

Business Succession Planning - Your Future Depends on It

Have you ever considered what would happen to your business if you were no longer there?

This is something you may have considered or will soon be considering because you:

- have reached an age where the thought of **retirement** appeals to you;
- had a recent absence from work and realized that your prolonged absence from the business could threaten the **financial security** of your family;
- have been feeling **burned out** from the tremendous amount of time and energy you have spent in building your business to what it has become today; or
- have been thinking about **another business dream or opportunity** that you would like to one day pursue.

Have you ever considered how you could reduce your day-to-day involvement in the business?

This is something you may have considered or will soon be considering because:

- your doctor has concerns about your **health** and perhaps suggested that you need to take steps to reduce your involvement in the business; or
- you have found that the business may be negatively impacting your **quality of life** by not affording you enough time to spend with your spouse and children.

Have you ever considered how others will be affected by your future decisions regarding the business?

This is something you may have considered or will soon be considering because:

- you have been thinking about your **children's future**, their choices of career, whether they will continue to be, or one day become, actively involved in the business; or
- you have been thinking about your loyal **employees' futures** when you are no longer involved in the business.

If you have been, or may soon be, dealing with any of these types of questions, it is well worth your time to engage in some active and coordinated business succession planning.

Business succession planning is a process that involves preparing for the transition of both management and ownership of a business from the current owner(s)/ manager(s) to the successor managers and owners. This process will help you to:

- identify the best person and select the optimal method to transition the management of your business;
- identify the best person and approach to transfer ownership of your business;
- maintain and protect the current value of the business and if possible grow it in the interim period prior to the time of succession; and
- integrate your business into your overall wealth plan, minimize taxes and maximize the financial returns to you and the people you care about.

Benefits of coordinated and active business succession planning

Increased business value

Having a business succession plan in place will increase the value of your company because you will be better positioned in the event you need, or have the opportunity to sell your business. Business succession planning will ensure that you are not caught off guard by an unsolicited offer for your business. If an acquiring company is choosing between your business and that of a competitor, your business could be more attractive if management succession plans are in place. You may also have the added benefit of not having to work for the new owners with proper planning.

Protected business value

A business succession plan will ensure that the value of the business is protected in the event you or a key employee is disabled or dies. This process will help identify areas of risk so that insurance solutions can be implemented to minimize any financial impact.

No missed opportunities

A business succession plan will identify opportunities to maximize the value of your business. Some of these elements require early planning and action to be:

- cost effective (i.e. buying life insurance to fund the purchase of your shares on death);
- tax effective (i.e. effecting an estate freeze to maximize capital gains exemptions with family members);
- financially possible (i.e. employee share ownership plan to facilitate an employee buy-out of the business); or
- generally feasible (i.e. having sufficient time to implement a comprehensive training program to transition leadership roles).

Getting the most of what you are already doing

You may have been or may currently be performing some of the following business succession planning activities:

- developing a strategic business plan for the company;
- preparing a buy-sell agreement and purchasing insurance to fund it;
- crystallizing your capital gains exemption and executing an estate freeze;
- revising your will or wills to deal with the disposition of company shares upon your death; or
- completing a professional development plan to prepare a successor to take over your role in the business.

To maximize the value of all these actions it is important to coordinate them into a comprehensive plan. This will ensure they align with each other and also help you identify any gaps or inconsistencies that have not yet been addressed. Your challenge is to stand back and see the big picture to ensure that all the parts fit together.

Take the time to talk with a trusted TD Wealth advisor. We can help put the pieces together and ensure your business succession plans are properly incorporated into your overall wealth plan.



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