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The Best Time to Plant a Tree

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Dear Bill: You've often said the boss's kid(s) should succeed on their own for at least three years before joining the family company full time. We allowed our only child to work full time because we needed the help and couldn't find anyone else. Then our grandchild was born, generating new financial needs. Our accountant said a salary increase would be the best tax strategy to provide support to the new family. Unfortunately, our beloved child isn't a good employee, but earns so much it's impossible to get a job elsewhere. Suggestions?
—Parents in a Quandary

Dear PIQ: I assume you have dreams of your offspring being the heir apparent when you retire. You must ask the painful question: "Have we equipped the next generation to be an effective garden center operator?" Unfortunately, your offspring seems to have confused "allowance" with "paycheck"—the family business is an ATM machine with cash availability based on blood lines.

The Chinese have an accurate proverb: The best time to plant a tree was 20 years ago. The second-best time is now. Grown children are never too old to seek an outside job for three years. It teaches the value of earning a paycheck and shouldering responsibilities that cannot be shirked. They'll develop self-confidence by making critical decisions without you.

When they're successful on their own, your other employees will gain confidence in them. It'll be recognized their potential new boss has succeeded without the family bailout. You must prepare everyone for when you won't be available.

Additionally, when children work outside the family they may discover it will never be a good fit for their lifelong goals. When they're miserable, but trapped by love, loyalty or an inflated paycheck, it's a form of slavery. Who wants a child—or boss—who's unhappy? Many generational businesses fail because the next generation isn't passionate about it and would rather be someplace else.

It's critical grown children get a job on their own. This can't be a position with a vendor or potential partner who's hiring them because of a future business relationship. They need to learn to be responsible and productive. You haven't said your offspring is short in these areas, but my guess is other employees sense a lack of commitment. If so, it'll be unlikely the company will successfully continue when you retire.

Your accountant's good tax advice is bad family business planning. You and your offspring need to re-orient how things really work. Reset their company paycheck based on the market value of your child's contribution, then gift whatever allowance you feel is appropriate outside the company. It's critically important all family members

understand companies must pay based on performance and contribution rather than someone's needs to maintain a certain lifestyle. Worse, when they have a baby, they get higher pay from the company. You can't do that for every worker.

A dose of reality is needed when evaluating your retirement potential with your offspring operating the business. The entire family must be honest. Will the next generation have the necessary skill set to operate a thriving garden center? If not, you could be best served by hiring an effective outsider into the position so you'll have a business of value to sell down the road.

The employees watch and envy your child's performance. They know and talk about who's contributing and who isn't. The boss' kids are the bellwethers, the leaders, the high producers others will follow. When they're slackers, others will tend to follow. Parents often overlook this obvious fact. Don't ignore it! It's real. It impacts your business.

Meet with your child. Explain how you'll reset their pay based on performance and gift the extra cash to them for 90 days. By then you expect them to have landed another job elsewhere.

A lifetime is a long time. Plant your tree today so you'll all have a happier life. **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 688-1169.