Success Story

Exit planning for a family business

With the main director and shareholder planning to retire from the business and his son to become the successor, this digital service business needed a plan that would provide the funds for the seller's comfortable retirement, but also ensure the company could afford any payments.

Before

- Succession planning was required to allow retirement of the main director/shareholder.
- Concern regarding financing the retirement of the main director.
- Tension between father and son on how the business should be run.
- Worry that these issues could negatively affect the business owners' working and family relationships.

After

- Hallidays identified that the creation of a holding company structure was the best way forward.
- The deal was structured so a tax rate of 10% could be achieved on the sale.
- The consideration and tax could be paid over an acceptable period of 10 years.
- As a bonus, £160,000 of the proposed proceeds were placed in a discretionary trust that provided the funds to pay for 3 grandchildren's private education for 10 years.

Outcome

The new company bought out the main director for an amount that was felt to be fair to both sides and was sufficient for the seller's long and comfortable retirement. This secured the future of the business and, meant the tension between father and son was reduced.

The sale of the father's shares was funded by the company over an extended period, and the amount received was only taxed at 10%.

The three grandchildren's private school fees were also funded by the company using their personal allowances, helping the owner's daughter to also benefit from the family business.

The £160,000 of value gifted into the trust with interest provided £210,000 of school fees. These fees would have required £280,000 of dividend payments if the parents of the children had used taxed income.