CASE STUDY: FAMILY OFFICE

Succession and estate planning provide clear vision of family's future. RSM gives family tools to protect and build its legacy.

Overview

Our client is a family that owns and operates a successful business, and holds other assets in commercial and residential real estate. The family has a complicated estate plan to transfer wealth to the next generation. They have multiple children, one of which is being groomed to succeed the parent, who is the founder and CEO of the company.

Background

The family-owned business has experienced steady growth, from one to 10 locations, and as the company has expanded, the family's needs have escalated. The family attempted to manage financial processes on their own, with a basic off-the-shelf bookkeeping software, and experienced several issues. These concerns ranged from difficulty managing cash across different entities, intercompany accounting problems, inconsistent chart of accounts and report formats, outdated paper-based filing systems and inefficient bill pay processes.

The family sought to keep processes simple; however, in order to ensure effective estate and succession planning, a more robust structure with enhanced capabilities was necessary.

Project

RSM was chosen to assist the family with estate and succession planning, based on a long-standing successful relationship as a trusted advisor for the business. The team began designing a plan to move wealth to the next generation, in a way that allows the parents to raise their children the way they want to, without significantly impacting their lives.
As the business grew in value over time, the RSM team convinced the family that it was not in their best interest to keep operations simple. However, the family did not want to burden the operating business that created their wealth to keep track of family office activities from a tax compliance, bookkeeping and accounting and reporting standpoint. RSM helped develop and implement an estate planning strategy to shift the wealth from the mother and father to their children and future generations. The team established trusts and LLCs to minimize taxes, and created a plan to keep track of these activities, so the structure is respected, the transfer techniques work and they stand up if ever audited by the IRS.

RSM presented a plan to take assets that were appreciating in value, and either sell them or gift them to entities for the benefit of the children, so that future appreciation would escape estate taxation and be part of their children’s estate. They agreed with the concepts, and the team began working with attorneys to form each of the different entities and implement a system to keep track of them. The family did not want to manage activity within the corporate accounting department, to maintain segregation between the personal and company finances as well as confidentiality.

The more sophisticated system allowed RSM to automate back-office transaction processing and tax compliance reporting demands at year-end, and manage ongoing income tax planning. It also provides information to the family to understand where different assets are held, who owns specific assets and where they are located, with the parents or the children. The parents can understand this information, and more importantly, over time, share that knowledge with their kids.

In addition to Intacct, the team also implemented a Bill.com™ cloud solution to install an automated work flow for bill pay activities. Because different trustees are involved for the multiple trusts, the Bill.com system integrated a process to approve and authorize transactions, without needing to maintain a checkbook or get bogged down with accounting. RSM facilitates coordination with parties, such as beneficiaries, trustees, investment management and the tax department. The team tracks this information and relays it back to the different parties that require the data.

Finally, RSM is helping the family manage their wealth, determining how and where to invest. The strategy is meeting multiple objectives; for the children, it is a long-term strategy, because they don’t require investment assets in the near term. For the parents, it is more short term, because they are approaching retirement and the need to use their investment assets. The team has implemented a holistic approach to managing wealth and assets to help accomplish the financial goals of both generations.
Outcomes

As a result of this engagement, the family now has a clear vision and the tools necessary for successful succession and estate planning. Through beneficial structuring of entities, robust new reporting systems, enhanced budgeting and planning capabilities and reliable real-time information, a strategy is in place to help the family realize their short-term and long-term financial goals. RSM has a strong history with the family, and that relationship has only grown with the team’s success in managing a complex estate plan.

Other benefits of RSM’s service include:

- Migrating multiple databases to one cloud-based ERP solution
- Establishing a single chart of accounts to accommodate all entities
- Designing a process to track partner capital accounts within the ERP system
- Automating intercompany accounting entries
- Configuring systems to support multiple accounting methods required for financial and tax purposes (accrual, cash and tax)
- Developing role-based custom dashboards for reporting
- Implementing an automated bill pay solution
- Creating a centralized, paperless file management system