

Free Report to Download At www.LineageAsset.com

The Top 5 Transition Planning Strategies for Multi-Generational Families That Own and Operate Commercial Real Estate

“In every dispute between parent and child, both cannot be right, but they may be, and usually are, both wrong. It is this situation which gives family life its peculiar hysterical charm.” » Author Isaac Rosenfeld



Jeff Gould is Principal and Founder of Lineage Asset Advisors. Jeff has spent 14 years consulting with multi-generational families that own and operate commercial real estate. His background in real estate finance, consulting and brokerage coupled with his extensive work with estate planning advisors allows him to bring a unique and balanced perspective to each family that he works with. Lineage Asset Advisors (www.lineageasset.com) is a commercial real estate consulting, management, and transactional firm working with multi-generational families to develop effective transition plans with their properties for current and future generations.

Families are a complicated algorithm made up of individual roles, responsibilities, expectations, belief systems, and generational differences. Families, like individuals, are always changing and when change or transition occurs it can bring with it resistance and eventually conflict. Family transitions are inevitable and can take many forms including socio-economic changes, separation, leadership changes, aging, life, death, or role reversals. The inherent nature of family transitions is that “the more a family resists change, the more that conflict persists.”

Families that own commercial real estate assets are certainly not averse to change and conflict. In fact, in many instances it seems that the more assets a family owns, the more frequently conflict and disagreements arise amongst the respective generations.

In my experience, assets and wealth tend to complicate things rather than simplify. For this reason, it is critical for families that own commercial real estate to proactively develop a communication and transition plan, or exit-strategy, that is mindful of the ever-changing family and commercial real estate dynamics.

Below are some important transition planning strategies for families to consider.



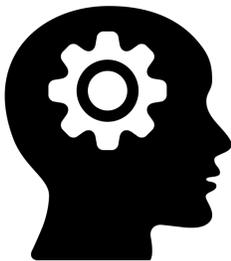
1. **Communication and Education** – It seems simple, but frequent communication and education are often the most overlooked aspects of legacy planning with families and their assets. Families that hold frequent meetings together to discuss the details of family-owned assets and educate family members on their properties have a better long-term success rate than families who don't. Driving this proactive communication is typically the responsibility of the first generation, or wealth creator(s). This is easier said than done when you consider that certain family members tend to change interests, have different skill sets, or be more-or-less engaged in the process than others. It is incumbent upon the family to customize communication and education styles to connect with each family stakeholder so that they can begin to better understand the property and family business. Simply put, know your audience and be patient!



- 2. Conflict Resolution & Accepting Differences** – Communication will breakdown, disagreements will arise, individuals will fight, families will change...this is inevitable. Your acceptance or resistance to change will determine how quickly you can move through conflict with your family members. The most successful commercial real estate families that I work with create a safe environment where individual differences are accepted and there is no blame, judgment, or projection. It takes practice and awareness to be able to accept differences within ourselves and one another and work through petty conflicts rather than polarize the family. Commercial real estate legacy families understand that “success” is about staying unified and not about winning or losing, gain or loss.



- 3. Rediscover Your Commercial Real Estate Portfolio** - Many families have owned and operated their commercial real estate portfolios for multiple generations without truly rediscovering the potential opportunities and risks with their assets. Just as families are frequently changing, so are commercial real estate markets and properties. Having a fresh perspective on your current portfolio will allow you to discover risks and opportunities that you may not be aware of including; current financial returns relative to today’s market, ownership & partnership structures, operational and management efficiencies, building modernization strategies including new building technologies and energy and water efficiency projects, resiliency planning, loan and tenant risks, redevelopment, and rehab opportunities, etc.



- 4. Develop A Mindful Asset Transition Plan** – The next generation may not be interested in taking part in the affairs of the family owned commercial real estate. Developing a holistic and flexible transition plan that is mindful of the family dynamics is essential to the success of commercial real estate families. The transition plan works in tandem with the family’s estate plan but dives deeper into the short-and long-term elements of their commercial real estate portfolio. The transition plan addresses legacy questions of ownership, disposition, cash flow, partnership agreements, owner communication, conflict resolution, financing, tenanting, management responsibilities, capital improvements, and risk / opportunity planning. The transition plan should be actionable and will set the stage for positive habits, interactions, and behaviors amongst family members for the long run.



- 5. Implement the Plan & Adjust for Change** – The transition plan for commercial real estate assets should be implemented while the wealth creator(s) are still alive and frequently reviewed and adjusted for the imminent change that will occur. The process to implement the plan should be collaborative and not solely controlled by the wealth creator(s). It is important for family members to learn from this process and for the wealth creator(s) to allow their family members to make mistakes. The most successful legacy families that I work with use the transition planning process to develop deeper connections with their family while using this as an opportunity to educate and mentor. In many instances, the next generation may not want anything to do with the commercial real estate portfolios. There is nothing wrong with this, however, the transition plan should also address and plan for diverging generational interests.

CHOOSING THE RIGHT PATH

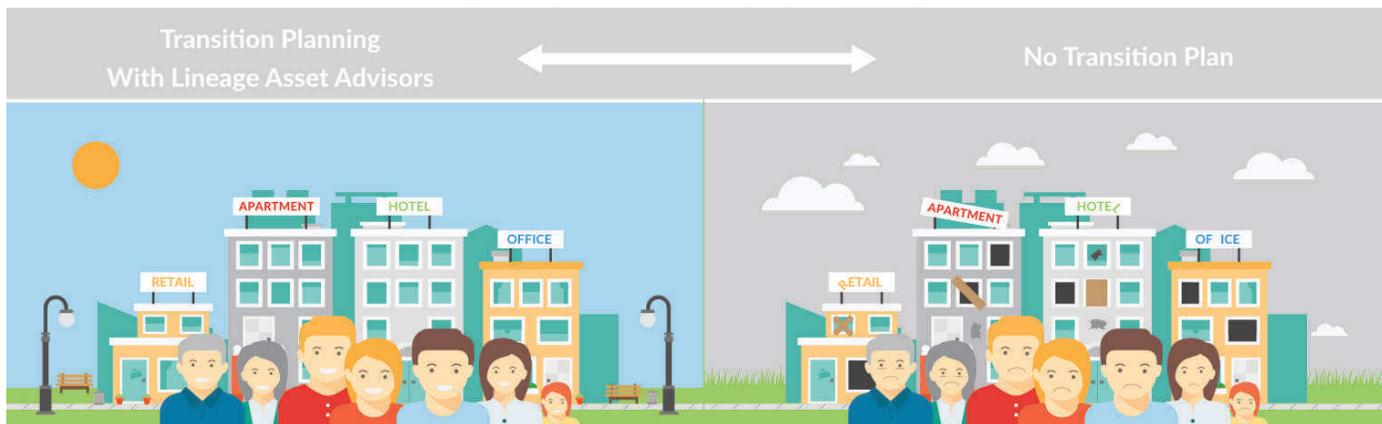


The beauty of the transition planning process for me is that it brings families together. Families learn both about themselves and their properties through this process rather than further distancing themselves from one another. This is true even if family members are not interested in being involved in the family business or in the affairs of the commercial real estate. The idea is to look at the portfolio from a fresh perspective, be creative, be respectful, and be open to change. Being proactive in the planning process will allow family members to adapt quicker to the change and create a more open forum for family members who may be hesitant to want to discuss how a legacy portfolio will be handled in the future.

I'm happy to discuss these and other important issues affecting your commercial real estate portfolio to assist you in creating a workable plan or solution to yours' and your portfolio needs.

Jeff Gould, CCIM, LEED AP
Principal & Founder
Lineage Asset Advisors
Phone: 818-737-1088 | Jeff@lineageasset.com

Looking to develop a transition plan with your family and your commercial real estate assets? Lineage Asset Advisors can help. Contact Jeff Gould at Jeff@lineageasset.com or via phone at 818-737-1088 for a free consultation.



What Our Clients Are Saying...

Our family hired Jeff Gould to provide consulting, advisory and representation services with a vacant commercial property that we owned in Encino. This property had been in our family since 1952 and was originally built and operated as a restaurant by my father and grandfather. Our long-term tenant vacated the property in 2012 and left us with zero cash flow and an outdated building that needed extensive upgrades. Jeff worked in tandem with our family and our CPA to develop an asset transition plan that fit within our family's generational goals including; stability of cash flow, passive management, and a credit tenant. Jeff's team sold the vacant asset in Encino for maximum value and guided us through a challenging 1031 exchange process to acquire a single tenant investment that met our long-term planning goals. Ultimately, this transition allowed us to achieve our family's stated goals, including over a 7% return on equity. Jeff's expertise, integrity and attention to detail helped to make the challenging process of letting go of this sentimental asset as smooth as possible. My family wants to thank Jeff and his team for their great work.

Cathy Blue, Trustee of the Charles N. Blue Trust

Jeff Gould of Lineage Asset Advisors is a valued team member and resource for my estate planning law firm. Jeff and his team's in-depth knowledge of the commercial real estate industry coupled with their understanding of estate planning principles and respect for family dynamics provides my firm with important insight into our clients' commercial real estate portfolios. Jeff's patient and consultative approach allows us to refine succession planning strategies for multi-generational families being mindful of the short and long term risks and opportunities associated with their commercial real estate portfolios. I recommend working with the Lineage Asset Advisors team.

Pierre J. Rodnunsky | Partner & Founder | Rodnunsky & Associates

I have had the pleasure of working with Jeff on the management and sale of a property owned by five family members. He has done an outstanding job regarding moving the process forward and keeping everyone focused on the end goals. He is patient, professional and an excellent communicator. He keeps all owners and consultants informed and stays on top of the details. He offers great insight throughout the process and does not hesitate to recommend quality professionals to handle the legal, environmental, sales and leasing aspects of the transaction. I would not hesitate to recommend Jeff to any of my clients.

Lynnette Shidner, CPA | Partner | gish SEIDEN, LLP