

MANUFACTURING & DISTRIBUTION

FAMILY BUSINESS LIQUIDITY:

Balancing Business Growth & Personal Wealth

NEEDS

The owners of a successful family business faced complex challenges. First, they were managing substantial wealth on paper of \$60 million to \$70 million. However, because their company was highly dependent on inventory, they struggled with navigating the balance between their personal and professional financial needs.

CHALLENGES

Over twenty years, the business (which had been handed down to the couple from the wife's parents) had experienced significant growth. Despite this success, much of the couple's wealth remained tied up in the business itself.

Business Liquidity vs. Personal Cash Flow:

The heavy inventory requirements and seasonal fluctuations presented ongoing challenges for personal cash flow management and limited options for traditional wealth diversification.

Prior Negative Experiences:

Additionally, the family business history added emotional complexity to their financial decisions, which were further complicated by negative experiences from previous estate administrations.

Personal Planning Obstacles:

Although the business required considerable attention and resources, they also wanted to address pressing planning issues, including the purchase of a vacation home and updating outdated estate documents.

SOLUTIONS

The implementation strategy focused on creating sustainable processes rather than one-time solutions. The Choreo team developed an integrated, conservative approach acknowledging both business realities and personal planning needs.

Regular Planning Meetings:

Central to this approach was establishing quarterly planning meetings, which aimed to marry business and personal financial considerations. This became the framework for evaluating opportunities and challenges from both perspectives, ensuring decisions about one aspect of their financial life appropriately considered impacts of the other. Business metrics and personal financial progress were examined, allowing for proactive adjustment to changing circumstances. This regular cadence helped to identify potential issues before they became critical and ensured ongoing alignment between business and personal goals.

Multigenerational Advisory Relationship:

Overlaying a multi-generational advisory relationship provided crucial historical context about both the business and family dynamics. This long-term perspective helped inform decisions about balancing growth opportunities with risk management and ensured the clients understand and are comfortable with each step, rather than rushing to implement textbook solutions.

Custom Cash Flow Management & Conservative Investment Approach:

Ultimately the best solution for the client emphasized custom cash flow management

SOLUTIONS (continued)

adapting to the business's seasonal patterns, while creating space for personal wealth building. This included maintaining higher cash reserves, acknowledging the business's inventory demands and opportunity requirements. Investments remain focused on maintaining liquidity and managing risk.

This case illuminates several crucial points about managing business and personal wealth:

- Wealth on paper doesn't always translate to investment flexibility. Business needs may dictate the necessity for maintaining more conservative positions.
- Past experiences significantly influence a person's receptiveness to a planning approach. Sensitivity to these experiences is crucial for successful long-term planning.
- Regular, integrated business and personal finances reviews help prevent conflicts between competing needs.

THE BOTTOM LINE

Successful business owners may need to prioritize business liquidity over personal wealth diversification. This highlights the value of long-term advisory relationships in understanding and navigating complex family business dynamics. Effective planning must balance textbook financial strategies with practical business realities and personal comfort levels. Success requires creating sustainable processes, acknowledging both business constraints and personal goals while remaining flexible enough to adapt to changing circumstances.

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