

Succession Planning

It's Never Too Early

Fhere are more than 2.4 million family businesses in Canada* and history tells us that less than a third of family-owned companies will make it to a second generation.

One reason for this disheartening statistic may be that business owners tend to forget about succession planning. It's often not a priority and it definitely can be an emotional issue.

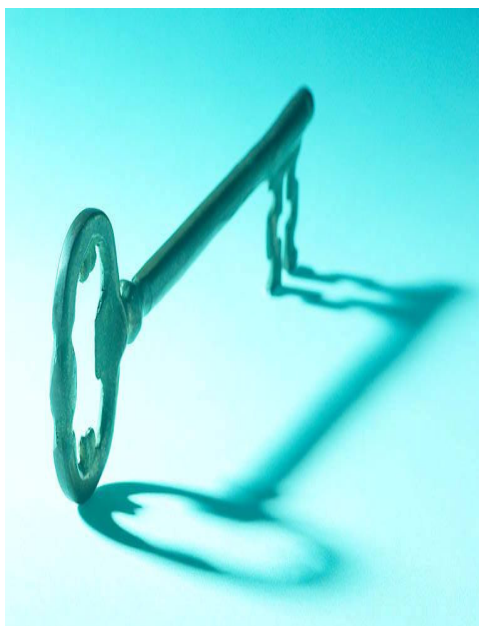
Many owners just can't imagine the business succeeding if they aren't involved, or they may be too busy with day-to-day operations to take the time to adequately plan for someone else to take the reins, when it's time to step aside.

But as more and more baby boomers approach retirement age, the time for succession planning is today. Tomorrow may bring a serious illness, disability, or even death. Having a well thought out plan is critical to the continuation of a business, particularly for a small, family-run operation.

Plan early. Developing a succession plan early will help to smooth the transition. You may think the plan won't be implemented for years, but unexpected factors may move up the timeline.

Bring in outside experts. As you've grown the business, you no doubt have had some help along the way. Hiring the right professionals – lawyers, accountants, financial advisors and business intermediaries – will help you ensure you have the best possible succession plan when it is needed. Their expertise will be invaluable as you develop a plan while continuing your everyday tasks in running

the company. They will look more objectively at the business and the goals you've set and help you ensure that everything is in place.



Involve family members in the planning process. Developing a succession plan and simply announcing it to the family will only bring discontent when you 'spring' the plan on them. You may come up with the same plan in the end, but having their input during the process will certainly create goodwill and support.

Train your successors and work with them. Take the time to work with the person you've selected to take over so he or she knows and understands what it takes to run the business and keep it successful. Help your successor understand the big picture in running the entire operation, not just the duties he or she is currently handling.

Look at all options. Pay particular attention to three areas when putting your financial plan

together: management, ownership and taxes. As you work on your succession plan, consider that management and ownership aren't necessarily one and the same. You may look to one family member for the management of the company, but transfer ownership of the firm equally to several members of the family.

* Source: Statistics Canada, Business Register, December 2004; National Income and Expenditure Accounts 2004; Estimates of Population by Age and Sex for Canada, the Provinces and the Territories, December 2004.

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