



FAMILY BUSINESS NEWSLETTER

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A publication of the Delaware Valley Family Business Center



Hank O'Donnell
O'Doodle's, Chestnut Hill, PA

In the biblical "Prodigal Son" story, the father tells his older son, "You are always with me, and everything I have is yours."

"I'm not sure that's what the elder son wanted to hear," says Hank O'Donnell of Wyndmoor. **"I think he may have wanted to hear, 'I love you. If you left I would miss you as much as your younger brother.'"**

O'Donnell will be the featured speaker at the Delaware Valley Family Business Center Forum at 7:45 a.m. September 20 at Indian Valley Country Club, Telford. His topic: "The Elder Son's Dilemma in a Family Business: Honoring Thy Parents."

The oldest son himself in a family of four children (all of whom have worked in the family business founded by their parents in 1954), O'Donnell, 45, brings a wealth of personal experience to bear on the topic. As with many family businesses—and some elder sons—O'Donnell didn't follow a straight line into his role as president of O'Doodles, a specialty toy store in the Chestnut Hill section of Philadelphia.

In high school he worked for the family business (then a highly successful office-supply store), was gone for four years of college, came back for a frustrating year and a half, then moved to Kansas and North Carolina for two years of graduate

The Elder Son's Dilemma in a Family Business: *Honoring Thy Parents*

Thursday, September 20, 2001
7:45 to 11:15 am
Indian Valley Country Club, Telford, PA

school. In '81 he returned to some interesting dynamics—especially with his father. As with many transitions, the plan was for the new guy to have some time, unimpeded, while the one who *had* been in charge made himself scarce for six months. When young O'Donnell arrived back in Philly, the exchange went something like this: **"Hi, Dad, I'm here; why are you still here?"**

And therein lies a tale ... of conflict, changing operational procedures (including some employee

resistance), unexpected illness, reconciliation and a total transformation of the family business in the mid-'90s.

On September 20 Hank plans to address the following kinds of issues:

- ◆ The paradox of being the eldest son/daughter in a family business, reflecting on his (Hank's) experience as the elder son and focusing on the dynamics

between the elder son and the father.

- ◆ The way in which the oldest son/daughter is groomed for the top spot in many family businesses; the presentation will be valuable for elder sons/daughters, as well as parents and siblings who work with them.
- ◆ The "heroic" role sometimes assumed by the oldest child—or placed upon him/her—in the family business.
- ◆ In the parable of the prodigal son, the elder son has quite an issue with his dad over welcoming back the younger son. In a family business context, what is it like to be

an older son who stays at home and minds the store/farm?

- ◆ *What are the blessings and curses of being the eldest son?* For example, in the biblical story

What are the *blessings* and the *curses* of being the eldest child? What does the elder child owe the father/family? What is the responsibility of the father/family to each child and spouse in the family?

we tend to focus on the forgiving father, yet the oldest son harbors great resentment, envy and anger at both the father and his younger brother. Where does this dark side of the elder son originate, and how can it be healed?

- ◆ What does the elder son owe the father/family?
- ◆ And what is the responsibility of the father/family, not only to the older son/daughter but to each child and spouse in the family?

As always, there will be ample time for questions, discussion and interaction. See you there!

On September 20, you will also hear the perspectives of ...

A Youngest Daughter Leading Her Family's Business



Phyllis Mann, President
E & M Insurance Associates, Inc.
Montgomeryville, PA

Learning from other member firms is at the "heart" of our Forum.



This Forum will be valuable for ALL siblings ... and parents, too!

To read an article by Hank O'Donnell, "Surviving Staples—the Rebirth of O'Donnell's Stationery," published in *Family Business* magazine last winter, go to our web site at www.dvfambus.com and click on **Searchable Library**.

Scenes from our March 15, 2001, Family Business Forum

Let's Get Results, Not Excuses: Building Accountability into Your Business

with Jim Bleech



Over 120 members of the Family Business Forum gathered for the May 10 Forum at Cedarbrook Country Club to hear **Jim Bleech's** excellent presentation.



Kevin Cummings, Pecora Corporation, Harleysville, and Charles Grandi, Fibre-Metal Products, Concordville.



Rachel Conrad, Heather Hartman, Harry Cappa, and Al Kettell, Sealstrip Corporation, Boyertown.



Henry Landes, DVFBC, presents the NEW Handbook inserts during *Spotlight on the Policy Handbook for Business Families.*



Members picked up their new *Policy Handbook for Business Families* inserts and browsed the Resource Table.



Dave Beck, Delaware Valley College; Dick & Ben McGlaughlin, McGlaughlin Spray Foam Insulation, Chalfont; and Randy Good, Franklin Chemical, Plymouth Meeting.



Peter, Alan, and Steve Pyle, Maxwell Products Corporation, North Wales.

Handbook Highlight



How WE Are Using the Policy Handbook

The Rauch Family

M&C Specialties Company

Southampton, PA



Don Rauch, M&C Specialties Company, shared how they have used the Policy Handbook for Business Families over the past year in their monthly family meetings.



Rauch Family Meeting Participants: Chris Rauch, Lisa Donnelly, Don Rauch, and Michelle Higginson.

Welcome to NEW Forum Members



Holmes Lumber & Building Center, Inc., Millersburg, OH
(Paul A. Miller)



J. M. Basile & Associates, Inc., King of Prussia, PA
(Sue Basile)

Members' Comments re: May Forum

"I liked the way Jim took complicated issues and broke them down to the basics—very easy to understand and apply in real life."
Jill Dietterich, Advanced Equipment Sales, Franconia

"Motivating, inspiring, and interesting. Thoroughly worth the time. Great speaker!"
Sue Basile, J. M. Basile & Associates, Inc., King of Prussia

"This Family Business Forum was very interesting because the speaker, Jim Bleech, was very professional and passionate and we could all relate to the stories he told."
Stephanie Begovich, Electronic Systems, Allentown

"Jim is a great speaker and communicator; his information on how to establish our personal and corporate values was very helpful."
Will Bergey, Bergey's Electric, Hatfield

News & Notes from Our Director

- ◆ Congratulations to **Clyde S. Walton, Inc., Lansdale,** a member firm celebrating 80 years of service!
- ◆ The **Twardzik brothers of Ateco/Mrs. T's Pierogies in Shenandoah** were featured in the August 2001 issue of *Inc.* magazine, *Leveraging Local Intelligence.* The Twardziks spoke to our Forum last year on "Everything in Life is Like a Pierogy: The Twardzik Sibling Team."
- ◆ Did you read **Henry Landes'** quotes in the Spring 2001 issue of *Family Business* magazine in the article *Praise the Lord, and Pass the Competition?* All Forum members receive a complimentary subscription to this invaluable magazine and their on-line library.
- ◆ **Recommended Reading: Love and Profit: The Art of Caring Leadership** by James Autry. From the introduction: Good management is largely a matter of love. Or if you're uncomfortable with that word, call it caring, because proper management involves caring for people, not manipulating them.



Sally Derstine
Forum Director

Unable to Attend May's Forum?

___ Please send me the audio tapes (set of 2) of the last Forum featuring Jim Bleech, "Let's Get Results, Not Excuses: Building Accountability into Your Family Business" (\$20)

Name _____

Address _____

Please add 6% sales tax and \$3 shipping to the total and make your check payable to Delaware Valley Family Business Center, 1011 Cathill Road, Sellersville, PA 18960, (215) 723-8413.

Making Sense of the New Tax Law by Valerie J. Hallman, CPA



No doubt you have read that President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001 (the Act) on June 7th. And you are aware of the Act's major provisions reducing income tax rates and gradually repealing the Estate Tax. Let's focus on aspects of the law that pose strategic planning opportunities, contain hidden traps or do both.

In the Act, Congress applies the principle of delayed gratification to voter/taxpayers. The bill's most significant benefits are phased in slowly. Then the balloon bursts ... poof ... the entire Act terminates on December 31, 2010 ... and the tax law reverts to rules in place before the Act.

Alternative Minimum Tax – A Trap for the Unwary

The unwanted guest at the tax-cutting party is the Alternative Minimum Tax (AMT). Originally designed to ensure that wealthy individuals paid at least some tax, larger numbers of moderate-income taxpayers will incur AMT as their regular income tax decreases. Accountants, tax attorneys, and others supported complete elimination of the AMT. Congress chose instead to offer temporary relief by increasing the AMT exemption amount by \$2,000 for single filers and \$4,000 for joint filers. The present exemption amounts of \$33,750 for a single filer and \$45,000 for a joint filer increase to \$35,750 and \$49,000, respectively, for tax years 2001

through 2004. After 2004, the increased exemption amount is automatically repealed and exemption amounts revert to \$33,750 and \$45,000 for tax years 2005 and beyond. Taxpayers subject to the AMT continue to face 26% tax rates on the first \$175,000 of Alternative Minimum taxable income and 28% on Alternative Minimum taxable income over \$175,000. There has been no reduction in AMT rates.

Let's Eliminate Pease (not Peace)

Another president named George Bush signed the 1990 Omnibus Budget Reconciliation Act into law. A key feature of this tax bill was the Pease Amendment, a measure introduced by Congressman Pease limiting the itemized deductions of high-income taxpayers. Under Pease, an individual whose 2001 adjusted gross income exceeds \$132,950 is required to reduce itemized deductions by three percent of such excess. The scale back in deductions cannot exceed 80% (meaning that no matter how high your income you will be permitted to deduct at least 20% of your otherwise allowable itemized deductions).

The Act will gradually repeal Pease. For tax years 2006 and 2007 the amount disallowed is reduced to two-thirds of the itemized deductions that would have been scaled-back under the Pease formula. For tax years 2008 and 2009 the amount disallowed is reduced to one-third. By 2010 there will be no limit on itemized deductions for high-income taxpayers.

The good news is that Pease repeal will decrease regular income tax paid by high-income taxpayers by allowing them to offset taxable income with increased itemized deductions. The bad news is that Alternative Minimum Taxes will obviate the anticipated tax benefit. As regular income taxes decrease, taxpayers incur the Alternative Minimum Tax.

This is especially likely when state and local tax payments represent a significant itemized deduction, since these taxes are *not* deductible for Alternative Minimum Tax purposes.

Tax Breaks for Funding Education Expenditures

A favorable provision of the Act involves employer provided educational incentives. Employer paid education assistance can be excluded from the employee's gross income in the amount of \$5,250 annually, even if the education qualifies you for a new position. This exclusion applies to both undergraduate and graduate courses that begin after December 31, 2001. Other employer paid education assistance is excludable without any dollar limit if the courses are taken to maintain or improve job skills in your present position. In such instances, the payment of course tuition is viewed as a tax-free working condition fringe benefit.

Retirement Plans

The Act makes a number of significant changes in amounts you can contribute to employer provided retirement plans. The maximum allowable annual contribution to 401(k) accounts will gradually increase to \$15,000 in 2006. The maximum allowable for 2002 is \$11,000. These new limits also apply to 403(b) and 457 plans. The maximum allowable contributions to profit sharing and stock bonus plans will be increased to 25% of compensation effective in 2002. (The current limit is 15%.)

Effective for 2002, sole proprietors, partners, LLC members and more-than-2% shareholder employees of S corporations will be permitted to borrow from their retirement accounts (usually Keogh plans) on the same basis as non-owner employees.

Estate Tax Dies

The estate tax is scheduled for complete repeal in 2010, but the gift tax is being retained. From 2002 to 2009 the estate tax exemption amount expands from \$1 million to \$3.5 million while

estate and gift tax rates decrease from 50% in 2002 to 45% in 2009. In 2010 the tax is repealed. On midnight January 1, 2011, the Act expires, the tax law reverts to the law as it stood on June 6, 2001, and the estate tax is resurrected.

The gift tax exclusion will rise to \$1 million on 2002 and remain at that level. In 2010 the maximum gift tax rate will drop to the highest individual income tax rate.

Heirs of property inherited in 2010 will not receive a stepped-up income tax basis due to repeal of the estate

tax. As a consequence, heirs who sell inherited; appreciated property could incur significant capital gain tax.

Estate tax law complexities demand careful planning. Exercise prudence and good judgment by seeking the advice of your accountant and lawyer. Review wills and estate plans with them to ascertain how the Act affects you and your family.

In Summary

This brief overview of selected features of the Act is intended to alert you to some opportunities and hazards embedded in the new tax law. The Act contains many provisions that could affect you but are not described in this article. Again, exercise prudence by seeking the advice of your accountant and/or attorney.

Valerie J. Hallman, CPA, is director of taxation for **Detweiler, Hershey & Associates, P.C.** a CPA firm with offices in Montgomery and Lancaster counties. She has more than 17 years of experience in finance, tax and accounting for domestic and international enterprises. Detweiler Hershey is a partner of the Delaware Valley Family Business Forum.

Welcome to Mennonite Foundation and MMA Trust Company, our newest Forum Partner!

They help families with charitable/noncharitable estate planning and trust administration. Meet Arlin Lapp and Steve Hunsberger at the September 20 Forum.



Steven Hunsberger

How Can Family Business Forum Membership Help MY Business Family Thrive?

1 Quarterly Forum Meetings. Learn from successful business families and experienced family business advisors. **Member companies receive one FREE registration to EACH Forum (\$200 value).**



2 Policy Handbook for Business Families. A practical, how-to handbook designed to educate and help business families meet together to develop their OWN family business policies and plans. **Members receive new Handbook inserts at each meeting!**

NEW!

4 Get instant answers to almost 100 family business topics through an exclusive on-line library housing hundreds of articles (www.dvfbmbus.com).



5 Estate Planning Fire Drill. A quick, concise process designed to identify and resolve problems associated with your untimely death, culminating in a valuable written report (\$500 value).

NEW!

6 Introduction to the Family Meeting Process. An individual meeting with your family to introduce the family meeting process, how to use the *Policy Handbook* and other resources.

7 2001 Membership Directory which facilitates member-to-member learning.



Annual Membership Fee.

Thanks to the generous support of our partners, the annual membership fee is \$500. Limited to family firms; subject to review by our Membership Committee. Membership is on an annual basis.

WHAT is the Family Business Forum?

An **association of over 100 business families** which meets quarterly for educational, informative, interactive programs to help **strengthen** families and **build** high-performing businesses.

Our FAMILY BUSINESS CENTER

Since 1989, our clearly defined process helps families beat the odds through **The Succession Zone**. Our team of experienced consultants, educators, and speakers helps business families:

TALK about the real issues,
WORK TOGETHER in teams, and
PLAN for the future.

To Register for Upcoming Forums

Please note that Forum registrations are limited to Member firms.

Business Name _____
Address _____ City _____ State _____ Zip _____
Phone _____ Fax _____ E-mail _____ Website _____



Sept 20 The Elder Son's Dilemma in a Family Business: Honoring Thy Parents - Hank O'Donnell

Name(s) _____

Total Registrations (less one FREE) _____ X \$50 = \$ _____



Nov 15 The Great Game of Business - Brad Hams

Name(s) _____

Total Registrations (less one FREE) _____ X \$50 = \$ _____

NEW MEMBER \$ 500

Draw check and mail to: Delaware Valley Family Business Center, 1011 Cathill Rd., Sellersville, PA 18960

Cancellations must be made 2 days prior to event. The registration fee cannot be refunded or waived when cancellations are made after that date or when the registrant does not attend.

Total I \$ _____

Delaware Valley Family Business Forum Partners



Hamburg, Rubin, Mullin, Maxwell & Lupin is one of the premier Montgomery County law firms serving the community for more than 30 years. Our areas of specialty include Business Law, Corporate Law, Health Care Law, Taxation, Estate Planning, Estate Administration, Family Law, Real Estate Law, Commercial Litigation, Personal Injury, Environmental Law, Products Liability and Labor and Employer Law. For further information, contact **Jonathan Samel** at (215) 661-0400.



Success is about results, not just about goals. For business, it's knowing what questions to ask, understanding your customers, using technology effectively, and improving your bottom line. For individuals, it's evaluating future needs, knowing your options, designing a plan, managing risk, and improving performance. Are you ready to unlock your potential? Our team of Certified Public Accountants, Management Consultants, and Certified Valuation Analysts holds the key. After all, at **Detweiler, Hershey & Associates, P.C.**, your future is our business. Contact **Bruce Detweiler, Bob Schoen, or Jim Rittenhouse** at (215) 723-8901 or on the web at www.detweilerhershhey.com.



Founded in 1877, **The Quakertown National Bank** is an independent community bank providing a full range of banking services to business organizations and families. With seven offices located in Bucks, Montgomery and Lehigh Counties, QNB strives to be the financial service provider of choice to our clients within the markets we serve. For further information, contact **Bob Wieand** at (215) 538-5600, ext. 5611, or visit our website at www.qnb.com.



Family Business Magazine is written exclusively for family company stakeholders. Subscribers have full access to the publication's online library, housing hundreds of articles at www.familybusinessmagazine.com. Contact **Patricia Nelson** at (800) 637-4464.



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Stewardship Solutions
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Mennonite Foundation and MMA Trust Company are dedicated to helping families make a difference in the world by incorporating their goals and values into their estate planning. They assist families with charitable/noncharitable estate planning and trust administration. Contact Arlin Lapp or Steven Hunsberger at 800-332-4141.

The Family Business Forum is underwritten in part by the generous support of our partners.

Hot Tips ...

"Failure is good. It's fertilizer. Everything I've learned about coaching, I learned from making mistakes."

Source: Rick Pitino—Basketball Coach

Suggest to team members that every objective they set should be **SMART**:

- Specific
- Measurable
- Attainable
- Realistically High
- Time Framed/Target Date

The President's Corner ... Henry D. Landes

Roots and Wings—the Two Lasting Bequests Parents Give Their Children



Successful business families draw deeply on their roots—family values, strong relationships, shared dreams, common vision. But children in business families may or may not take "wing" through the family business. Some need to fly on their own ... permanently or at least for a while. How children in the business family reach the "want to" of making a major commitment to the family business is a vitally important process.

As families move through *The Succession Zone*, significant and sometimes difficult questions must be addressed on *both* sides of the generational fence. Perhaps the most basic is: ***Should this business stay in the family?***

While reflecting on this question, families might find it useful to bear in mind the maxim that says, "There are only two lasting bequests parents give their children: roots and wings." Laying aside the business end of the relationship, parents *and* children would do well to consider how God-given potential is best realized in this world.

I'm reminded of Michael Corleone in "The Godfather, Part I." In the opening wedding scene, Michael (played by Al Pacino) is just back from college and has no interest in joining "the family business," a phrase most of us would use in an entirely different way! But after his father is gunned down, Michael returns to his family "with a vengeance" and with total commitment to the Corleone family values.

The story of the prodigal son in the Bible is another example of someone who left the family business for a time, then returned. The older brother, meanwhile, had to deal with

his resentment over the "grace" accorded his wayward younger brother. In the featured story in this newsletter, Hank O'Donnell previews his September Forum presentation—especially from the perspective of the oldest son.

As with most analogies, the preceding two break down partway home. But they make the point

that becoming part of the family business is not necessarily a straight line. Take also President George

W. Bush. He turned his back on politics—and what was to become his destiny—for many years before running for governor of Texas, then president of the United States. Franklin Graham, son of Billy, is another illustration. Like the biblical Jonah, he ran in the opposite direction of God's call for many years before taking over the Graham family's evangelistic ministry in the 1990s.

The key for parents is to keep loving our children—unconditionally. This is not necessarily easy to do when poor (or at least perplex-

ing) decisions are sometimes being made by young adults. Further, it can be hard for parents in particular to "let go" enough to enable a son or daughter's maturation and decision-making process to develop with freedom and integrity, especially when there are no guarantees that the searching young person will end up making a commitment to the family business.

Grown children whose parents have bequeathed to them **both roots and wings** will contribute significantly to their community, whether or not they're involved in their family's business. And when a child freely and fully chooses to commit to the family business, you can believe that it's much stronger than when parents consciously or unconsciously "seduce" their children into the business. Our children may need to bow out of the business, either temporarily or for good ... for their own good or for the good of the family and business.

In short, a successful business family doesn't mean everyone works in the business. What success does mean is that parents give their children guidance (roots), but they also genuinely let them go (wings). May this life-giving metaphor be experienced richly in your family.

What success does mean is that parents give their children **guidance** (roots), but they also genuinely **let them go** (wings).

2001 Fall Program ... Mark Your Calendars!

Thursday, September 20

7:45-11:15 am, Indian Valley CC, Telford
The Elder Son's Dilemma in a Family Business: Honoring Thy Parents
Hank O'Donnell
O'Doodle's, Chestnut Hill, PA



Thursday, November 15

7:45-11:15 am, Indian Valley CC, Telford
The Great Game of Business: Teaching Your Family & Employees About Business
Brad Hams
Great Game Associates, Lakewood, CO

