

# Family Business Succession Planning

A family business succession plan should contemplate the personal succession planning of each of the principal shareholders of the company.

The dream of every family business founder is for his or her company to last, and to continue being the pride and family sustenance for the next generations. This is possible to achieve through a family business succession plan.

Every Family Business Succession Plan should contemplate the personal estate planning of each of the shareholders of the business. In Panama, a shareholder can organize his or her patrimony in an estate planning vehicle, such as a private interest foundation or trust, and transfer his or her shares of the company to be managed for the benefit of his/her family members. The shareholder can designate the rules for the holding of the shares by his/her family members after the shareholder's death. In addition, the shareholder should execute a will for the succession of all those personal assets not included in the private interest foundation or trust.

In very general terms, a trust is an act by which a person called a settlor transfers his or her assets to a trustee to administer them according to the instructions contained in the trust instrument, in favor of the beneficiaries designated therein. The private interest foundation, on the other hand, is a separate legal entity to which the founder transfers his assets to be managed pursuant the instructions contained in the foundation's regulations by the Foundation Council, in favor of the beneficiaries.

Trusts are not considered separate legal entities. Legal ownership of the assets in the trust is in the hands of the trustee, who manages these assets in favor of the beneficiaries of the trust. Foundations are considered to have a separate legal personality. They are considered the legal owners of assets they hold, and not the founder, the council, or the beneficiaries.

In the case of a family business, each of the shareholders of the business should identify and appoint a family member

or a family council, who will succeed him or her in the business and in whom the responsibility of working and making the pertinent decisions will be deposited. Similarly, it should be clarified whether or not the company's shares may be subject to transactions, such as a sale, a pledge, or other similar transactions.

For this reason, in addition to organizing the personal succession of each shareholder, it is important to have a shareholders' agreement between the shareholders in which sensitive operational issues such as the sale of the shares, or the succession plan for key positions within the company, are contemplated. This will allow the shareholders to safeguard wealth, leverage internal talent, maintain good business practices, and secure the valuable legacy acquired over the years.

In conclusion, a family business succession plan should contemplate the personal succession planning of each of the principal shareholders of the company. The principal shareholders should also have a shareholders' agreement between them to regulate corporate matters, and the sale of the company's shares. In addition, the succession of key roles in the company should be considered, for which it will be important to understand the particular needs of the business, review key areas and roles that require continuity, and leverage internal talent to fill these vacancies.



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