



Create a  
lasting legacy  
for your  
business

Your guide to business succession planning



# Create a lasting legacy for your business

**Many small business owners don't have a succession plan in place. This could leave them unprepared for retirement, disability or death**

Whether you look to your business to provide you with a retirement income, dream of one day passing the business on to your child, or plan on selling it to a third part, this guide can help you work with your advisor to develop the right plan to suit your needs.

## Should you have a business succession plan?

If you own a business, the answer is **yes**. When you're building and running a business, thoughts of selling it or passing it on to others are often far from your mind.

However, that day will eventually arrive and the earlier you plan the more successful the transition will be.

Business succession planning is really an extension of your personal estate planning but with a focus on the future operations of your business.

Planning for retirement, planning for your heirs and employees upon your death, and planning for the person who takes over the reins of your business are closely tied together. However, your planning objectives in each of these situations may be different.







# What is a business succession plan?

A business succession plan determines how your business will be transferred to others and outlines the steps necessary to prepare for the transition.

The plan affects you, your family, employees, clients, suppliers, creditors and others. A good succession plan ensures your wishes will be carried out if you die suddenly or can no longer run your business due to illness or disabling injury. It can also help you ease into retirement and provide a retirement income.

## Six key steps

Every business and personal planning situation is different. Every succession plan is also different. Taking the time to think through these six key steps will help you start your business succession plan.

Your advisor can work through these steps with you and provide you with more specific information when necessary.

### 1 | Assess your current situation

Determine the potential profitability of your business if you were no longer there to run it and consider the steps that would be required to maintain profitability.

### 2 | Understand your goals for your business and your family

Consider what business succession plan will be best for you and your family. Is your goal to have a family member continue to own and manage your business or perhaps own the business with outside management assistance? You might wish to sell your business to key employees or a third party. Or, you might sell parts of the business or liquidate the business assets.

### 3 | Identify and prioritize action plans

Work with your professional advisors to determine what should be done in order for your business succession plan to proceed and succeed.

### 4 | Select the best action plan

With help from your advisor and from the various alternatives considered, select the plan that best meets your established objectives.

### 5 | Document your decisions

Put your business succession plan in writing and forward it to your professional advisors to review, adjust and file for safekeeping.

### 6 | Implement your plan

Parts of your plan will likely not need to be implemented for many years. However, some items may require immediate attention – insurance coverage to fund a buy-sell agreement, training of a child successor in key business areas, and introducing the successors to key suppliers and contacts, and updating wills and buy-sell agreements.



## Thinking about succession planning requires asking some tough questions

- When I die, how will I divide my estate amongst my family in a way that is fair and equitable to all?
- Who will take over control of my business?
- What other assets do I have and who will receive them?
- How much control over the business do I want to retain when I retire?
- When will I release control completely?
- Where will the money come from to fund the purchase of my business and fund my retirement?
- How will my family retain their standard of living when I die or if I become disabled?
- How will I ensure my business continues to run smoothly?

Changes in life stages such as marriage, death or divorce can also impact your business succession plan. Review your plan regularly and amend it for any changes in your situation or financial goals over time.

## Planning for unforeseen events

It's just not practical to undertake a succession plan for your business without considering the possibility of a disability or your early death, either while you still own the business or when you're retired but still involved to some degree.

There's no way to guarantee your good health. However, you can take steps to prevent a death or disability from harming or even destroying your business by setting up a properly funded buy-sell agreement.

For more information on setting up a properly funded buy-sell agreement, see Canada Life's Life insurance funded buy-sell agreement brochure (form 17-8280).

## Your unique plan

Business succession planning involves a variety of business and personal issues that need to be considered together. Every plan is unique, so it's important to develop your business succession plan in consultation with your legal, accounting and tax professionals.

Your advisor can work with your other tax and legal advisors to help you create a plan that meets the goals and dreams for both your business and your personal life.

You've invested in your business and nurtured it. Now take the appropriate steps to ensure that it continues to prosper and to provide your family with a source of livelihood for years to come.



# Getting started

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## Will

- ☐ Do you have a will?
- ☐ Do you need to revise your will?
- ☐ Have you had children since it was last revised?
- ☐ Have you married, separated or divorced?
- ☐ Have any of your children married?

## Family

- ☐ Are new family members or other individuals becoming increasingly involved in the business?
- ☐ Has your spouse taken on a more active role?
- ☐ Have your children become involved?
- ☐ Do you have a successor manager in place should you suddenly die or become disabled?
- ☐ If one child receives ownership in the business, what assets will your other children receive?
  - ☐ Do you have other assets worth sufficient value to do this?
- ☐ How will your spouse be looked after once your child takes over the business?
- ☐ Will having your child take control of the business impact its profitability?

Make sure you consider every point.

Each consideration is **important** in helping your professional advisors structure a business succession plan that **meets your goals for both your family and your business**.

Talk to your advisor about your needs and goals.

## Business

- ☐ Has your business structure changed since you last reviewed your will?
- ☐ Is your business more or less profitable than when you last reviewed your will?
- ☐ Have new partners or shareholders come onboard?
- ☐ What are the future prospects for your business?
- ☐ Do you plan any expansion?
- ☐ Are there major obstacles or threats on the horizon?
- ☐ Will you receive a retirement income from the business?
- ☐ Will you sell the company when you retire?
  - ☐ Will you sell it to a family member or to a third party?
- ☐ Do you plan to stay actively involved in your business when you retire?
- ☐ Do you want to maintain ownership to provide income during retirement but not stay actively involved?

## Insurance planning

- ☐ Have you recently reviewed your insurance program with your advisor?
- ☐ Are you prepared in the event of:
  - ☐ Premature death?
  - ☐ Disability?
  - ☐ Critical illness?
- ☐ Has the value of your business changed significantly since you put your plans in place?
- ☐ Has your successor owner changed since the above plans were created?

## Tax planning

- ☐ Does your business qualify for the Lifetime Capital Gains Exemption?
  - ☐ If not, are there any adjustments you can make to your business to qualify?

Once you've answered these questions, discuss your responses with your financial advisor and together you can develop a business succession plan that will help you secure the ongoing success of your business into the future.



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