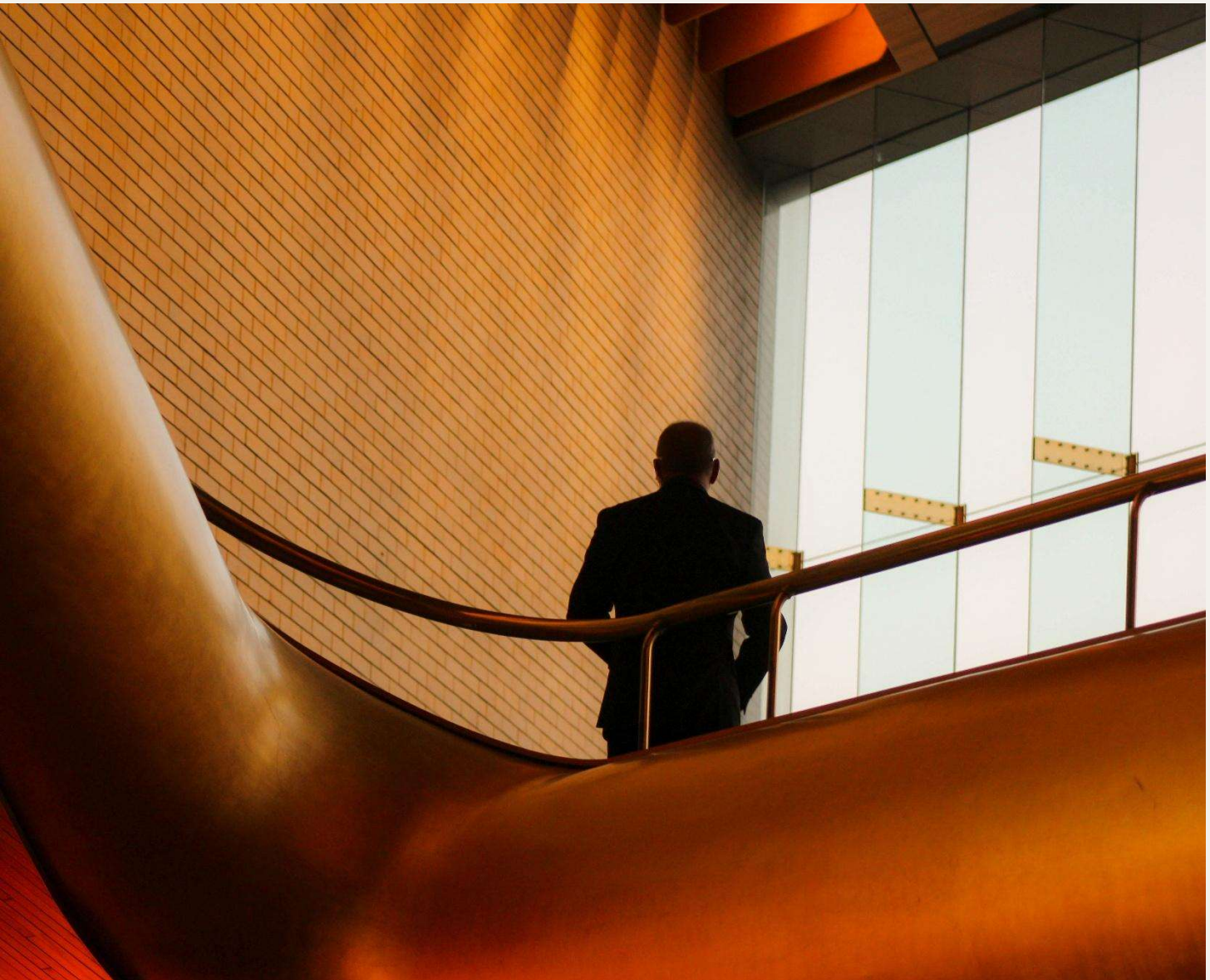




Preserving Legacy and Maximizing Value

Strategic Planning for Family-Owned Enterprises

Rockefeller Insights

Family-owned businesses are built on vision, resilience, and oftentimes generations of sacrifice. When the time comes to transition ownership, whether through succession or sale, the process is far more than a financial transaction. It represents the culmination of years of effort, identity, and legacy. For many business owners, this moment brings emotional and logistical complexities that demand thoughtful, strategic planning.

Selling a business also introduces critical decisions around wealth continuity, tax efficiency, and stewardship beyond the sale itself. Navigating this transition with clarity and foresight ensures that both personal and financial legacies are preserved, setting the stage for enduring success across generations.

FAMILY GOVERNANCE AND COMMUNICATION: BUILDING TRUST THROUGH STRUCTURE AND DIALOGUE

Establishing a formal family governance structure is a foundational step for families seeking to preserve unity, ensure long-term business success, and protect their legacy across generations. While governance often begins with planning for the family business, its scope can and should expand to encompass broader family enrichment, including the thoughtful transition of knowledge, values, and wealth. At its core, effective governance is built on clear, consistent communication and a shared commitment to professionalism, accountability, and openness.

As families grow in size and complexity, the need for structured decision-making becomes increasingly critical. A well-defined governance framework reduces conflict, fosters collaboration, and provides a forum for diverse perspectives. It promotes transparency and alignment with shared values, strengthening both business and family cohesion.

Two key components of this framework may include the Business Board of Advisors and the Family Business Council. The Board of Advisors, typically composed of independent, non-family experts, offers strategic guidance, objective insight, and credibility. Their external perspective enhances trust and reduces resistance to decisions. To ensure productive engagement, families should establish clear communication norms and follow through with structured meeting outcomes.

The Family Business Council becomes especially important as families expand and maintain shared ownership either individually or through trusts. Representing all generations and ownership types, the council reinforces the family's mission and values, communicates with family member owners who are not involved in the day-to-day operations ("non-operating family members"), and provides a forum for concerns and initiatives. Effective meetings require preparation: polling stakeholders, setting agendas, and distributing materials such as financial reports or board minutes. Through open dialogue and strategic alignment, the council helps sustain the family's legacy while adapting to evolving needs.

THE ROLE OF FAMILY MEETINGS: TRANSPARENCY AND ENGAGEMENT

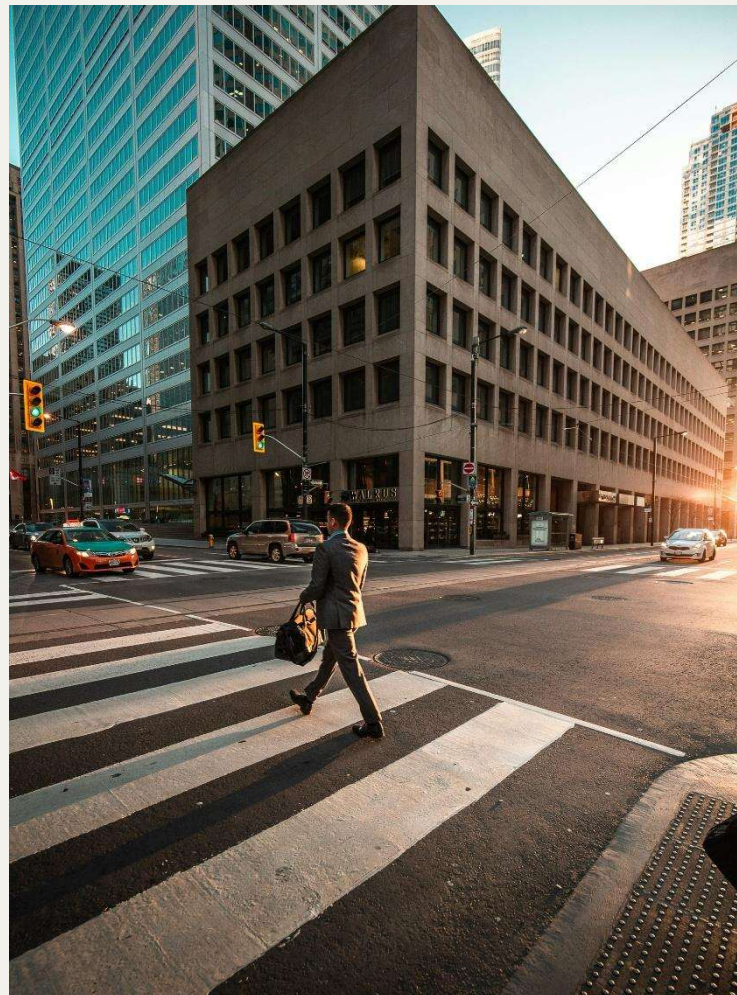
Family meetings are a critical component of successful business transitions, providing a structured forum for transparent communication, education, and alignment across generations. When thoughtfully designed with clear agendas, advance materials, and inclusive participation, they foster trust, clarify expectations, and prepare the next generation for leadership and stewardship. Considerations such as attendee composition, neutral locations, and a balance of business and relationship-building activities help create an environment conducive to open dialogue. These meetings are especially important for non-operating family members, offering insight into business operations, financial strategies, and succession plans.

Ultimately, governance is not just about structure; it's about cultivating a culture of mutual respect, shared purpose, and long-term stewardship. When implemented thoughtfully with family meetings, governance becomes a powerful tool for unity, effective decision-making, and legacy preservation, supporting smooth leadership and ownership transitions.

SUCCESSION AND OWNERSHIP CONTINUITY: LEADERSHIP, LIQUIDITY, AND LONG-TERM CONTROL

Succession planning is one of the most critical and complex responsibilities for family business owners. It involves leadership development, ownership structuring, tax efficiency, and governance alignment. A clear distinction must be made between leadership succession (who will guide the enterprise forward) and ownership succession (how equity and control are distributed among heirs).

These transitions often diverge, particularly when not all family members are involved in daily operations. When approached proactively, succession planning protects the enterprise from disruption, preserves family equity, and positions the next generation for long-term success.



Effective planning begins with identifying future leaders and evaluating their readiness to assume key roles. This includes assessing both family and non-family talent, identifying gaps in the current management team, and implementing development plans to ensure continuity. Owners must also envision how the business should operate in 5, 10, or 15 years and determine whether the succession plan and leadership team can support that long-term vision. Equally important is reflecting on personal post-transition goals, whether philanthropic, [entrepreneurial](#), or civic, and how those aspirations influence timing and structure.

Ownership succession adds another layer of complexity, requiring careful decisions around equity distribution, governance, and control. These choices must balance fairness with sustainability and often impact both active and passive family members. Transparent communication and structured dialogue, supported by the broader governance framework, are essential to clarify expectations and foster alignment.

Succession is not just a financial or legal process; it's deeply personal. Stepping back from leadership while securing the future of the enterprise requires emotional readiness, strategic foresight, and a deep understanding of family dynamics. Clear milestones, realistic timelines, and flexible frameworks help ensure the plan can evolve over time, while open communication builds trust and reinforces the family's shared commitment to continuity and legacy.

BUY-SELL AGREEMENTS: STRUCTURING OWNERSHIP CONTINUITY AND LIQUIDITY

Buy-sell agreements are essential tools for ensuring ownership stability and financial resilience in closely held businesses. They provide a clear framework for transferring ownership upon triggering events such as death, disability, retirement, [divorce](#), or bankruptcy, minimizing disruption, preserving control, and ensuring fair outcomes for all stakeholders. A well-crafted buy-sell agreement serves as both a continuity safeguard and a liquidity strategy, reinforcing governance, protecting against disruption, and ensuring ownership transitions are executed with clarity, fairness, and financial foresight.

There are two primary structures: **cross-purchase agreements**, where surviving owners buy out the departing owner's shares (often funded by life insurance), and **redemption agreements**, where the business itself repurchases the shares. Cross-purchase agreements can offer tax advantages but may become complex with multiple owners if the buyout is funded with life insurance proceeds, due to the need for individual insurance policies. Redemption agreements funded with life insurance can simplify administration by requiring only one policy per owner, though they may limit certain tax benefits and require careful planning.

To safeguard against unintended ownership transfers, buy-sell agreements often include **right-of-first-refusal provisions**, giving the business or existing owners priority to purchase shares before they're sold or transferred externally. This helps maintain family or strategic control. Before implementing estate planning strategies such as transferring interests into trusts, owners should review and, if necessary, amend shareholder agreements to ensure alignment with buy-sell provisions.

ESTATE AND WEALTH TRANSITION PLANNING: PRESERVING CAPITAL ACROSS GENERATIONS

WEALTH TRANSITION STRATEGIES AND PRE-SALE PLANNING

Pre-sale planning offers business owners a powerful opportunity to align financial strategy with long-term family and enterprise goals. By leveraging wealth transfer mechanisms, owners can potentially reduce income and estate tax exposure, preserve operational control, and ensure that ownership transitions are executed with clarity and efficiency. These strategies are especially valuable when preparing for a liquidity event or generational succession, as they allow for proactive structuring that balances tax optimization with family dynamics.

A range of planning tools can be tailored to the owner's goals, family structure, and business needs:

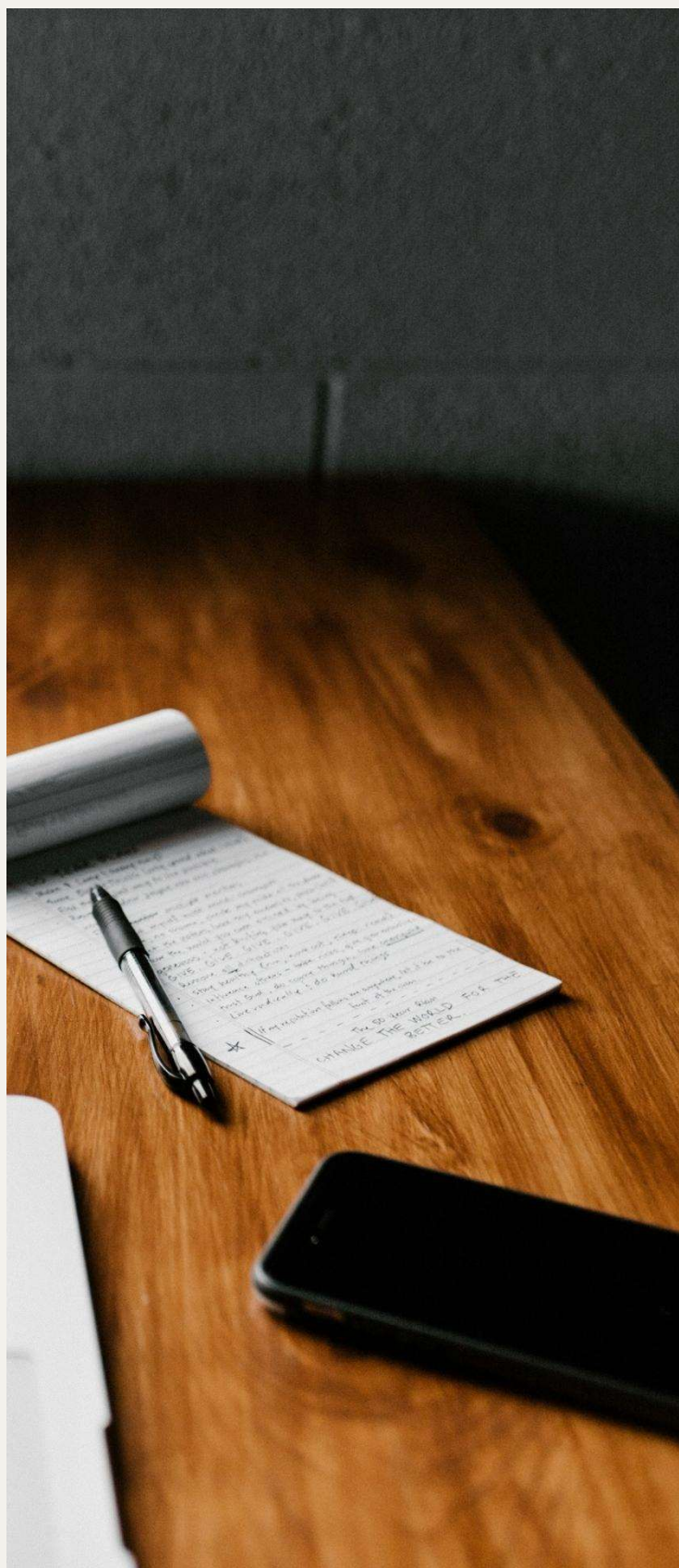
- **Gift of Non-Voting Shares into Irrevocable Trusts** A foundational strategy that shifts value out of the taxable estate while retaining decision-making authority. This preserves operational control and sets the stage for more nuanced trust-based planning. Trusts must be carefully structured to align with business needs and reduce ambiguity during transitions.
- **Grantor Retained Annuity Trusts (GRATs)** Allow owners to transfer appreciating business interests into a trust while retaining an annuity stream for a fixed period. GRATs can minimize gift tax exposure and are especially effective when the business is expected to grow substantially post-transfer to the GRAT, enabling appreciation to pass to heirs.
- **Intentionally Defective Grantor Trusts (IDGTs)** Enable business interests to be sold to an irrevocable trust without triggering capital gains. The original owner of the shares, prior to the sale to the IDGT, continues to pay the income tax on the profits of the business, but the value of the business interests is excluded from the prior owner's estate. This allows for tax efficient value transfer while maintaining operational authority if non-voting interests are sold to the IDGT.
- **Beneficiary Defective Irrevocable Trusts (BDITs)** Similar to an IDGT, BDITs allow the original owner to sell business interests to an irrevocable trust without triggering capital gains, providing asset protection and estate tax efficiency while also allowing the original owner to retain access to trust assets as the primary beneficiary of the BDIT. This structure offers flexibility for owners who want to retain a level of control, access, and flexibility.
- **Qualified Small Business Stock (QSBS)** Offers substantial capital gains exclusions under IRC Section 1202 (up to \$15 million or ten times the basis) if certain requirements are met. This is particularly valuable for owners of growth-stage companies seeking to maximize post-sale tax benefits.
- **Non-Grantor Trusts** Treated as separate taxpayers, these trusts qualify for an additional QSBS exclusion (up to \$15 million or ten times the basis) and are useful for layering estate and income tax planning strategies across multiple structures, especially in high-net-worth scenarios.
- **Charitable Remainder Trusts (CRTs)** Ideal for owners with philanthropic goals, CRTs allow the donation of appreciated assets while deferring capital gains, generating an income stream to the donor or his/her chosen beneficiaries, and securing an income tax deduction. As non-grantor trusts, they may also qualify for an additional QSBS exclusion if funded with qualifying stock.

In tandem with trust-based structures, equalization strategies, such as life insurance, can help balance inheritances between active and non-operating family member heirs. This allows business interests to be transferred to participating family members while providing equivalent value to others, preserving fairness without compromising control. When thoughtfully integrated, these tools support both financial continuity and relational harmony across generations.

HOLISTIC ESTATE PLANNING: TRUSTEES, EXECUTORS & LONG-TERM WEALTH PRESERVATION

The effectiveness of any wealth transition strategy depends on its alignment with the business's operational realities and the family's evolving needs. If trusts are going to be an integral part of the wealth transition strategy, trustees will play a central role in this process as they will take legal possession of the business interests and control those interests as a result. Whether individual family members, trusted advisors, or corporate fiduciaries, trustees must possess both technical expertise and a deep understanding of the enterprise's capital requirements. Trust terms should support reinvestment and strategic flexibility, especially for capital-intensive businesses where mandated income distributions can hinder growth.

Estate planning must also account for varying levels of family engagement. When equity is passed to heirs who are not actively involved in the business, clear governance structures and communication protocols are essential to prevent disputes and preserve efficiency. Selecting the right trustee ensures informed stewardship that reflects both financial acumen and family philosophy.



As families grow and financial landscapes evolve, estate plans must be regularly reviewed and updated. This includes revisiting trust structures, governance documents, buy-sell agreements, and tax strategies to reflect changes in law, net worth, and family objectives. If the business is ultimately sold, this review becomes especially important to ensure that liquidity, control, and legacy goals remain aligned.

Families who prioritize structured estate planning are better positioned to protect wealth, secure smooth continuing operations and transitions, and foster generational stewardship that extends beyond individual transactions.

LIVING THE LEGACY: INTEGRATING VISION AND STRATEGY

Preserving generational wealth requires more than financial expertise. It demands a deliberate alignment of values, education, and long-term strategy.

Families that prioritize financial literacy, open dialogue, and shared principles create continuity that transcends individual transactions. The Rockefeller family exemplifies this approach, having sustained its influence across generations through disciplined stewardship and purpose-driven planning. Their legacy reinforces a fundamental truth: enduring wealth is not merely inherited, but cultivated through intentional, values-aligned decision-making.

At Rockefeller, we help families live their legacy by guiding them through holistic wealth strategies tailored to their unique needs and aspirations. Our approach integrates expertise across private advisory, tax and trust structuring, philanthropic planning, and investment banking. These services are designed to address the complexities of

multigenerational wealth, ensuring that each decision supports both financial strength and relational cohesion. Inspired by the Rockefeller model, our solutions reflect a commitment to precision, discretion, and long-term vision.

With the right structures in place, families can transform wealth transitions into opportunities to reinforce legacy, sustain unity, and protect their future. Succession planning, governance frameworks, and estate planning strategies become more than technical exercises; they evolve into enduring commitments to continuity and purpose. The choices business owners make today will shape their families' futures for generations, influencing not only financial outcomes but also the values and identity they pass forward.





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