



PRIVATE WEALTH
MANAGEMENT

BUSINESS SUCCESSION PLANNING

Preparing for the future





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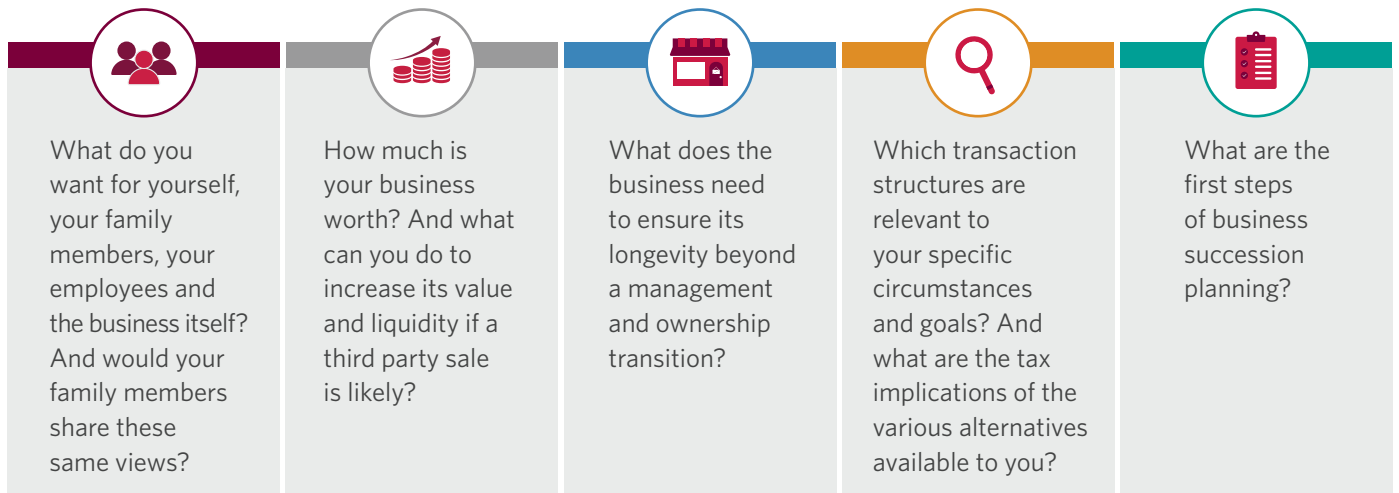
Ownership of a business often represents years, if not decades of hard work and entrepreneurial drive. Still, even the most astute business owners may be unfamiliar with the complexities and meticulous preparation that must go into a succession strategy. Whether you're contemplating a transfer of your business to family members, a management buyout, or selling to an outside party, you have decisions to make and complex issues to address.

There are over one million employer-owned businesses in Canada, excluding the self-employed.¹ Of these business owners, many have not prepared their business to succeed after they exit. In fact, when it comes to succession planning, only 19% of Canadian family businesses have a fulsome, formalized plan in place.²

What is business succession planning?

Business succession planning is the process of determining how you're going to transfer your business ownership and transition out of a business management role, while considering your personal financial security, the needs of your business, and understanding how this fits in with your overall estate plan.

Transitioning out of your business comes with many financial and emotional considerations, some of which are:



A formal business succession plan can help you answer these important questions and allow you to fulfill your short- and long-term business goals, significantly increasing the likelihood of your business's continued success after your departure.

Planning allows you to determine how, when and to whom you will transfer your business (assets and/or shares). It also offers ways to preserve and enhance your company's value through tax planning, and by being better prepared for a transition, potential sale, or any unforeseen event. By being proactive, you gain peace of mind that you and your company are ready for the future.







A good succession plan is the best way to ensure your wishes are respected and the business continues to grow and prosper.

Start planning now

Ownership of your company will change at some point and it's far better to be proactive than reactive. Just like retirement planning, it's best to begin preparing for the transition of your business early, and to review your plan often. Whereas planning for your business's succession at least two to three years in advance of transitioning is essential, planning five years in advance is optimal.

Understand your options

Deciding how and when to pass on ownership and control of your business involves careful thought and planning. There are six main options to consider when arranging for the eventual transfer of your company.

<p>Keep option</p>  <p>Groom a family successor This involves choosing someone to be the business's next owner and operator. Handing your business over to a family member is a common way to pass on your legacy. Identifying individuals who want to be included in the business and are a good fit to run it, requires a great deal of consideration.</p>	<p>Sell option</p>  <p>Sell to management Selling to management involves identifying key people in your organization who are interesting in being owner and management successors. Already involved in your business, your successors likely have an intimate understanding of its operations. It's still important to mentor them before the transition so they fully understand the business and are prepared to take over.</p>
<p>Keep option</p>  <p>Owner-investor option There may not be a suitable successor within your family or employees. However, families may still have an attachment to the business and want to continue to own it, so they hire an experienced management team to run the company going forward.³</p>	<p>Sell option</p>  <p>Sell 100% to a strategic buyer Selling to a strategic buyer can reduce the potential for family conflict. Potential buyers can include competitors who are familiar with the industry and market, as well as buyers seeking to benefit from a new geography, product, technology or just increased scale. They may offer the highest valuation and allow for a smooth transition.</p>
<p>Keep option</p>  <p>Hybrid approach A hybrid approach, means some family members hold shares but don't work in the business, and other family members are involved in the day-to-day business. This approach requires careful planning and compromise to help reduce the chance of family conflict.⁴</p>	<p>Sell option</p>  <p>Sell a stake to a private equity firm Selling to a private equity firm can allow you to tailor the transaction to suit the objectives of shareholders regarding their ongoing role and ownership stake. This option allows you to partially cash in some of your investment and decrease risk, but still retain a stake and participate in the business's upside potential.</p>

Each scenario has pros and cons—we can help you choose the right option for you and your business. Once you have determined the business succession plan that best meets your goals, it's important to share your plan with family members and key employees at the appropriate time to ensure your wishes are carried out accordingly.

How we can help

Whereas some business owners put off succession planning because they don't know what they want to do, about 29% of small-to-medium-sized business owners say they have no time to deal with planning for the succession of their business.⁵ Either way, a great solution is to engage a team of professionals to assist you in establishing a framework.

When developing and managing your transition strategy, collaborating with a team of experts helps ensure your success. Your team starts with your advisor. They oversee and coordinate the development and execution of your strategy, working with a team of internal and external experts. The planning framework may include both technical and human aspects. Technical aspects to consider are: business valuation, methods of transfer, tax and legal implications of each transition option, debt financing, readying the business for its sale and executing the sale if that's your chosen path. Human aspects you may want to consider include: family harmony issues, successor development, and communication and governance strategies.

Family Enterprise Planning

Each family business is its own unique ecosystem, but all family businesses have one characteristic in common—the overlap of family, ownership and business issues.

Where the intent for your wealth is that it continue to benefit multiple future generations, our Family Enterprise Specialists, along with your advisory team will take a broader systems approach to address any planning issues that are critical to your family enterprise and to the continuity of your business.

Our services include business succession planning, family governance, family legacy planning, family risk management and strategic philanthropy.

To learn more, contact your advisor today.



Your business succession planning team

Exiting the business you've built and nurtured over the years is not a simple task—financially and emotionally. Whether you choose to transfer your business to family members, or sell it to existing management or a third party, careful planning is critical, as is the support of a multi-disciplinary team with the expertise to help you articulate and achieve your objectives.

CIBC provides you access to the following specialist advisors to support you through your business transition process.

CIBC Investment Advisor offers a wide variety of investment products and services, along with insightful and impartial advice to assist you in making informed investment decisions.

CIBC Private Investment Counsellor offers discretionary investment management services to help you build, preserve and distribute your wealth.

CIBC Private Banking Advisor creates financial strategies through single- and multi-currency solutions to meet your day-to-day banking, cash management and credit management needs.

CIBC Business Advisor assists in financing the transition plan and assesses the impact of the plan on your business debt.

CIBC Trust Consultant provides expertise in estate and trust administration, property management, investment management and tax services.

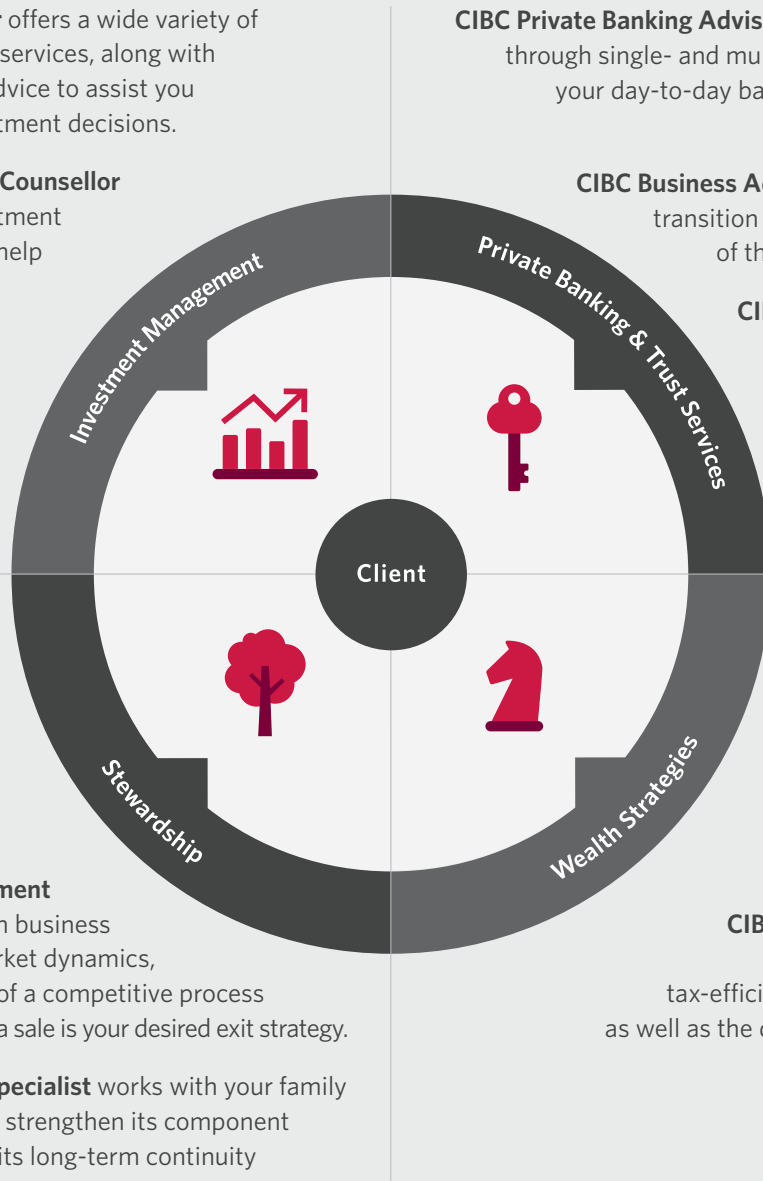
CIBC Business Succession Planning Expert provides comprehensive and objective advice about options for transitioning your business.

CIBC Mid-Market Investment Banker provides advice on business valuation and current market dynamics, and conducts all aspects of a competitive process to attract the right buyer if a sale is your desired exit strategy.

CIBC Family Enterprise Specialist works with your family enterprise to support and strengthen its component systems and help ensure its long-term continuity and prosperity.

CIBC Wealth Strategist provides a personalized approach to creating your wealth plan, which may include preserving your wealth, business transition, and fulfilling your philanthropic goals.

CIBC Estate Planning Specialist⁶ works with you to implement tax-efficient estate planning solutions, as well as the development and funding of a buy/sell agreement.



After the transition, what next?

Retirement? Your next business? Whatever your goals, take the time to visualize your future and continue working with your advisory team to ensure that your wealth plan continues to support your financial goals and personal objectives which may still evolve over time. Specifically, you may want to revisit certain aspects of your wealth management strategy to reflect your new circumstances, including:

- Philanthropic planning
- Intergenerational wealth transfer
- Estate planning
- Tax optimization
- Investment policy formulation



Contact your advisor today.
It's never too early to begin the conversation.

¹ Key Small Business Statistics, Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014; and Innovation, Science and Economic Development Canada, June 2016. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html.

² PwC Canada's family business survey 2018. <https://www.pwc.com/ca/en/private-company/family-business-survey-2018.html>.

^{3,4} Changes to the taxation of private corporations came into effect in 2019 that could impact the tax treatment to some shareholders using this structure.

⁵ Passing on the Business to the Next Generation, Canadian Federation of Independent Business, November 2012.

⁶ Financial Security Advisor in Québec.

The information contained in this brochure, including any opinion, is intended to provide general information only and should not be construed as specific advice. Since a consideration of individual circumstances and current events is critical, anyone wishing to act on information should seek independent advice regarding their particular circumstances from a professional experienced in legal and tax matters.

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