



Business owner succession planning checklist

Goals and objectives

Define visions, goals and objectives for the business (short-term and long-term).

Determine timeline to retirement.

Establish team of professional advisors (e.g. financial advisor, accountant, lawyer, tax specialist, insurance specialist).

Review suitability of business structure (e.g. sole proprietorship, partnership, corporation).

Decide if business should continue after retirement.

Decide if business should continue in the case of incapacity or unexpected death.

After retirement/death, should business remain in the family, or can it be sold to key employees or third parties?

If family members are to benefit at retirement/death, should each receive an equitable share of the business?

Planning for successors

Identify successors – both management and owners.

Identify if/how family will be involved.

Consider interim leader if desired successor is not ready for role.

Determine training requirements and transition period for successors.

Provide training where required.

Determine if/how owner will remain involved after retirement.



Retirement income planning

Determine if business assets should be separated from retirement assets (e.g. holding company required?)

Define retirement savings plan:

- Invest in operating company, holding company, RRSP, TFSA, non-registered account?
- Decide how much to save and how often.

Consider suitability of estate freeze.

Review suitability/availability of company pension plan, Individual Pension Plan (IPP) or Retirement Compensation Arrangement (RCA).

Determine eligibility for government benefits (e.g. Old Age Security, Guaranteed Income Supplement, Canada Pension Plan).

Define investment plan for sale proceeds, if any.

Identify cash flow options for retirement savings (e.g. annuity, lifetime income benefit, RRSP, RRIF, pension or TFSA income, return of capital payments, systematic withdrawal payments).

Consider retiring allowance payment where possible.

For incorporated businesses, will owner remain a shareholder at retirement (controlling or otherwise) and receive dividends, return of capital payments and/or redeem shares over time?

Consider part-time or contract/consulting work.

Exit strategy

Determine method for disposition of business (e.g. gift, sale, security rollover combined with an estate freeze, other) and financing methods (e.g. cash, loan, issuance of preferred shares).

Determine timeline for implementation of exit strategy.

Capital gains exemption available and advisable?

Determine funding for tax liability, if any.

Insurance required/available for buyouts and/or shareholder agreements?

Arrange for business valuation by a certified professional.

Planning for possible mental incapacity

Decide on alternate decision-makers for business and personal matters in the case of mental incapacity.

Prepare enduring powers of attorney, trust agreements and other necessary documents to reflect decisions made.

Adjust shareholder agreement, if any, to address business relationships in the case of shareholder incapacity.



Estate planning

- Determine possibility of tax-free death benefit to be paid on death of business owner(s) or employees.
- Consider suitability of estate freeze to crystalize capital gains and/or transfer growth to the next generation.
- Plan for capital gains exemption at death if available and advisable.
- Plan for post-mortem corporate reorganization if necessary.
- Estimate tax liability at death.
- Determine funding for tax liability at death, if any.
- Where required, consider ability of liquidator/executor to defer tax payable at death by way of instalment payments; interest would accrue annually and security would be required.
- Identify how formal trusts might help to reduce tax, administration fees or conflict before or after death.
- Are shareholder agreements required to govern rights and obligations of family members after death?
- Determine need for insurance to fund buyouts and/or shareholder agreement provisions at death.
- When drafting a will, consider a liquidator/executor who is financially savvy or has business experience.

Communication

- Involve family members and/or key employees in the decision-making process.
- Communicate succession plan to all stakeholders; resolve resulting issues, if any.
- Document succession plan in writing.
- Establish process for dispute resolution (e.g. shareholder agreement).
- Communicate changes as required.

Document management

Are the following documents in place and readily available?

- Will(s).
- Trust agreement(s), if applicable.
- Minute book of corporation, if applicable.
- Shareholder agreement, if applicable.
- Substitute decision-maker documents (e.g. Powers of attorney, Mandates, Representation agreements).
- Tax returns and financial statements (retain for six or more years).
- Property deeds, titles, mortgage statements and/or rental agreements.
- Corporate records.
- Safety deposit box details and key.
- Contact list of key personal contacts, business contacts and professional advisors.