T
wenty years ago, I got the bright idea to plant some willows on my property.

I looked out into my back yard from my den and thought, “Wouldn’t two of them be just right planted so and so, at x and y?”

I went out and bought two saplings about three feet tall and planted them in carefully chosen spots 20 feet apart.

They looked beautiful. For the next 10 years they grew like only willows can grow. I watched, happy and contented from my favorite chair until what should have been obvious became obvious. The trees were starting to overlap—and they were only half grown.

I got a book on trees from a friend who knew more about the things than I did and looked up how large willows can get. I saw that within 20 years they could expand to over 30 feet in diameter. My amateur landscaping plan was destroyed because I didn’t take the time to think about the future. All trees grow—except in my imagination, which was stuck in its own beautiful, but unrealistic, picture of how things should be.

Outside my glass doors today is one graceful willow that would’ve looked SO much better had it been centered.

This sort of problem is really very common in family businesses—only instead of willow trees, we grow family trees. Instead of branches, we deal with stock.

There are many stock distribution plans that look very clever today, and they are proposed by people who should know—the lawyers, accountants and trust officers who have spent their professional lives getting to know the vast intricacies of the tax laws.

But, too often, instead of taking their advice as just that—advice—business owners tend to ignore their own judgment and follow the prescriptions of the professional “Rasputins” uncritically and with great eagerness.

Of course, the tax savings are often very real and immediate. The consequences for the business may be good, too, in the early years. But given time, stock ownership can resemble the flu. If it isn’t contained, everybody starts to catch it. It multiplies—or, more accurately, divides—and becomes a major menace.

It may make good tax sense today to give some stock to your children, through a distribution to their children on a per capita basis. Or maybe you want to bring in a key man with expertise you need but can’t afford. So you give him some stock. Then there’s the employee stock ownership plan, or the stock you gave instead of cash to the lawyer so he’d incorporate you.

Possibly, Grandpa thought it was a magnificent philanthropic gesture on his part to give out little blocks of stock in appreciation to his long-term employees, as well as to his grand-

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children, and his dedicated secretary.

Or maybe somebody thought the best tax move was to give it all to the kids a couple of years ago and it saved a bundle.

But that’s today, or in the past. Let’s expand all this into the future.

The per capita distribution to the grandchildren results in each grandchild inheriting equally. Your intent was to leave the business to your children while using your grandchildren’s lower tax bracket, but, unless your children are equally fertile, one family will have more grandchildren, get more stock, and therefore more control. On the other hand, a per stirpes—equal shares per family—distribution could concentrate control in an only child. Were either of these your intent?

It may be that key man who got 20% died, his wife inherited that block of common and remarried. Now she—and her lawyer—attend every board meeting conducted by your successor, the very harassed president.

Or the start-up lawyer may no longer have any relationship to the business, but insists on wielding his 5 or 10% whenever the opportunity arises.

All this doesn’t even consider the 20% distributed all over the lot in decimal-sized blocks by Grandpa. Two generations after Grandpa meets his maker, the company is now a private corporation owned and harassed in varying degrees by a crowd of people the chief executive hardly knows. That’s getting pretty close to the definition of “public,” without any of the benefits.

There are many ways to landscape our future. One of the worst is to plant what fits together today while ignoring the confused jungle it will surely all turn into when the whole plan matures.