

# Golden Bullets

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## FAMILY BUSINESS SUCCESSION PLANNING: THINGS TO CONSIDER

I was reading recently about the **Morrisettes**, and their efforts to keep the ownership of Interstate—a national moving and relocation company—in the family. The source of the story was not a book or article, but rather a case from the Tax Court.

In 1943, Mr. Arthur Morrisette bought a used truck for \$450 and started a moving company. Today that moving company, **Interstate Group Holdings, Inc. (Interstate)**, comprises 32 companies operating a moving, relocation and storage business.

Arthur and his wife Clara had three sons—Buddy, Don and Ken—who worked with their father in the business. Arthur was reported to be a workaholic and he expected a great deal from his sons. The boys ultimately became co-owners and executives in the business, with Buddy acting as CEO.

As with many families, **the relationships between siblings and parents were not perfect**. At one point, it got so bad that the brothers couldn't talk to each other about business for more than a minute at a time.

After Arthur died and Clara was diagnosed with dementia, the family got serious about making **plans to transfer the business to the third generation**. Several of the elder Morrisettes' grandchildren were working in the business, and they wanted assurances that they would take over one day. So, the sons hired a consultant and attorney to help them work out a sensible plan. One key component of that plan was that Clara would help her sons buy life insurance to help facilitate business transfers in the event of the sons' deaths. The arrangement was a *multi-generational private split-dollar plan*.

The brothers believed that the split-dollar plan, in addition to addressing some business continuation issues, would have the added benefit of helping to reduce the value of their mother's taxable estate—so the federal estate tax bill would be reduced at Clara's death.

Multi-generational private split-dollar is not an idea that works for everyone. It's just a tool that was a good fit for the Morrissettes as they worked through their complicated family business issues.

The details of the court case are complicated and very interesting. I'd be glad to share the whole story if you're interested.

The biggest takeaways from the case for me is that the **Morrissette family is better off** for having gone through the **business continuation process** and for having **purchased the life insurance**.

Do you know the owners of a family-run business? Do the family members have extra difficulty getting along because they are both relatives and co-workers? Would the family benefit from thinking about plans for transferring the business from one generation to the next? I can help facilitate such a conversation.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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