

Succession Planning and Other Considerations

What Are we Trying to Achieve

- ◆ Minimize the tax hit.
- ◆ Ensure your future financial security.
- ◆ Ensure the financial security for your surviving family members.
- ◆ Protect future employment for your employees.
- ◆ Many other considerations you may be concerned about.

Starting Considerations

- ◆ Do you have a current will?
- ◆ Do you have Power of Attorney given to someone should you become disabled?
- ◆ Do you have a medical directive?
- ◆ Have you considered life/disability insurance (ideally done before you become rated or too old to purchase)
 - ◆ Can help deal with potential income tax liability or be available to provide for family in the event of your death or you become disabled.

Starting Considerations (cont.)

- ◆ Do you have a documented contingency plan in the event of your sudden demise?
 - ◆ Passwords, back-ups for computers and data, summary of advisors such as banks, lawyers, accountants, insurance, investments, etc.
- ◆ Do you have a shareholder's agreement if there are several owners?
- ◆ Are you in compliance with the Land Surveyors Regulations, storage of records, etc.

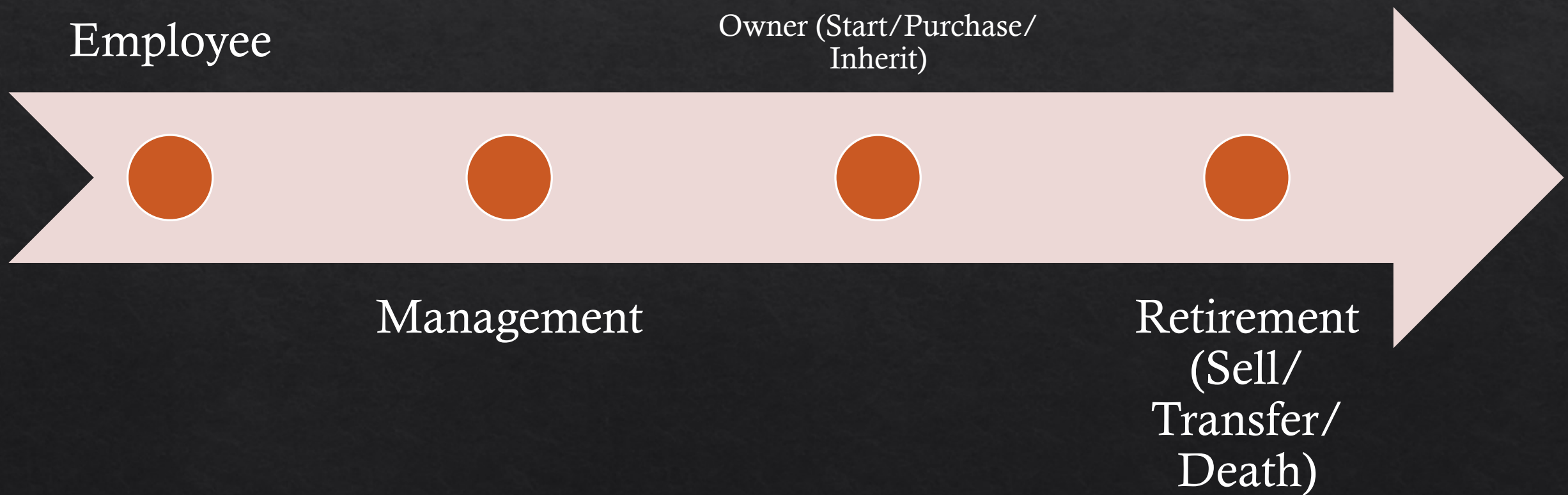
Example of Corporate Considerations

◆ From the Nova Scotia Land Surveyors Regulations:

(2) The following are the requirements for a professional corporation seeking a corporate permit:

- (a) a person who practises professional land surveying on behalf of the professional corporation must be an active member and must have professional liability insurance coverage as required by these regulations;
- (b) the professional corporation must have 1 or more full-time employees who are active members and who personally supervise, direct and control of the practice of professional land surveying in which the professional corporation engages;
- (c) for a professional corporation that is a body corporate,
 - i) a majority of the issued voting shares must be beneficially held by and registered on the books of the corporation in the name of an active member of the Association or 1 or more corporate permit holders, and**
 - (ii) at least 1 of the directors and 1 of the officers of the corporation must be members of the Association;

Typical Career Path



Employee Planning

- ◆ Ensure your employer knows directly and by your actions your desire to become part of management and then ownership
- ◆ If you plan to purchase the company you work for, ensure you qualify and plan your finances accordingly
- ◆ Some options to save for purchase
 - ◆ TFSA's can be used
 - ◆ Non-Registered investments may be used
 - ◆ RRSP's – more intended for retirement but could be used if necessary.

Management/Ownership

- ◆ What is your current structure?
 - ◆ Proprietor, partnership, corporation
- ◆ If incorporated:
 - ◆ Ensure shares qualify for capital gains deduction
 - ◆ Assets that may put you offside – excess cash, vacant land, investments, life insurance CSV, etc.
 - ◆ 50% and 10% rules.
- ◆ If you have designated people you are planning to sell/transfer to...
 - ◆ Do they know?
 - ◆ Is a timeline/plan in place?

Why Will You Sell?

- ◆ Time to Retire/ Age
- ◆ Health Issues
- ◆ Family Issues
- ◆ Problems
 - Operating
 - Financial
- ◆ Offer You Can't Refuse
- ◆ No- Succession
 - Sell Before You Have To

Who will you Sell or Transfer Your Company to?

- ◇ Partner
- ◇ Family member – family dynamic considerations
- ◇ Employees
- ◇ Competitor/Supplier/Customer
- ◇ Arms-Length Party
- ◇ People you Know
 - Friends, Acquaintances
- ◇ People You Don't Know
 - Immigrants, people from other provinces

What Will You Sell?

- ◊ Assets
- ◊ Shares
- ◊ Partnership Interest

How Will You Sell/Transfer?

- ◆ Yourself
- ◆ Business Broker
- ◆ Realtor
- ◆ Other
 - Accountant
 - Lawyer
 - Financial Advisor
 - Friend

Where Do You Start?

Way Back at the Beginning

- ◆ How Did You Buy?
- ◆ What Did You Do Right When You Bought?
- ◆ What Did You Do Wrong When You Bought?
- ◆ What Did You Buy?
- ◆ What Information Did You Know?
- ◆ What Information Did You Wish You Knew?

What Should I Do To Get The Best Price?

- ◆ Proper Business Practices
- ◆ Proper Records
- ◆ 3-5 Year Income Statements and Balance Sheets
- ◆ Valuations/ Appraisals
- ◆ Good Staff

**At some point staff will have to be advised, so they can assist purchaser/
transferee**

What Should I Do To Get The Best Price?

(cont)

◆ Volunteer Information

- Lease Commitments
- Contracts
- Personnel Issues
- Suppliers/Customers

◆ Assist With The Transition

Ways to Assist The Purchaser/ Transferee

- ◆ Train Them
- ◆ Financing
- ◆ Work Set Time – Define Duties
- ◆ Earn Out (Avoid if Possible)
- ◆ Share Ideas

**Cannot Expect To Be Paid for
What You Could Have Done**

Sell to Minimize Income Tax - Structure and Asset Mix

- ◆ Buyer Wants to Maximize Write Offs
- ◆ Capital Gains Exemption
- ◆ Recaptured Depreciation
- ◆ Alternative Minimum Tax
- ◆ Property Transfer Tax
- ◆ HST Implications
- ◆ Immediate expensing of capital assets
 - ◆ \$1.5M/yr for “eligible assets” up to January 1, 2024.

Plan for The Life After

- ◊ What Will you Do?
- ◊ What Do you Do Now?
- ◊ What Does Your Partner Want To Do?
- ◊ What Can You Afford To Do?

**Not Dealing With These Questions May Cause You To Keep
The Business Longer Than You Should**

Questions?

- ◆ Round table discussions
- ◆ Given the shift from an employer driven market to an employee driven market, what are some ways we can attract and retain quality employees?
- ◆ We have seen record years and an increase in business activity over the past few years, how long can we expect this to continue?
- ◆ What are some of the big issues the industry will be facing over the next five years? And what can we do now to prepare for these issues?

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