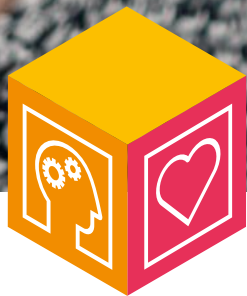


Succession planning with heart and mind



**How to approach your succession
process in five structured steps**

www.pwc.ch/succession

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Passing on your life's work is a demanding task – our structured succession process supports you in ensuring that nothing is forgotten

Dear Family Entrepreneurs,

A family business is a generational project and therefore an affair of the heart. Emotions play an important role, even when it comes to technical topics such as finance, taxes or pensions. Decisions are often influenced by one big question: which solution is the right one for us as a business family?

There's neither a standard answer nor a recipe for success here. But there are methods you can use to approach the succession process with the interests of the company and the family in mind. The focus is on early and open dialogue. All parties involved must express their expectations, concerns and wishes in order to find the best solution together. There are various options: passing the business on within the family, integrating an external manager or even selling the company. Each option has its pros and cons, which you should weigh up carefully – with your heart and mind.

Finding the right solution takes time and patience. You also need foresight, emotional distance, tact and moderation skills. In your role and in addition to your day-to-day business, you might not always be able to provide all of these qualities at the same time. We therefore recommend getting support from an external person. They can drive the succession process forward from a professional perspective and moderate emotional issues within the family.

We've been supporting Swiss family entrepreneurs for many years in developing a suitable succession solution. Our aim is to create clarity and reduce conflicts by structuring the process, dealing with your specific issues and guiding the implementation of the chosen measures. We'll contribute our broad knowledge of specialist topics such as ownership strategy, governance, tax aspects, legal protection, financing issues and emergency scenarios. If required, we can also access other experts in our network.

Whatever phase we support you in, we always consider the views of all parties involved and moderate the discussions so that you achieve your goal step by step.

Norbert Kühnis
Partner and Leader Family Business & SMEs, PwC Switzerland



Ask the right questions in advance

Is succession an issue in your family business? It's never too early to start thinking about it. For a good solution, you need enough time to prepare yourself, the family and the company, involve all parties and examine possible options in detail. It's best to start by thinking about the following key questions.

1. Become aware and start



When does succession become relevant in our family business?
 When should we start succession planning?
 Do we still have enough time?
 Who'll support us with all the questions relating to succession?

3. Evaluate and select



What succession do I personally want?
 How do I communicate my wishes to the family?
 What succession options do we have?
 What's the value of the company?

5. Step down and let go



How do we discover our new roles?
 Who'll assist us?
 How do we structure our assets?
 Do we need a coach?

2. Reflect and prepare

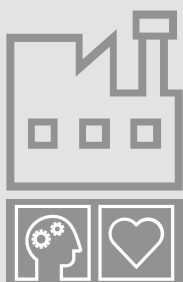


Is our company structurally ready for a successor?
 What do family members think about this topic?
 As the current generation, am I ready to hand over?
 What assets are available for the time following an active career?

4. Hand over and transfer



How and when do I hand over the initial leadership responsibilities?
 Who receives shares and in what proportions?
 What are the tax consequences of my options?
 How can we finance a succession?



Find the right succession solution

With our extensive experience in consulting, moderation and mediation, we can support you from the planning to the implementation of your individual succession solution, whether at individual stages or throughout the entire process.

Owner strategy and family constitution

We'll work with you to define your strategy as a business-owning family. We'll answer questions like these: Who is allowed to be a shareholder today and in the future? And who isn't? What goals and values do you base your relationship as a family with the company on? And how do you deal with conflicts as a family? These and other similar rules are set out in a family constitution.

Strategy, differentiation and financing

In the succession process, the company must also be prepared for the change in management. The aim is to determine the potential and demonstrate it in a strategically coherent manner. This involves determining how the business model, processes, organisational structures and strategic measures should be designed in the future so that they're optimally set out for the next generation. This can be identified using an integral financial view, which shows the future earnings potential as well as necessary replacement and expansion investments. Aspects such as the spin-off of business assets or the withdrawal of liquidity are also included in this category.

Factors impacting taxes

Succession can have a significant impact on your family business and you as an individual from a tax perspective. For this reason, you should know which options entail which tax consequences and whether these can be mitigated with a ruling. You must also take tax aspects into account when spinning off non-operating real estate or liquidity.

Legal protection

Legal aspects are of central importance in the succession process. It starts with providing private cover for scenarios such as death or divorce via a marriage and inheritance contract. And it extends to regulating the relationship between shareholders by way of a shareholders' agreement and contracts relating to the actual transfer of the company, like a share purchase agreement, loan agreement and other possible contracts.



Company valuation and transfer

Would you like to transfer your company to a family member, to a trusted person outside the family or to a buyer who has nothing to do with the company? What's the value of your company for each option? And who would support you in the sales process? We'll give you clarity on the advantages and disadvantages of each option and work with you to take the necessary steps to implement the option you have chosen.

Emergencies, provision and assets

How you prepare privately for company succession covers a wide range of topics, including emergency scenarios such as incapacity or death using the right to designate a power of attorney and wills, answering questions about retirement, financial needs in old age and wealth depletion, allocation and management of assets built up over the years. The following questions take centre stage: What financial resources will you need after your active career in the company? What implications does this have for a possible sale price of the company? And how should your assets be structured at this stage? We support you in planning the time 'afterwards' with foresight and answering the questions raised here.

Get closer to your goal

You decide how intensively and in which phases you'd like to work with us. We'll be happy to support you with heart and mind. You'll benefit from our extensive experience and comprehensive knowledge of methods, structures and processes in family businesses.

1. Ask questions, give answers:



We can serve as your sparring partner to question your usual methods, ask critical questions, challenge you and consolidate differing positions. During this dialogue, we include approaches from a number of other family and succession constellations.

2. Initiate decisions, define roles:



With guidelines for decisions, we pave the way for you to develop an effective ownership and succession strategy. Together with you, we'll define rules suitable to the roles of everyone involved and show you how to work with typical family dynamics and conflicts.

3. Define content, provide structure:



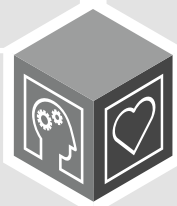
As part of the succession process, we'll work with you to develop a clear structure and specific content, including governance components for a family constitution, strategies for the possible adaptation of the business model, possible succession options, and the tax, legal and financial consequences of the individual options. We'll also help you set up a realistic timetable for implementing them.

4. Clarify legal issues, regulate contractual matters:



The next step is to review existing contracts and find legal and tax solutions that fulfil the succession strategy defined by the owners. Further training programmes for family members or the establishment of a family office may also be an option.

5. Initiate change, ensure continuity:



We'll moderate your succession strategy process with everything that it entails: Strategic, financial, tax, legal and family matters. And finally, we'll help you to make your family business fit for handover and the future.

Succession process: book a free initial consultation

As the owner of a family business, securing the future is crucial for you. And an emotional undertaking as well. We'd be happy to discuss the implications of this important topic with you. We'll show you why early succession planning is important and what you need to do to set this up.

If you're interested in finding out more, contact:
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for a no-obligation discussion.



PwC NextGen & YoungLeaders Club for family businesses

NextGen & YoungLeaders Club

Within the framework of this exclusive platform, young and aspiring entrepreneurs meet in a relaxed and informal atmosphere. It's a place where they can exchange ideas, enjoy a shared experience and expand their entrepreneurial network. The PwC NextGen & YoungLeaders Club has over 100 members from family businesses.

More at www.pwc.ch/nextgen

Pleased to help you

We advise and support you regardless of company size, area of activity and ownership or management structures. From strategy to succession planning or structuring of family assets, we support you with our expertise and experience. Because we understand family businesses. In this way, we create solutions that take into account business as well as personal and family aspects. Working together with you, we'll find the ideal balance between the past and the future. We're happy to help.



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