Business Transition Planning: A Fully Integrated Approach

Business and Family Advisory Services, Scotia Capital Inc.

As a business owner you have spent a significant amount of time and resources building and growing your business. You understand that your personal and business finances are closely intertwined. With so much invested and so much at stake, transition planning should be a top priority.

As you look to the future you may be asking yourself some of these important questions in one or more of the following four key areas.

**Business continuity:**
Continuing to successfully run the business with the goal of eventually stepping away (Plan A).

- What do I need to do to prepare my business for my transition?
- Should I transition to family—consider a management buyout—or an outright sale to a third party?
- What is the current value of my business and how can I increase it?

**Contingency:**
Assessing potential "what ifs" to determine Plan B if Plan A is no longer appropriate or attainable.

- How do I protect my family and my business from the risk of an untimely event or premature death?
- How do I manage conflict among my business partners?
- Are my personal legal documents and business agreements in alignment?

**Financial security:**
Maintaining your current lifestyle by implementing the right strategies to extract wealth effectively from the business.

- Am I taking advantage of potential tax planning opportunities both personally and for my business?
- Should I be considering a sale of the business to fund my retirement?
- How much income will I need from the business after I retire?

**Legacy:**
Distributing personal and business assets upon retirement, death or sale of the business. Because fair doesn’t always mean equal, estate equalization can be critical for ensuring family harmony over the long-term.

- What can I do to ensure my heirs are taken care of?
- How can I use my wealth to provide lasting legacy for my family and my community?
- When is the best time and best method of transferring wealth?

Our unique approach means that as a part of a complete financial strategy, we reflect what matters most to you, your family and your business, now and for the future.

We can help you address these questions and many others as you define your business transition plan.
The family business system

The overlap of family, business management, and ownership is what makes family enterprises unique.

Our approach takes into consideration the relationship between your family and your business. Using the Three Circle Model, it is clear that the family business is a system comprised of three components: the Family, the Business and the Ownership. Using this model, it is easy to see how the interaction between the three components can result in challenges, as individuals within each of the three circles have their own goals and objectives which may or may not align with the others'. A better understanding of those dynamics can lead to real benefits, such as proactively mitigating potential issues, addressing the needs of different stakeholders, and maintaining the competitive advantages of the family component—a shared history, a strong support system, and deep knowledge of the business.

We understand how important the family component is in the overall success of the family business. This understanding gives insight into helping you to balance needs and align priorities for both today and in connection with a transition plan. For instance, where family members are involved, this includes exploring their potential roles and acknowledging that different children or family members will have different levels of responsibility and motivation to be involved in the business both today and going forward. This helps to address any potential family dynamic issues, which could jeopardize or complicate a transition plan.

A lack of communication can lead to the downfall of the plan. Helping everyone understand the importance of communication, facilitating family discussions, and developing a plan to foster ongoing communication across the family are key components to ensure that a thorough plan is in place.

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How we work with you

We work with you and your advisors to offer tailored advice and flexible solutions. We get to know your family and your business and provide strategic planning and guidance throughout the process.

**Clarify, Organize, Prioritize**  
*The first priority is developing the roadmap*

**Gather**  
We gather and review your financial and legal documentation to allow us to have an integrated view of your current situation. This process may involve reviewing complex corporate documents such as personal and corporate tax returns, financial statements, franchise agreements and buy-sell structures.

**Understand**  
We meet with you and your spouse to understand your goals and concerns to ensure that no stone is left unturned. This enables us to plan around your overall objectives and visions for both your family and your business.

This may be enough for you to begin to put the pieces into motion. However, we understand that as a busy entrepreneur, you may want the support and guidance of a team that can help to coordinate the implementation that will put your strategies into action.

**Roadmap**  
We identify gaps and opportunities to help achieve goals related to family harmony, financial security, business growth and continuity and where appropriate, engage specialists from across the organization to present a set of customized options for you to consider. We provide you with a roadmap that helps you to prioritize next steps and begin to move forward with your transition plan. We share best practices around family governance, wealth stewardship, and business readiness that support a successful transition.

**Coordinated Implementation**  
*A plan that is not implemented has little value*

**Analyze & Integrate**  
When you are ready to move forward, we will thoroughly analyze alternatives and their impact on your family and your business and develop an integrated approach to the transition.

**Define Strategy**  
We work with you and your professional advisors to define individual strategies appropriate for you and your business while aligning your current goals and expectations with the next generation.

**Coordinated Implementation**  
We help to move your family forward in decision making. We are available throughout the process to help ensure that these strategies are effectively executed and opportunities are not missed.

**Monitor**  
*A transition plan is a living document that must be kept current*

Based on your needs, we are available to track, review and report the progress of your transition plan on a regular basis. We will determine if it is still appropriate for you and your business and discuss how your plan might need to evolve to continue to meet your needs.
Business and Family Advisory Services Team

Your Business and Family Advisory Service Team will work with you and other professionals integral to your strategy to provide objective analysis and guidance throughout the process.

Business and family wealth planning helps guide families through the unique opportunities and challenges they may be facing in the areas of wealth, tax and estate planning, philanthropy, family governance and business transition planning.

Corporate estate planning helps address questions related to planning with corporate and personal wills, powers of attorneys and trusts, use of estate freezes, buy-sell structures, shareholders and franchise agreements and other relevant corporate and estate planning topics involving business owners.

Business advisory planning helps business owners understand how a business’ current value may be determined as well as provides insight around pre-sale preparation and managing an effective ownership transition.

Because business owners have complex needs and issues, they require more specialized information and guidance in the area of planning with corporate structures. This includes helping you to understand options and issues to consider related to estate freezes and use of family trusts, income splitting and owner manager compensation.

Financial independence comes with responsibility—and the need to ensure your family’s well-being now, and in the future. It’s time to work with a team that takes a wealth management approach and aligns business and personal goals to offer you an integrated solution for your business transition.