

Maximize the success of your business, today and in the future, with proper succession planning

If you're self employed or the owner of a business, planning for business succession can be like writing a Will – you know it needs to be done, but you don't really want to do it.

However, like a Will, you've got to get it done before it's too late. Leaving business succession to chance could allow someone else to decide what happens to your business, and potentially at significant cost. Here are some of the issues you need to consider when planning for the future of your business.

Personal needs first

If your business is your primary asset and main source of income, it's critical to take care of immediate, day-to-day planning issues first.

On the personal side, you need adequate life and disability insurance to make sure you and your family can sustain your current lifestyle in the event of illness or death.

You also need a personal financial plan that addresses your savings and cash flow needs. Will you have enough to pay for current expenses, such as your children's education, and still be able to buy that cottage or take that trip you've been thinking about?

With your personal affairs in order, it's time to look at your business needs.

Taking care of business

It's tempting to wait until retirement is near to start making succession plans for your business, but there can be substantial savings when you plan further ahead.

According to Todd Herzog, Managing Director, Financial & Estate Planning Group at Scotiabank, "Business owners need insurance to protect their business property, but that's only part of the story. What if their business can't function because of the loss of a key employee or some other unexpected interruption? And what happens when the business owner eventually passes away? Insurance can provide ways to plan in advance for these situations."

Your business succession plan is something that should be reviewed on a regular basis or whenever there is a major event such as a birth, marriage, illness or death, family member entering the business, or even a relevant change in tax legislation.

Here are some additional issues that you should consider:

Is everyone on the same page?

Many of the disputes that lead to business and family breakups come about due to a lack of



communication. For example, if you plan to pass your business on to family members, have they expressed a clear interest? Surprisingly, this is a common area of miscommunication.

Who will run the business when you're no longer doing so?

Is your family prepared to inherit the business, or do they need training? Don't forget – ownership and management are two different things. You may be able to handle both, but your family members may be better off retaining ownership only and leaving business management to others.

Is selling the business a better alternative?

Selling your business can create immediate value and also avoid family disputes. Have you fully considered this option? Don't let emotions get in the way of making a sound business decision.

Are there other ways to unlock the value in your company?

Has your business been valuated? Are you aware of the potential tax cost of selling it? You have choices when it comes to maximizing your company's value and minimizing tax, such as financing, life insurance strategies, and special corporate structures.

Is your business succession plan part of your personal financial plan?

Your personal and business plans are closely linked. For example, you may be able to enhance your retirement income using a Retirement Compensation Arrangement (RCAs) or Individual Pension Plan (IPPs). These options can be integrated with your personal finances to create a superior overall retirement plan.

Does your Will reflect your business succession plan?

Is your Will up to date? If it conflicts with your business succession plan, there could be consequences such as higher taxes, a forced business sale, or even litigation. Setting up trusts and executing multiple Wills are two ways to minimize these risks, and potentially reduce taxes and probate fees on your estate.

Do It Now

Proper business succession planning can help you maximize the success of your business both today and in the future. It can also protect you and your heirs against losses from unexpected illness, death, and taxation.

Considered all at once, business succession planning can seem overwhelming. However, a ScotiaMcLeod advisor has the knowledge, resources, and team of experts to help you take it one step at a time. The best time to take that first step is now.

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