



Success in Succession

Scotia McLeod consultant Jim Sanderson came to the recent 81st Annual ORBA Convention to talk to delegates about succession planning.

As a certified financial planner, Sanderson was talking to ORBA members about factors to consider when planning company succession. He noted the topic can be very complicated and his goal for the session was to provide some basic information about succession planning.

“Seventy per cent of all family owned businesses do not survive a second generation,” Sanderson told those attending the session. “Succession planning is a process. You need to have a vision of where you want to go. What do you want for the future of your business? If you haven’t done anything about this yet, it’s better late than never. If you are planning on transitioning out of your business or selling it, you need a plan if you are depending on it for retirement. Maybe there is someone in the family you want to take over the business or maybe you want to sell it to an outside party. Maybe the business will be purchased by another company. Sometimes, you don’t have a family member who wants to be in the family business. If you are planning on selling the business you want to maximize the value of what you can sell it for. Maybe there will be a management buy-out where ownership is portioned out to managers and family members will have management positions. Possibly, you will decide to just wind up the business and sell the assets and equipment. In that case, you want to get someone in to evaluate and put the best value to those assets.”

The most important thing about succession planning is to have a clear vision of what you want to do with your future and the future of your family and business, said Sanderson.

“Engage professional help to make sure that vision gets realized,” he said. “A business often represents a lifetime of work and vision. Yet many business owners wanting to exit

ownership barely have a formal succession plan in place. Leaving business succession to chance could allow someone else to decide what happens to your business and potentially at significant cost. Planning early also helps reduce the tax impact of ownership changes, as well as ensure a smooth and successful transition of the business to the new owner or owners.”

The process of planning and enacting a successful transition involves identifying and reviewing priorities, identifying a buyer or successor, developing a succession plan, integrating it with personal financial planning to ensure that your personal retirement and estate goals are integrated with the overall plan and monitoring plan implementation to ensure that you are on track in terms of timing and deliverables.

“Finding the right approach to exiting your business will depend on your own expertise, the complexity of your personal financial situation and the time and desire you have to manage your transition,” said Sanderson. “Whatever you do, don’t do it alone. It is important to get the right team working for you. A sale can be structured in many different ways, depending on your objectives. Seeking the advice of professionals to help you determine the right approach will help ensure that a sale achieves your most important goals. Since a variety of expertise is required to develop a succession plan, it is important that you work with an appropriate team of experts to help you do it. This team should include tax, legal, insurance and investment representatives.”

A business succession plan should be reviewed on a regular basis — at least annually and whenever there is a major event such as a birth, marriage, illness or death, family member entering the business, or a relevant change in tax legislation, said Sanderson.

Further information on succession planning is available by visiting www.jimsandersongroup.com.