

# PLAN FOR RETIREMENT/SUCCESSION

Avoid the risks of informal, incomplete preparation.

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**R**etirement is a challenge almost all of us will face. Many Canadians will benefit from the advice of a Chartered Accountant when they plan how best to structure their investment portfolios or retirement income splitting for the greatest tax advantage.

However, for high-net-worth individuals who are also business owners, a CA can serve an even more valuable and integral purpose in retirement planning, by 'quarterbacking' the succession-planning process. It's help that is sorely needed, because many business owners are simply too engrossed in the daily demands of running their businesses to prepare for the inevitable, enormous changes ahead.

A recent study by the Canadian Federation of Independent Business found that 71 per cent of private business owners want to transfer control or exit ownership of their businesses within 10 years, with

retirement being the most common reason given. But only 35 per cent of respondents have a succession plan in place, and the majority of those plans are informal and incomplete.

The costs of inadequate succession planning can be high: disastrous tax consequences, significant loss of business brand value, family dissension, loss of productivity due to employee uncertainty and disgruntlement, even the failure of a formerly successful business. Well-executed professional planning, on the other hand, can provide countless benefits - both with attached monetary values and those considered priceless.

At our firm, for example, the planning process begins with a Client Situation Review: all of the professional advisors required to address each element of the succession process gather around a table with the CA team and the client. Together, we develop a complete, integrated and synergistic view of the client's current situation and future objectives.

The result of this process is an integrated plan, including a retirement/succession plan, a wealth management plan, a contingency plan (which applies risk management analysis and covers estate planning, wills, powers of attorney, estate tax calculations, shareholder agreements, insurance and asset pro-

tection), a business plan and a succession/transition plan.

Once set in motion, the plan is re-evaluated regularly (with Client Situation Reviews included in the process at least once annually), thereby becoming a living document that incorporates changes in the life of the client and business that will inevitably occur.

The financial benefits can be both significant and satisfying. One of our clients recently brought a five-year plan to a very successful conclusion. Rather than sheltering one \$500,000 capital gains exemption from tax during the transition, the family was able to shelter five exemptions, or \$2.5 million, through the use of a family trust. This was the end result of five years of planning.

While most of the small- and medium-sized enterprise owners without a succession plan in the CFIB study said it was too early to develop one, planning professionals and business owners who have actually experienced transition agree that there is no such thing as beginning too early.

Getting started doesn't have to consume all or even a lot of your time. Your Chartered Accountant provides the expertise that will ensure the succession planning process is seamless, painless - and most importantly - successful. ■



Doug McLarty is just one of over 31,000 CAs in Ontario working to maximize your corporate and personal financial advantage. Find out more at [www.icao.on.ca](http://www.icao.on.ca)