

# PERSPECTIVES

An excerpt from "Perspectives" - Volume 5 – Issue 9

## Financial and estate planning Business succession planning

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**Succession planning is the norm for large corporations. But for small and mid-sized companies, it is an overwhelming issue too often dealt with only in emergency situations. In survey after survey, business owners reveal they are ill prepared for the inevitable transition that is quickly approaching.**

There are different reasons why people haven't drawn up a succession plan. Some worry that succession planning takes time and costs money. Others may avoid or delay their plan for emotional reasons. They don't want to deal with retirement. Or, the idea of succession planning makes them fear they would lose control. Some owners are simply unaware of the need to plan – or, if they are aware, they feel it's too early.

One thing most small business owners have in common is their dependence, to varying degrees, on the sale of their business to help fund their retirement. Planning for the sale or transition of the business is best done when you're not under pressure! Owners should prepare, before a crisis occurs, to have a smooth and seamless transition. A good succession plan will help make that happen.

Succession planning helps you:

- Ensure the future financial stability and value of your business.
- Reduce the potential tax liabilities of transferring the ownership.
- Set a timetable for the transition.
- Contribute to the growth of the business and provide stability for your employees.
- Deal with unexpected events such as illness, accident or death.

It's about finding the right strategy for handing over your business to another – and being prepared for all that the transfer entails. As a business owner, you will be responsible for passing on your knowledge, skills, labour, management, control and ownership of the business. You will also need to ensure your own financial future. That's why it's important to start planning early.

To prepare, ask yourself a few questions:

- "Do I have an unbiased business valuation?"
- "What are my plans for the future of my business?"
- "Will I fully retire or continue to act as an advisor?"
- "Is there a family member, employee or someone else to succeed me?"
- "What is my current lifestyle, and what do I want it to be in retirement?"
- "Are there any strategies I should consider to reduce taxes?"

You may have heard this before: Succession should be a process, not an event. It's true, but the choices can be daunting. The decisions you make will affect the future of your business, customers, employees and, most importantly, you and your family.

A succession plan is as fundamental as a Will. Like drawing up a Will, it can be emotional. It requires accepting and preparing for a major life change.

Just as a Will needs to be updated from time to time, succession plans need to be revisited as your business evolves.



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