves along the base of the hills, meeting a vibrant blue ocean. The water is clear, and a small white wake is visible in the distance. The overall scene is bright and scenic.

**Retirement Redefined**

# Have you thought...

Am I ready to retire?

My work is my life.

Who will I be?

What will it be like?

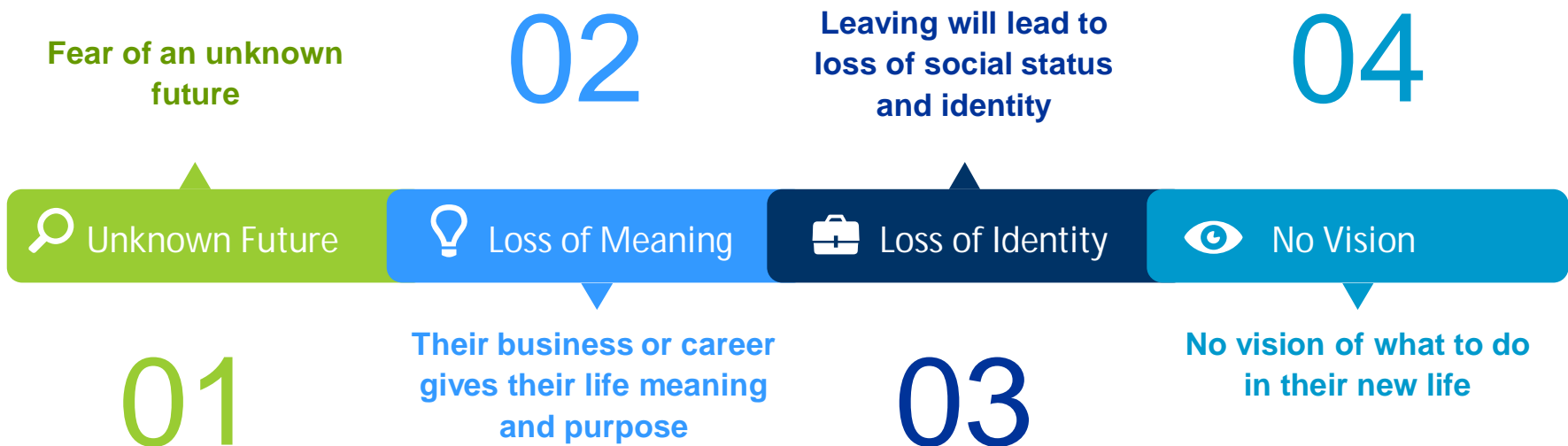
I'm retired and I'm bored!



## **Business Owners -**

- ▶ Have you planned your future after business?
- ▶ Are you willing to take some time to prepare?
- ▶ What does the next chapter look like?
- ▶ Why would you not want to create a plan?
- ▶ What's holding you back??

# Why people don't want to think about leaving





**A  
Transition will  
inevitably  
happen ...**

**Will you be  
ready for it?**

A close-up, low-angle shot of a sailboat's deck and hull. The boat is white with a wooden deck. A large, bright yellow sail is visible, partially obscuring the sky. The sun is low on the horizon, creating a warm, golden glow and reflecting off the water. The boat is moving through the water, leaving a white wake. The text is overlaid on the right side of the image.

**We believe everyone is  
entitled to a **meaningful life**  
after full time work**

# Generations

▶ What were you doing 25 years ago?

▶ Prime Minister of Australia in 1991?

▶ Who was the US President?

▶ What was the most popular song?

▶ Who were the NRL Premiers?

# Generations

- ▶ 25 years is a long time!
- ▶ What were you doing in 1991?
- ▶ How did your plans then, work out?
- ▶ What will you be doing in 2041?
- ▶ What will you do for the 25 years of your life after work?

Refer to Page 2 in Workbook



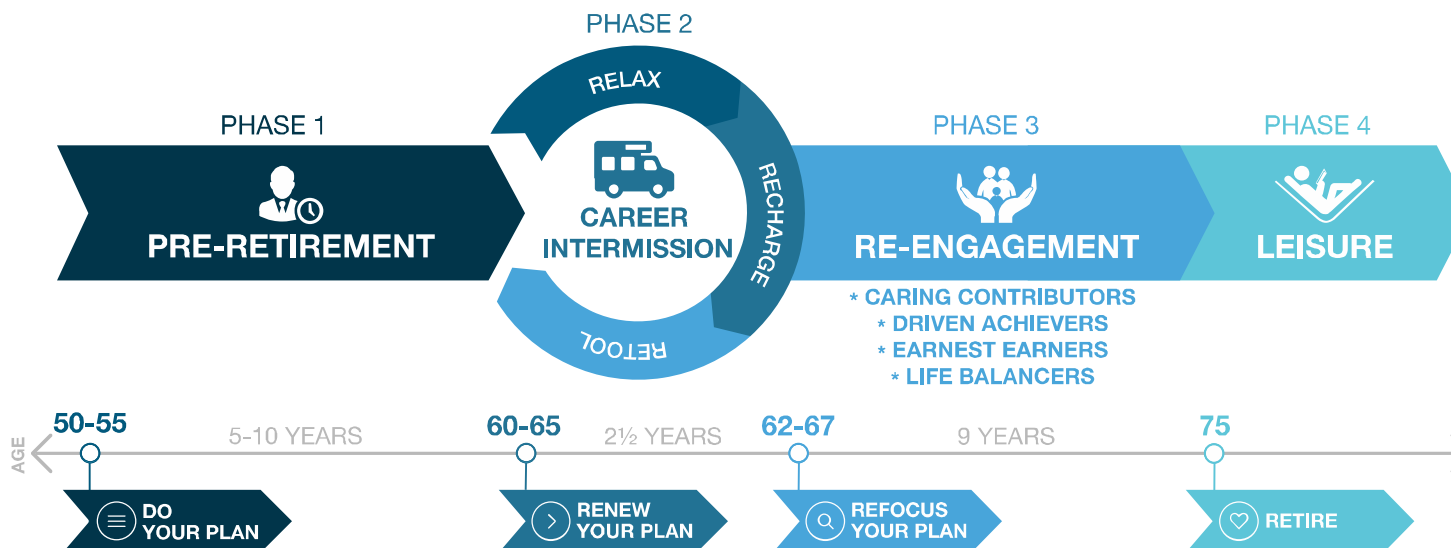
TRANSITION PLANNING  
AUSTRALIA

# RETIREMENT REDEFINED

## YESTERDAY'S RETIREMENT: TWO PHASES



## TODAY'S RETIREMENT: FOUR PHASES



# The keys to happiness...

**Financial Security**

**Physical Health**

**Mental Health**

**Social  
Connection**

**A Sense of  
Purpose**

# Transition Planning - Our 'What'



**Optimise** the  
retirement  
experience



**Business  
Owners leave  
business on  
their terms**



**Framework  
for identity in  
the next  
phase**

# Two Types of Transition require planning



## Personal Transition Plan

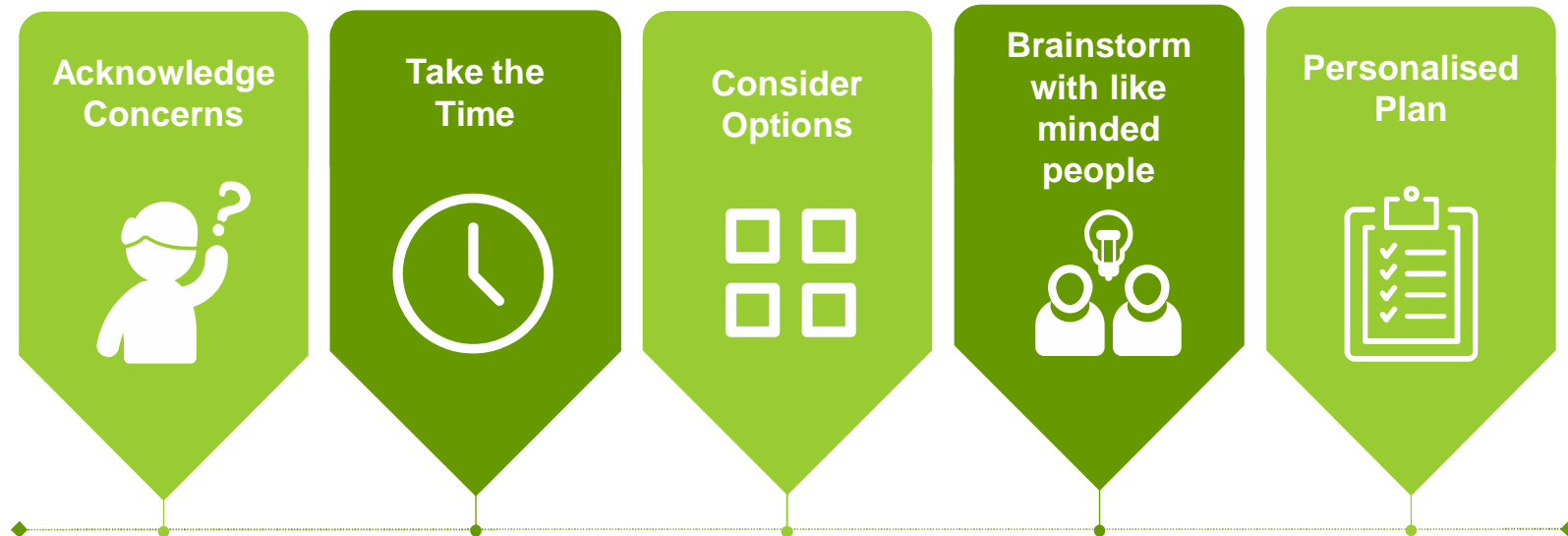
- ▶ Plan a meaningful and fulfilling new life after work



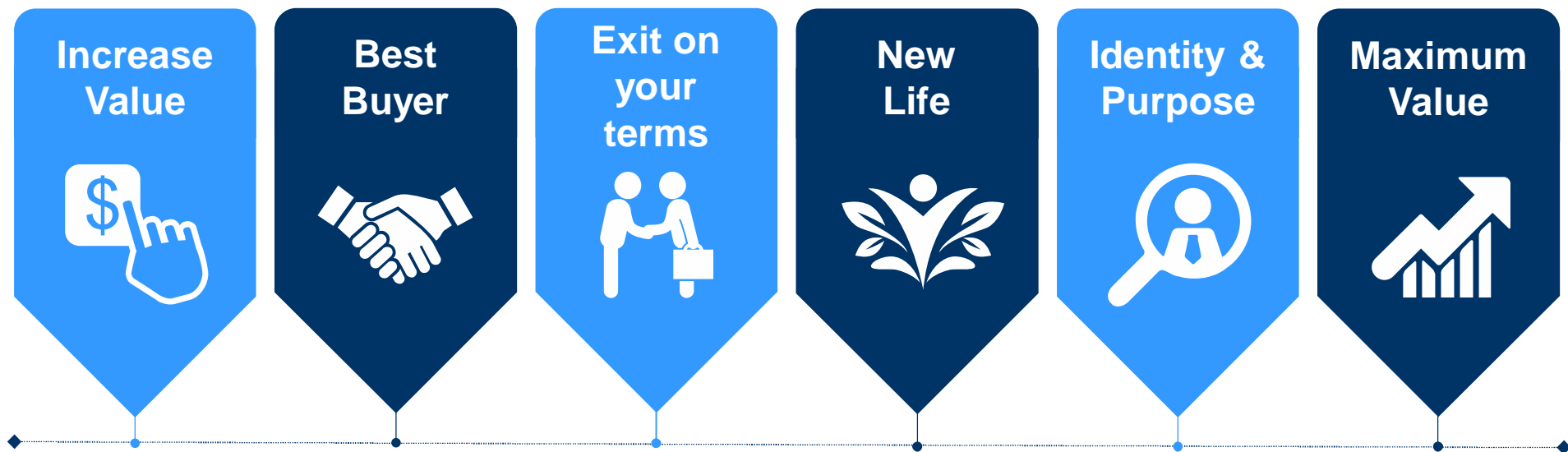
## Business Transition Plan

- ▶ From a business owned and run by you to new ownership
- ▶ Business Improvement
- ▶ **A team of advisors**

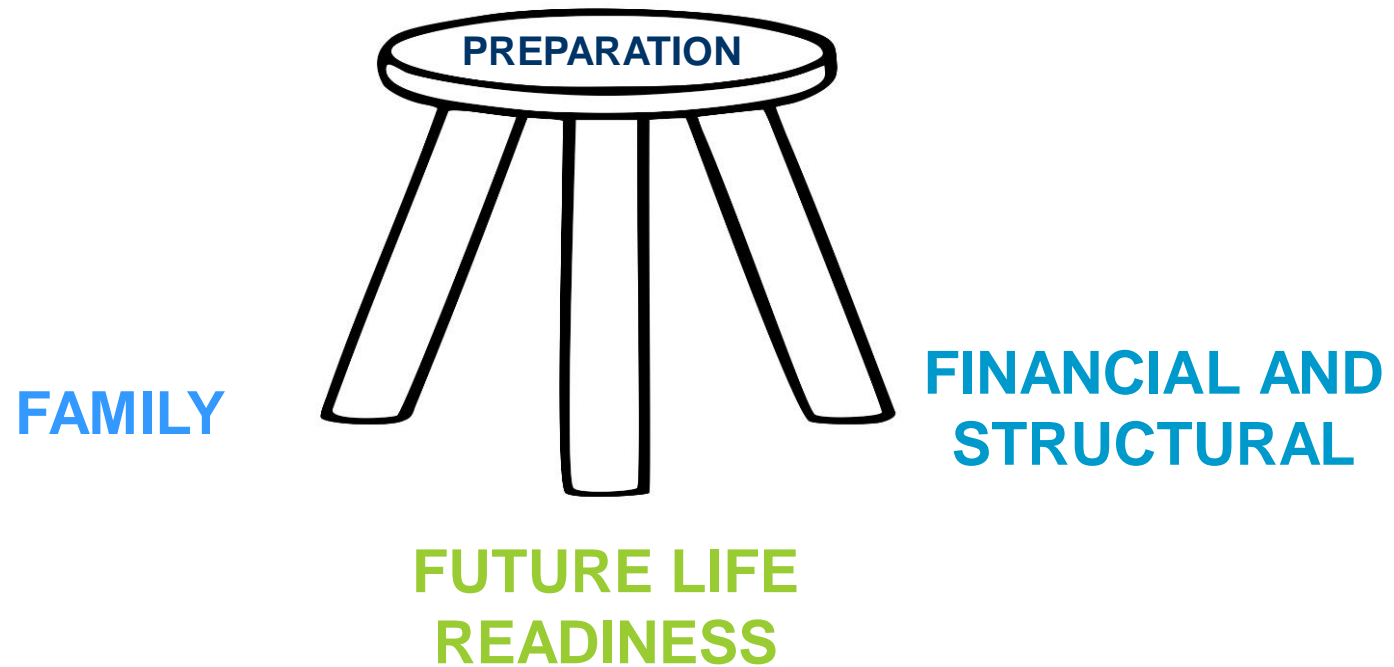
# A successful Personal Transition



# Business Owner Outcomes – the result of Teamwork



# Three Legged Stool





**“You plan everything in life,  
and then the roof caves in  
on you because you have  
not done enough thinking  
about who you are and  
what you should do with  
the rest of you life.”**

**Lee Iacocca,**  
Retired CEO of Chrysler

# Ten Lifestyle Areas

1. Physical Health
2. Intellectual Stimulation
3. Recreational/Creative Activity
4. Activities with your Spouse/Partner
5. Activities with Other Family Members
6. Residence (where you want to live)
7. Social Connections
8. Spirituality/Faith
9. Income-Producing Work
10. Volunteer/Philanthropic Activity



# Transition Thinking

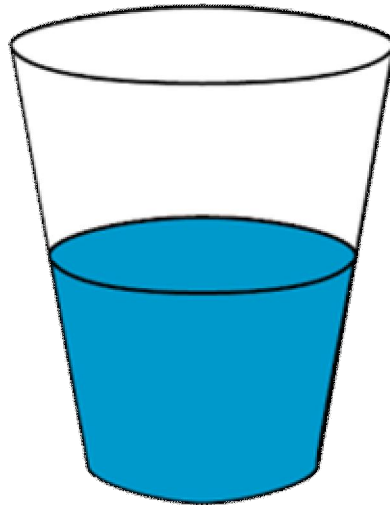



- ▶ Expand your thinking
- ▶ Not a competition
- ▶ Not 'either/or' but 'both/and'
- ▶ Range of possibilities
- ▶ Upsides and downsides of each
- ▶ Take the time to do it properly

# Transition Thinking – an example

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**Is the glass half full or half empty?**



A close-up, low-angle shot of a sailboat's deck and hull. The boat is white with a wooden deck. A large, bright yellow sail is visible, partially obscuring the sky. The sun is low on the horizon, creating a warm, golden glow and reflecting off the water. The boat is moving through the water, leaving a white wake. The text is overlaid on the right side of the image.

**We believe everyone is  
entitled to a **meaningful life**  
after full time work**



**TRANSITION PLANNING**  
AUSTRALIA

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# Introducing

Susanne Bransgrove  
Families in Transition



# IN TRANSITION GROUP

FAMILIES  
IN TRANSITION

BOARDS  
IN TRANSITION





# SUCCESSFUL FAMILY BUSINESS TRANSITION

FAMILIES WORKING TOGETHER IN BUSINESS

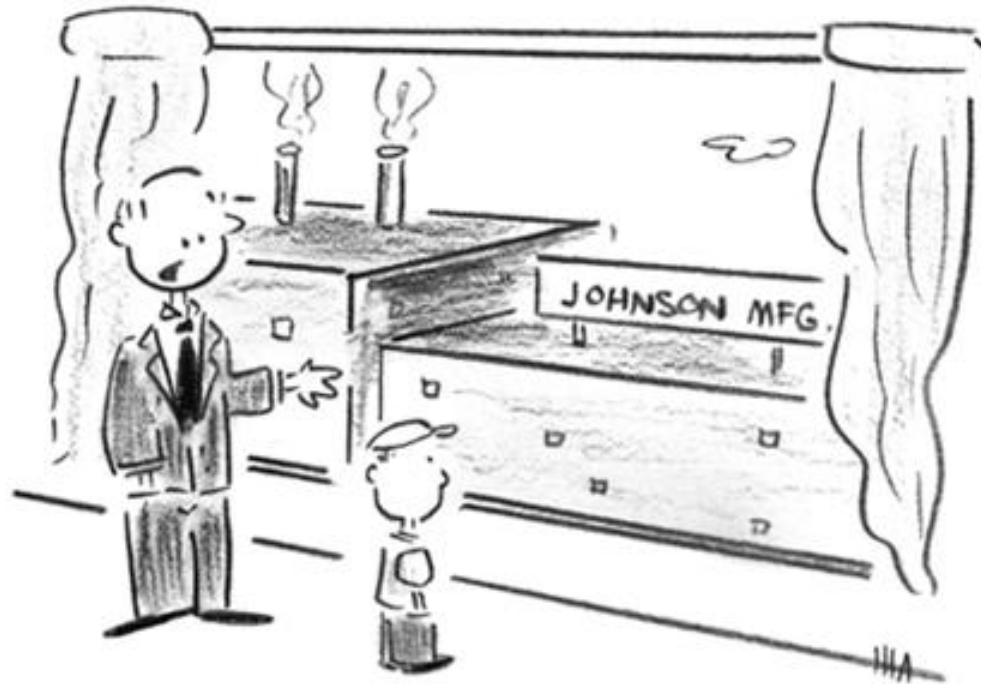


**FAMILIES**  
IN TRANSITION

# FAMILY AND BUSINESS GOVERNANCE

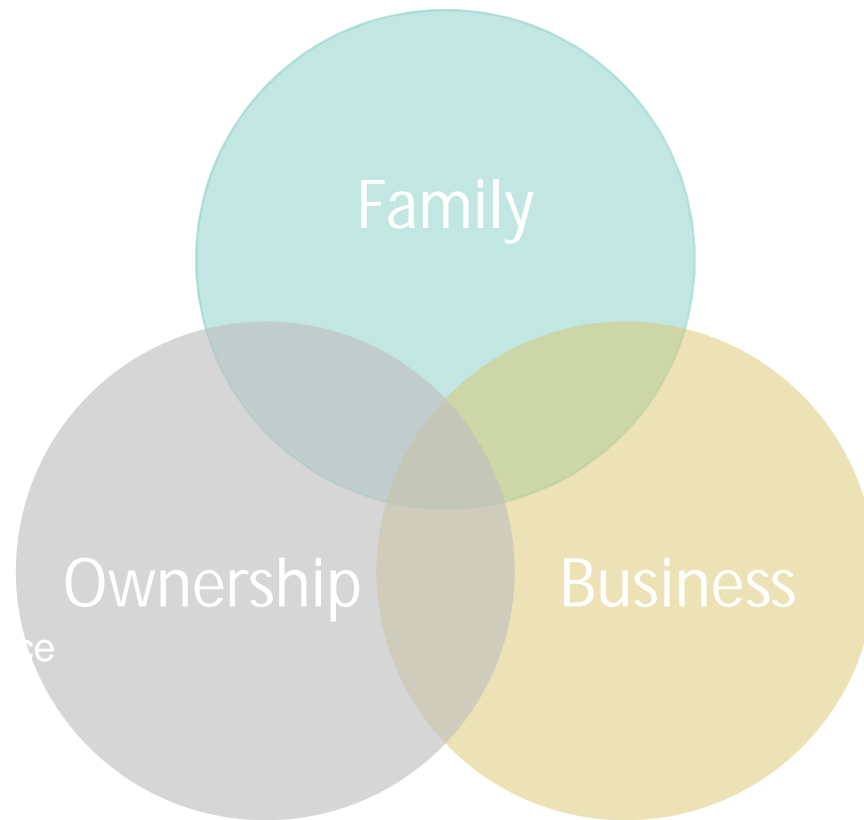
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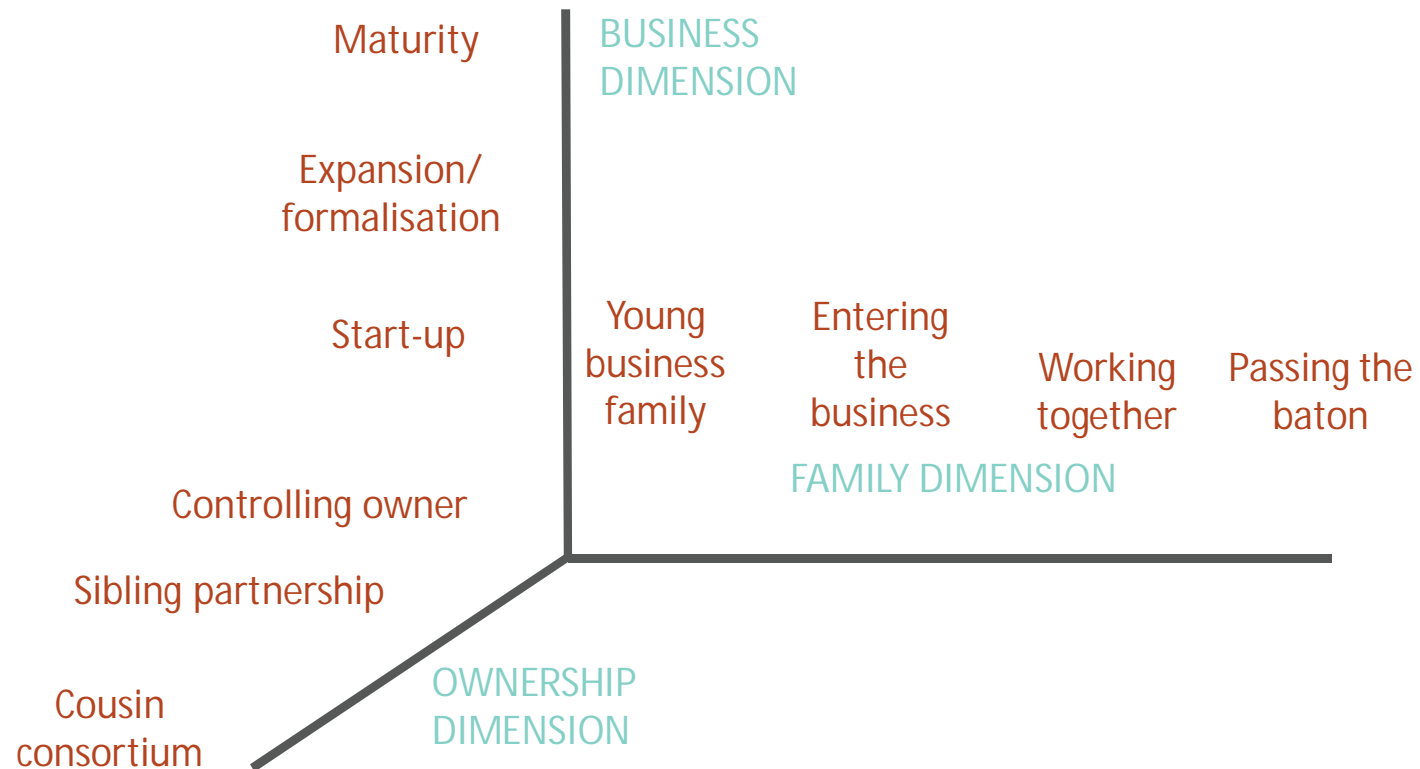


"Timmy, someday when you're older, this will all still be mine. I wish you luck."

# COMPLEXITIES



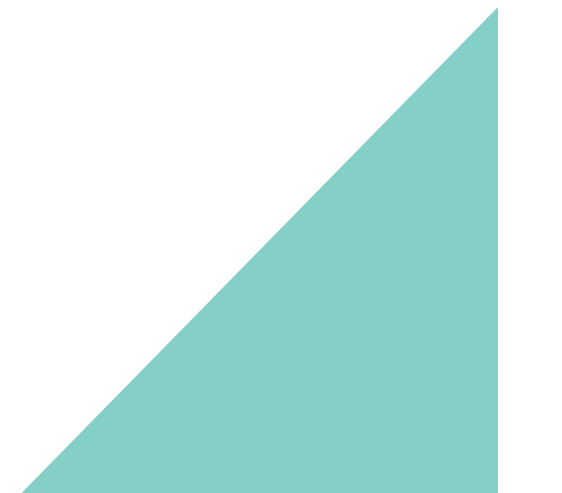
# DEVELOPMENTAL MODEL OF THE FAMILY BUSINESS



*Gersick, K.E., Davis, J.A., McCollom Hampton, M., & Lansberg, I., 1997. Generation to Generation. HBSP. pp. 17 ff.*



# STRENGTH OF FAMILIES IN BUSINESS

- Commitment to the Business
  - Continuity of Knowledge
  - Pride
- 

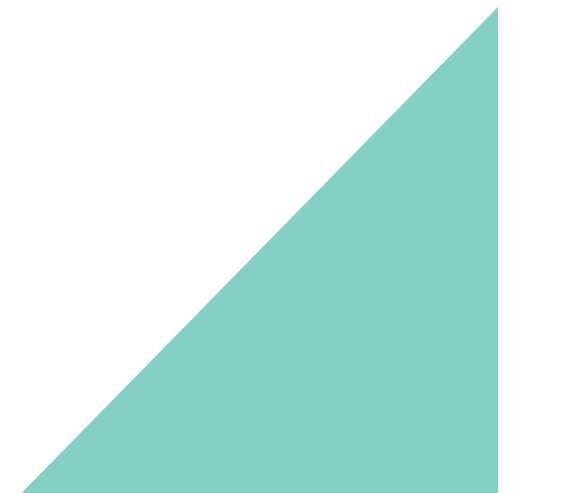


# WEAKNESSES OF FAMILIES IN BUSINESS

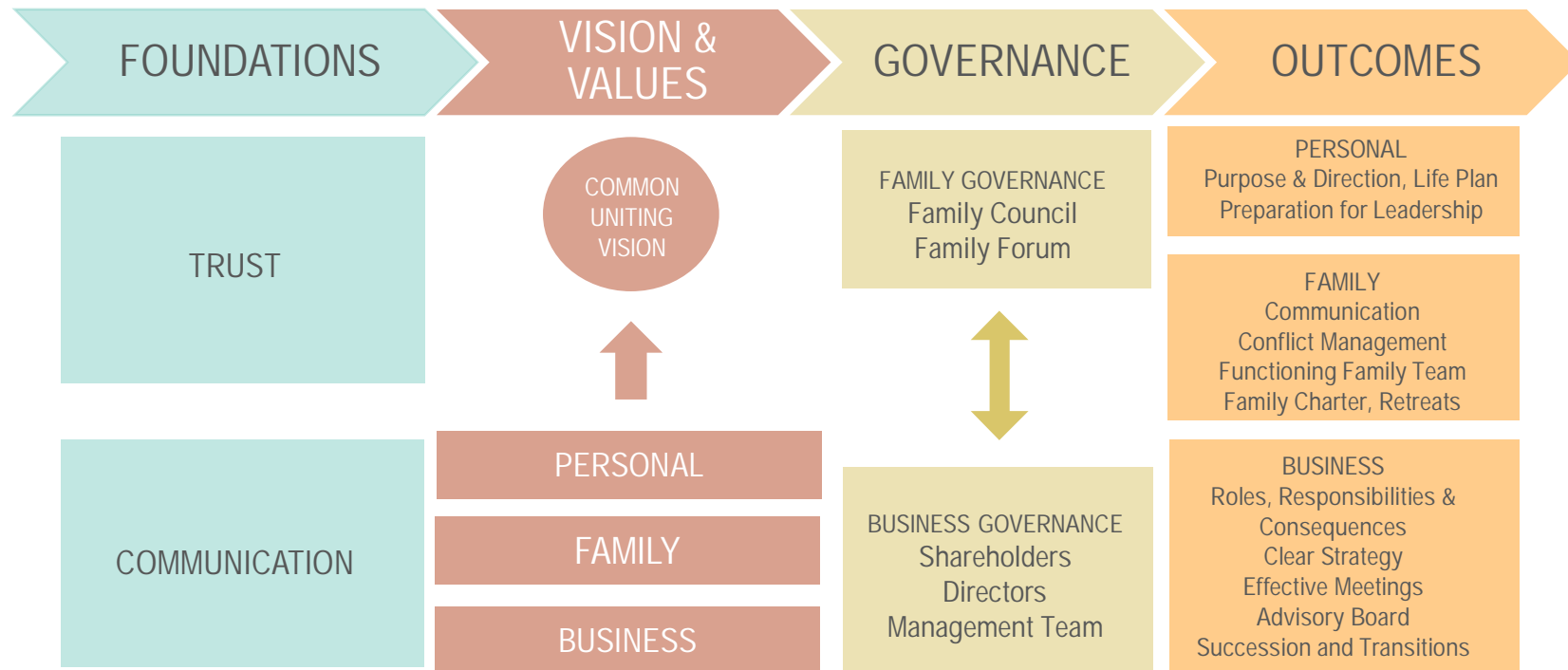
- Complexity the Family brings to the Business
  - Lack of Formality
  - Lack of Discipline
- 



# LESSONS LEARNED

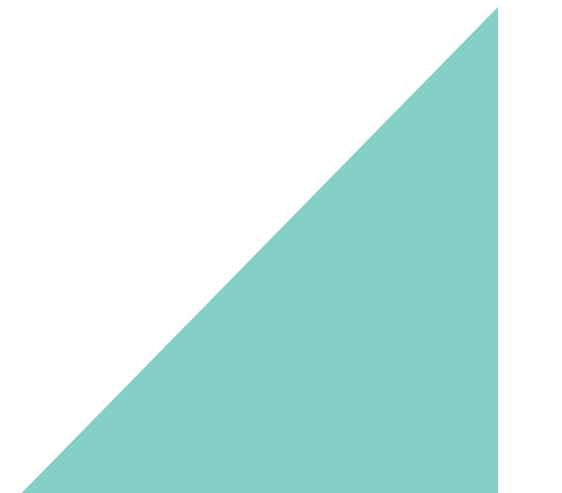
- Stakeholder vs Shareholders
  - Values and Passion
  - Empowering the Generations
  - Fair and Equitable
  - Family vs Business Rules and Expectations
- 

# SUPPORTING FAMILY AND BUSINESS



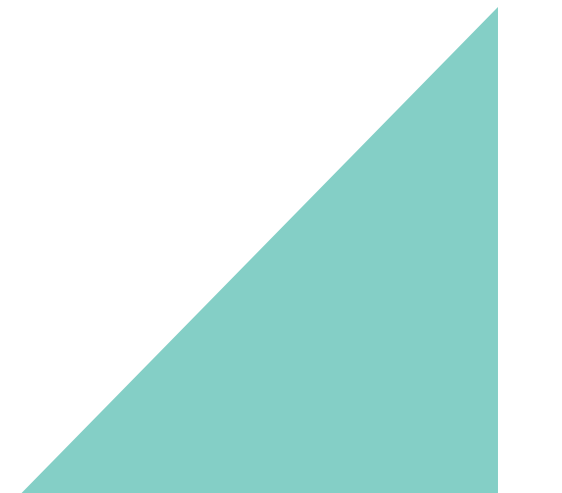


# WHAT IS GOVERNANCE?

- Giving overall Direction to the business – STRATEGY
  - Overseeing and controlling the executive actions of management – COMPLIANCE
  - Providing accountability - PERFORMANCE
- 

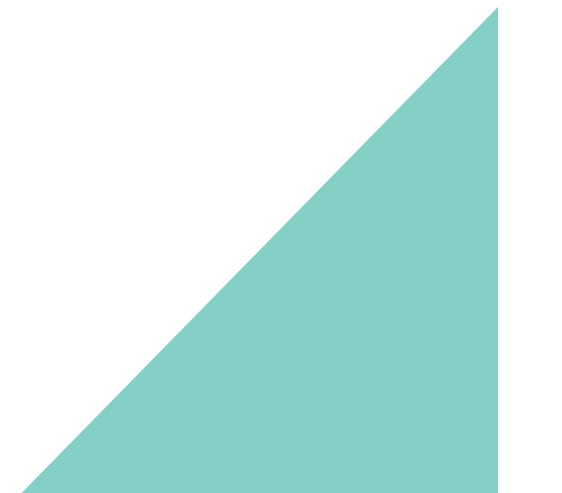


# ELEMENTS OF GOOD FAMILY GOVERNANCE

- Communication and Conflict Resolution
  - Family Rules, Expectations and Policies
    - Employment
    - Remuneration
    - Family Needs
  - Family Values and Vision
  - Ownership Considerations
  - Mutual Obligations
- 

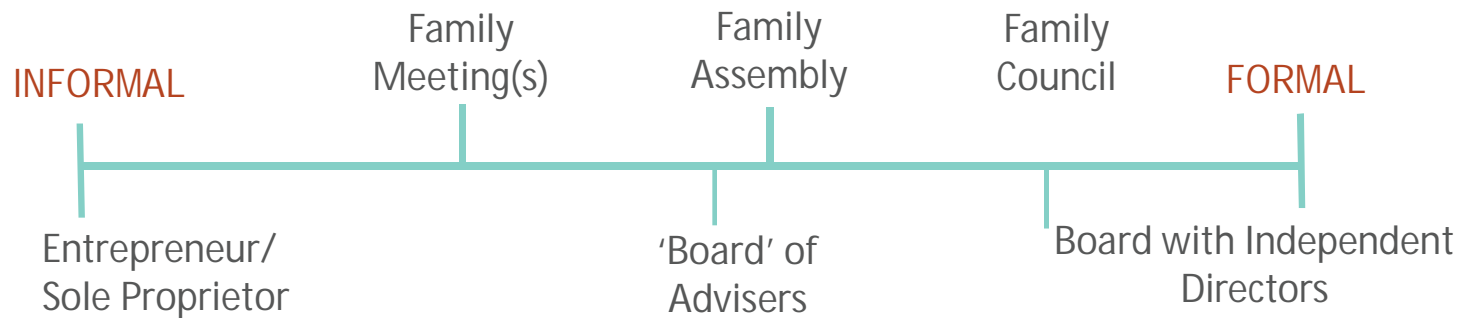


# GOOD BUSINESS GOVERNANCE FOR FAMILY BUSINESSES

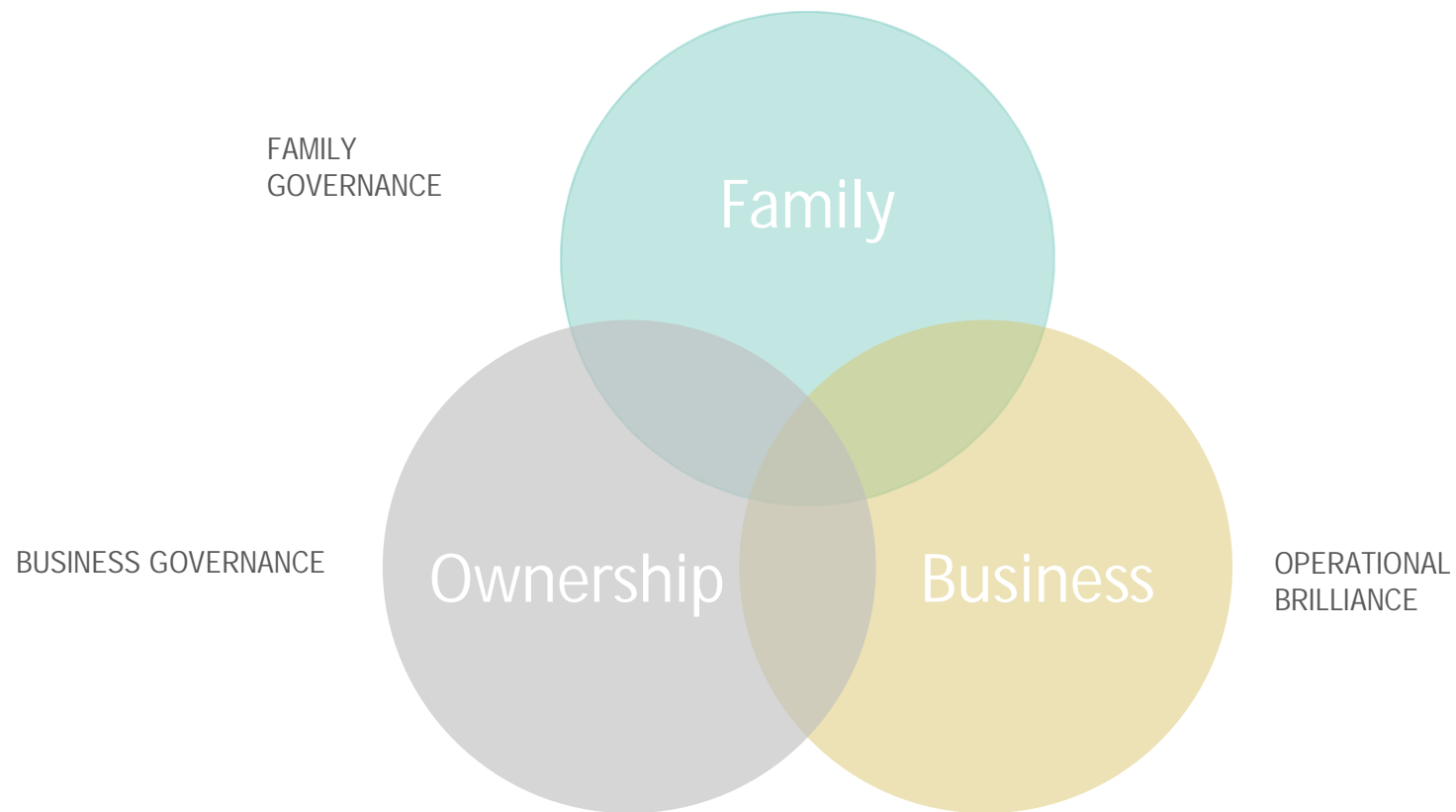
- Corporate vs Best Fit
  - Good Processes, Structures and Systems
  - Good Communication and Decision Making
  - A Strategic Approach
- 

# ONE SIZE DOES NOT FIT ALL!

Governance changes as a family business evolves

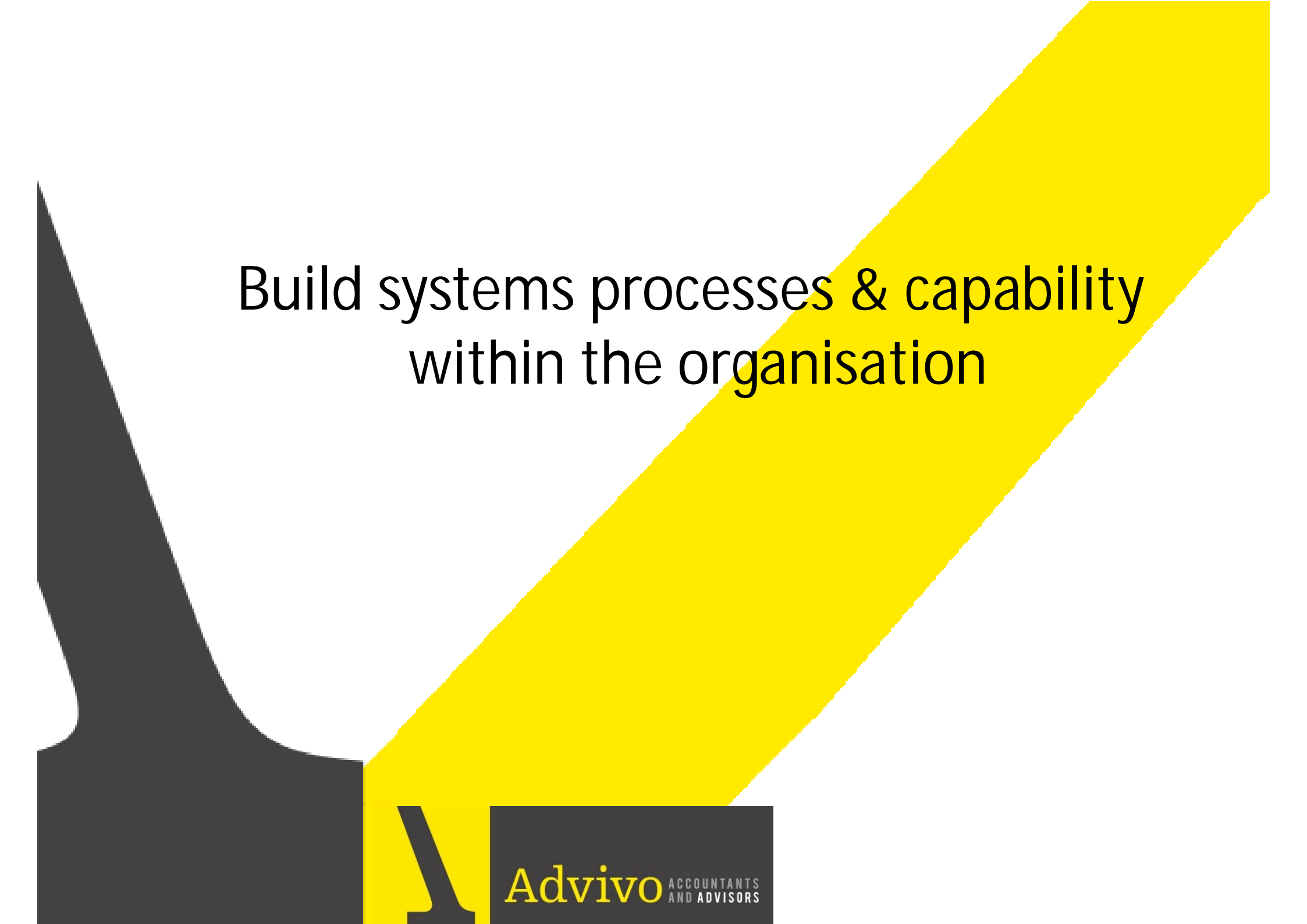


# A BALANCING ACT



## Advivo's role

- Not a one-off, rather an extension of our standard business improvement process
- Stage 1 – Assist Business to become less dependent on exiting parties & maximising the enterprise value



Build systems processes & capability  
within the organisation

This is a process takes time and planning!

What is the exit process? Sale to related parties or external , gradual or absolute.? Tonight we are focussing on related party family transitions.

Ensure business profitability and  
finances are in order.



Identify risks and implement risk  
management strategies

Be ready for the unexpected

Does the business have the people and resources needed post current drivers exit?



Separate personal finances from business

Manage and plan for taxation  
consequences, take advantage of any  
concessions, ensure appropriate structure  
are in place

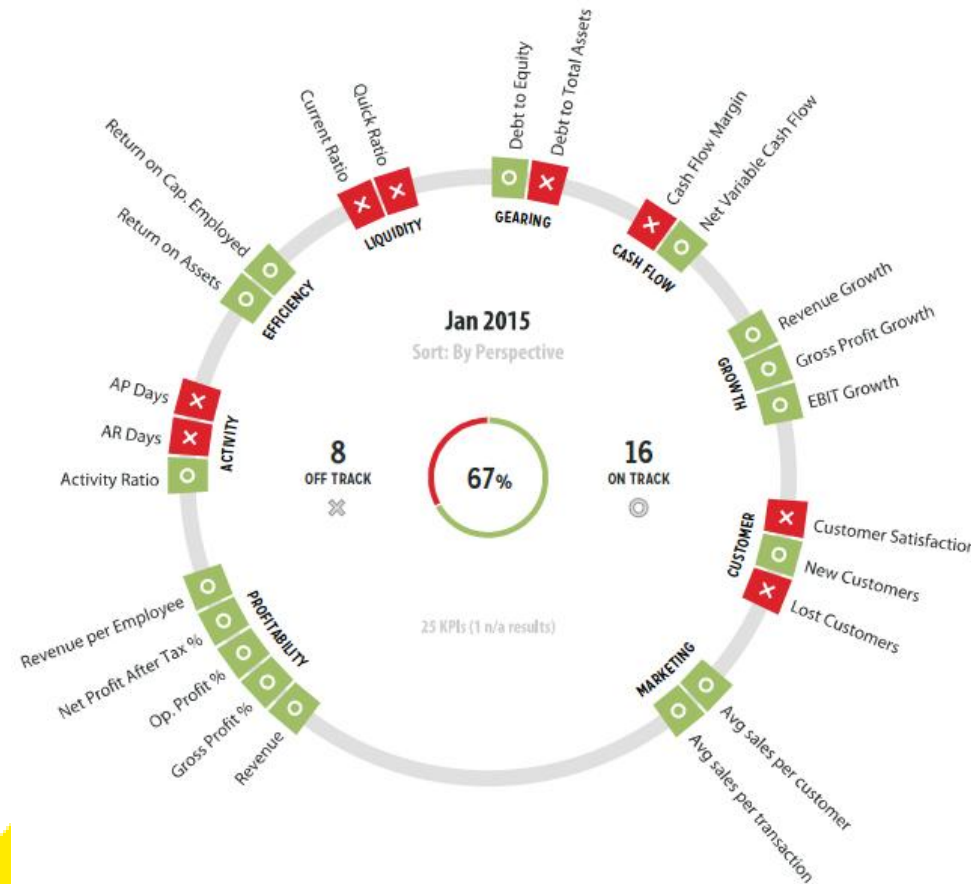
Document the plan & implementation process and ensure all key stakeholders understand and are committed

Co-ordinate parties and ensure any documentation required is in place, insurances, agreements etc.

# Build Reporting Capability - Business pulse report Budget V Actual, Monitoring



Business Pulse Report™



# Build Reporting Capability - Business pulse report Budget V Actual, Monitoring



Business Pulse Report™

## Revenue

**\$1,483,550**

Represents all income associated with the normal business operations

## Breakeven Point

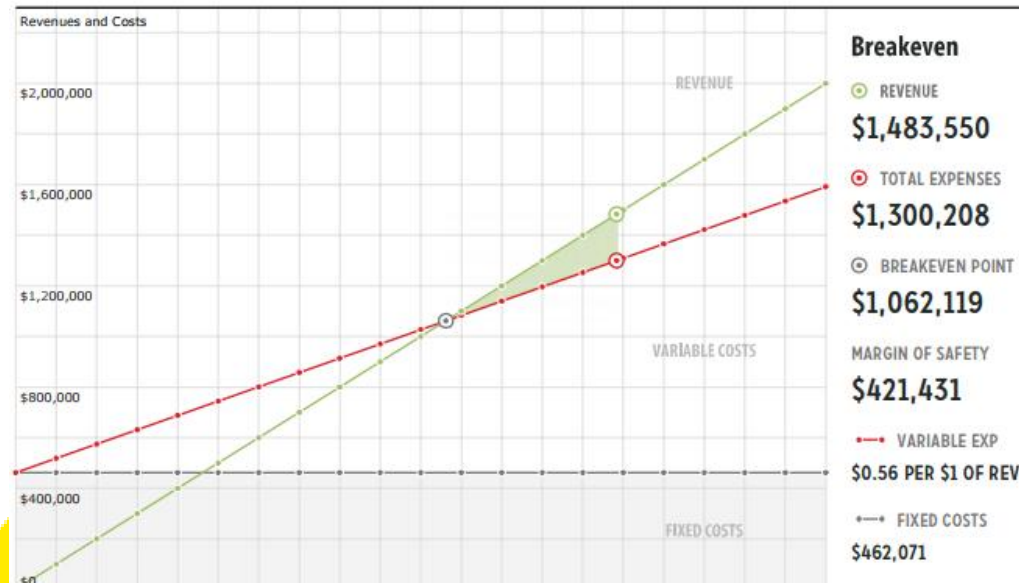
**\$1,062,119**

The breakeven point is the revenue level at which the company will commence to make a profit

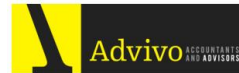
## Margin of Safety

**\$421,431**

Represents the margin between the actual revenue level and the breakeven point. The amount by which revenues can drop before losses begin to be incurred. The higher the margin of safety, the lower the risk of incurring losses.



# Build Reporting Capability - Business pulse report Budget V Actual, Monitoring



## Business Pulse Report™

### Cash Flow

#### Operating Cash Flow

**\$108,975**

Operating cash flow is simply the cash generated by the operating activities of the business. Operating activities include the production, sales and delivery of the company's product and/or services as well as collecting payment from its customers and making payments to suppliers.

#### Free Cash Flow

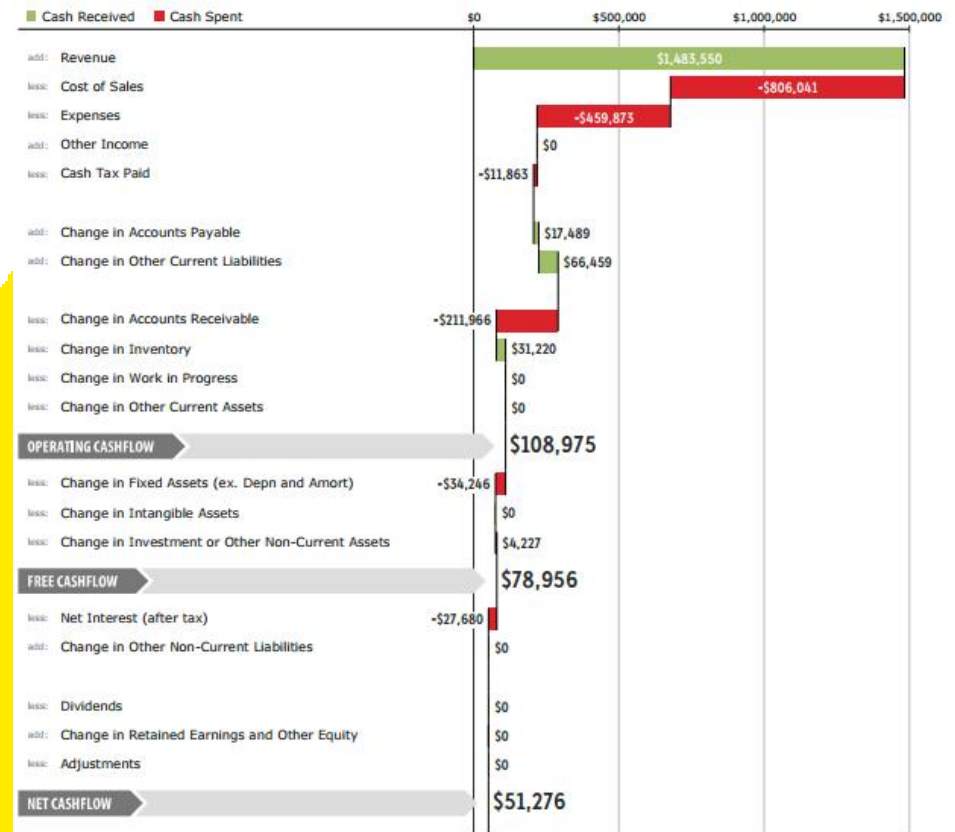
**\$78,956**

Free cash flow is the cash generated by the business, after paying its expenses and investing for future growth. It is the cash left after subtracting capital expenditure from operating cash flow. The term "free cash flow" is used because this cash is free to be paid back to the suppliers of capital.

#### Net Cash Flow


**\$51,276**

Net cash flow is the cash left after subtracting expenditures from financing activities from the free cash flow. This includes the cash impact from financing activities. Financing activities include the inflow of cash from investors such as banks or shareholders, as well as the outflow of cash to shareholders as dividends.



Net Cashflow = Change in Cash on Hand \$0 (Opening: \$0 Closing: \$0) - Change in Debt -\$51,276 (Opening: \$4,335,792 Closing: \$4,284,516)

- Stage 2 - Regular meetings - Review plan progress (& generally push to keep on target with plan)/ Monitoring /sounding / advisory Board



We Help the exiting members build confidence  
in the longevity of the business once they have  
let go of the reins (of their baby) and support  
and guide the new leaders



# Thank-you for your attendance

## Speakers

- Ø Peter McKnoulty, Transition Planning
- Ø Susanne Bransgrove, Families in Transition
- Ø Leon Stephan, Advivo Accountants and Advisors