

Do you have a succession plan for your business?

A succession plan would detail the business owner’s desires with respect to the management of the business and the disposition of their shares. This is very important because business owners devote a significant amount of time, energy and, in most cases, their own money to building their business. If you’re contemplating a sale to a third party or a transition to family or employees, setting goals, having a vision and developing a formalized business succession plan are critical for success.

A succession plan would also be useful as a contingency plan in the event of premature death, divorce, disability, disenchantment. Under some of these events the business owner is not able to manage the affairs of the business or lead the process for transitioning.

BMO’s Succession Planning Roadmap

1. Assess personal and family financial needs, goals and vision.

It is important that each family member contributes their own goals and objectives. The business owner and their family would review/establish all of their objectives in terms of retirement, working, business ownership, wealth transfer, etc. By establishing clear objectives by individual, decisions become much clearer.

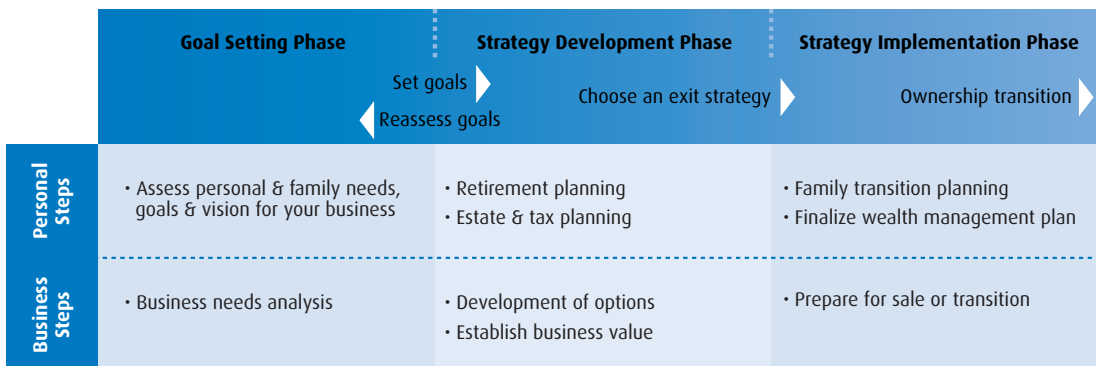
2. Business needs analysis.

The business will have goals, objectives and a vision independent of the family. What is the 5 or 10 year plan for business? What are the needs of the business in order to achieve its business plan? What are the obstacles confronting the

business. What are the leadership needs of the business? A clear business needs analysis will make decision making easier, such as family succession or third party sale.

3. Development of options.

This step reviews the current resources available and the goals of the client and business. Options are developed that can achieve the objectives given the available resources. The alternatives can then be reviewed to ascertain which can achieve the family and business’s objectives in the most efficient and effective manner. This step requires a team be assembled. The team must represent the various types of knowledge required for the situation (family and business). The team must work together to analyze the situation and develop appropriate strategies. Only by working together will the final plan address all aspects of the situation and best achieve the client’s objectives.



4. **Establish business value.** Completing a business valuation is an important step in succession planning. Value will drive the asking price, the income tax plan, any corporate reorganization plan, and the estate plan. Knowing the value will help with option development and choosing the right alternative.
5. **Retirement planning.** The plan will ensure that the appropriate level of assets are segmented or sources of income are available for retirement, which could free up other assets for succession planning or estate planning.
6. **Estate and tax planning.** Tax minimization and asset conservation are common objectives of estate planning. But the plan should be dictated by the family's goals and objectives for their intergenerational wealth plan.
7. **Prepare for sale or transition.** Depending on the family's decision, preparation is necessary to move forward. Either decision will require a review of information systems, review of management structure, review of financial statements, general corporate housekeeping and operational analysis.
8. **Family transition planning.** The family will need plans and arrangements to pass their family attitudes and visions onto the next generation. This starts with a mission statement, formation of family councils and other governance elements.
9. **Finalize intergenerational wealth plan.** The plan pulls all of the pieces together in terms of family and business succession. By carefully reviewing the wealth plan the family can see the financial results of their decisions and will be able to gain confirmation that they are on the right track.

For families that own businesses, the company is usually their most important asset, requiring thoughtful consideration and planning with respect to the next generation who, may or may not, carry on the family business. Whether the company is retained within the family, expanded by acquisition or sold to a third party, proper planning will ensure that the family's goals and objectives can be met.

What to ask yourself?

- Where do I see myself, the family, the business in 5 or 10 years?
- How am I going to be able to have more time away from the business?
- How much is the business worth? What are the value drivers for the business?
- Can the next generation grow the business or is it best to sell the business?
- What would happen if I couldn't get into the business for 12 weeks?



For more information, speak with your BMO Wealth Management professional.



We're here to help.™

These comments are general in nature and should not be construed to be legal or tax advice, as each client's situation is different. Please consult your own legal and tax advisor. The information herein reflects information available at the date hereof. It is based on sources that we believe to be reliable, but is not guaranteed by us, may be incomplete, or may change without notice.

BMO Wealth Management is a brand name that refers to Bank of Montreal and certain of its affiliates, including BMO Nesbitt Burns and BMO Private Banking, in providing wealth management products and services. Not all products and services are offered by all legal entities within BMO Wealth Management.

BMO Nesbitt Burns Inc. provides comprehensive investment services, leveraging strong financial planning capabilities. This includes all aspects of managing, protecting and transferring wealth, such as investment advisory and management services, tax efficiency, estate planning, retirement planning, cash management, planned giving, trusts and wills. BMO Nesbitt Burns Inc. is a wholly owned subsidiary of Bank of Montreal. If you are already a client of BMO Nesbitt Burns, please contact your investment advisor for more information.

BMO Nesbitt Burns Inc. is a Member – Canadian Investor Protection Fund. Member of the Investment Industry Regulatory Organization of Canada.

BMO Private Banking provides banking and philanthropic services through Bank of Montreal. Investment management services are offered through BMO Private Investment Counsel Inc., an indirect subsidiary of Bank of Montreal. Estate, trust, planning and custodial services are offered through BMO Trust Company, a wholly owned subsidiary of Bank of Montreal.

All rights are reserved. No part of this report may be reproduced in any form, or referred to in any other publication without the express written permission of BMO Wealth Management.

™/® Trademarks of Bank of Montreal, used under license.