

## 5 Keys to a Successful Succession (Exit) Plan

As business owners approach their business transition or exit, they are confronted with several questions: When do I want to exit? How much do I need from my business to fund my retirement? Who will take over the business? What will I do after I exit? Many business owners ask themselves these questions too late in the process and find themselves settling for less they wanted. Business owners often need help addressing business-exit related issues to achieve the post-exit lifestyles they want or need.

A successful business transition or exit plan has one fundamental goal - ***financial independence***. Financial independence is more of a need than a goal. Financial independence means you no longer look to your business for financial security. A business transition cannot be considered successful unless the business owner is financially independent after leaving the business. While most business owners don't exit their business solely for money, they do expect to be compensated for their life's work. The real challenge is to determine how to maintain their current lifestyle after the exit - this takes planning and execution.

All business owners have 3 questions they ask: who will take over, when will I exit and how much will I receive? Having a good process to follow will make the project less daunting. As a business owner, your final business management decision may be the most important business decision you ever had to make. Do you have a clear, well-defined transition plan in place? Over 90% of business owners do not yet over 80% of business owners want to exit in the next 5 to 10 years.

The benefits of having a plan are many as it will force you to take a look at your business in a more detailed way to determine if your business is ready to sell or transition and help you maximize the value. As part of your plan you need the following:

- A Business Plan - Management's Goals
- A Transition/Exit Plan - Ownership Goals
- An Estate Plan - Family Goals

It is important to understand that business transition planning is not an event but a process. It may take up to 2 - 3 years to get the result you want especially if you are transitioning to family members or key employees.

There is a learning curve for them to fully understand the inner workings of the business and to have a good chance of success. So having an integrated process is very important.

An integrated process should include the following:

1. Setting Transition or Exit Objectives

- Perform a financial - needs analysis to determine retirement income needs
- Set owners transition objectives
- Determine current non- business assets
- Have a family meeting to discuss plans

2. Business Analysis

- Determine the value of the business and is it maximized
- Is the business saleable or are changes needed
- Will it be a share sale or an asset sale?
- Is the corporate structure in place to make for a tax efficient sale?

3. Determine Potential Purchasers

- Will this be a transition to family members? At what price?
- Will this be a sale to key employees? At what price?
- Will this be a sale to a third party? Who?

4. Contingency Plan

- Will the family be OK if the business owner dies or becomes disabled before the transition happens?
- Who would run the business until it can be sold or transitioned?
- Does the family know where all the important documents and information is kept?

## 5. Wealth & Estate Plan

- Draft a new Will to reflect the current circumstances
- Determine the final taxes your estate will pay
- Determine your family's charitable giving goals during your lifetime and in your estate
- Draft a wealth plan to manage the new funds from the transition or sale

Developing a successful business transition plan requires a good team. You will need an accountant, lawyer and a tax specialist as part of the team but most importantly you will need a "quarterback". This person will need a strong working knowledge of all of the issues facing you and bring an integrated process to the table. It is important that this "guide" has been thorough the process many times and can help with the relationship issues that will arise. You engage the transition/exit planning specialist to bring all the parts together resulting in a great plan for you to implement.

It is time to start a conversation about your transition or exit plan - it is never too early or late to start. Most business owners don't start because they don't know where to begin. Be proactive – don't wait until health or staff issues force your hand.

Begin by calling us for a conversation - the first meeting is on us.

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