

### Your Business Succession Planning Team

Business succession planning is a multi-faceted process that requires a team of advisors to be effectively executed. There are many different advisors that can play a part in your business succession planning team. This article will describe some of the more common types of advisors that may be involved and the roles they generally play.

#### Family Business Consultant / Facilitator

These advisors focus on serving businesses that have more than one family member involved in the business - either as employee, manager or owner. The advisor may become involved at any time during the lifetime of the business and the family's involvement in it.

In family business succession planning, the consultant/facilitator may be engaged to help the business owner communicate with family members about the business succession plan to determine its feasibility from the perspective of other family members. This may be done through individual and/or facilitated family meetings.

The consultant/facilitator may also work individually with family members. They may assist the owner in creating an advisory board to help with the selection of a successor to the business. Or perhaps, assist the business owner with the implementation of a learning and development plan for the chosen business successor. They may also help the family take steps to professionalize the business and make it better prepared for management and ownership transitions.

#### Business Valuator

These advisors focus on determining the fair market value of the business. This is an important step in the business succession planning process and is usually undertaken at an early stage but may need to be updated periodically during the process.

The valuation of the business may be required for different situations including the following: to determine the price of the existing stock prior to a transfer to other family members (for example, when carrying out an estate freeze); to determine how much insurance will be required to fund a buy-sell agreement; or to help establish a fair price for the business so the owner knows what to expect if the decision is made to sell the business to employees or a third party.

#### Accountant

These advisors are engaged to provide advice on financial matters and at times, management advice relating to the business. They will prepare the company's financial statements, tax returns and assist with tax planning strategies. They may also make recommendations to improve the company's profitability.

In business succession planning, your accountant can assist by making sure that your financial statements are up to date, by assisting in the development of projections and by compiling pro forma statements. They may also advise on the most effective way to minimize taxes on the transfer of business ownership. This could include tax planning for investments held inside the business and ways to withdraw funds from the business in the most tax effective manner.

#### Lawyer

In business succession planning, lawyers with corporate/commercial and estate planning expertise are required.

A corporate lawyer can assist in several areas, namely: drafting and updating corporate documents such as shareholders agreements; revising the company's organizational documents such as the company's articles or setting



up new companies to effect tax planning strategies, and drafting and reviewing agreements and documents relating to the ownership transfer of the businesses assets or shares such as letters of intent, purchase and sale agreements and financing agreements.

The estate lawyer will help prepare estate plans, wills and trust documents and review them regularly to ensure they are integrated with the rest of your business succession plan.

Some law firms have tax lawyers on staff that can often provide tax planning advice on investments and on the most effective ways to minimize tax on the transfer of business ownership.

[If neither your accountant nor lawyer is a tax specialist, then another professional (usually another accountant or lawyer) may be required to give you tax advice relevant to your business succession plan.]

### **Investment Advisor/Counsellor**

These advisors work with the owner of the business to address his or her individual financial needs and frequently those of his/her family members. They help identify appropriate investment strategies for the individual and manage their investments to maximize their overall wealth.

In business succession planning, your investment advisor/counsellor can provide you with wealth planning advice to help you determine the after-tax income you will need after you have transitioned ownership of the business (in addition to providing you advice on managing the financial proceeds).

Investment advisors/counsellors can also assist you on investigating other retirement strategies such as setting up an Individual Pension Plan or a Retirement Compensation Arrangement.

### **Insurance Professional**

These advisors help the owner by providing insurance solutions to protect the value of a business in the event of an unexpected death or disability. Insurance can be used to: provide working capital to the business until a replacement can be found for the key person; fund a buy-sell agreement made between shareholders; provide proceeds to pay capital gains taxes on the death of an owner; or equalize an estate among the business owner's beneficiaries.

### **Estate and Trust Professional**

These advisors can assist the business owner with the development of an estate plan and by providing estate and trust management and administrative services. They may also assist the business owner by establishing trusts and managing the assets placed in the trust (e.g. inter-vivos trust).

### **Private Banker**

These advisors will assist the business owner with personal credit needs and financial solutions.

In the context of business succession planning, they can assist the business owner with credit strategies to diversify and grow their wealth. In many situations, they are also able to assist the business owner by coordinating the efforts of the other members of the business succession planning team.

### **Commercial Banker**

These advisors provide credit facilities to the business. Two areas in particular where they can assist in the business succession planning process are: financing an expansion of the business (where it is required or desired as part of the business succession plan); and by financing the purchase of the business by a successor (whether it is a family member, an employee or a third party).

### **Business Broker / Mergers & Acquisitions Professional / Investment Banker**

These advisors are engaged when the business owner has decided to sell all or a large part of the business to raise liquidity for retirement and eventual exit from the business.

They will help prepare the documentation required to sell the business. They also identify and screen qualified buyers and potential investors and encourage them to make offers/proposals to purchase your business.

Once a buyer is found, they will assist during the negotiation stage, through due diligence up to and including the closing of the transaction.

The above mentioned professionals are some of the more common advisors that will be involved in the business succession planning process. Some other types of advisors could include management consultants (recommendations on how to grow your business, improve its profitability, manage change); human resources consultants (executive recruiting, compensation and training programs for successors); industrial psychologists (assess management styles and capabilities of successors); and family therapists (help with individual personal problems or interpersonal family conflicts).

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