



Pearlstein's Corner



Wealth Management
Dominion Securities

Mark Pearlstein
Vice-President, Portfolio Manager
& Wealth Advisor

416-733-5257 | mark.pearlstein@rbc.com | www.markpearlsteinwealthmanagement.com

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Today's Business Owners Are Facing 5 Critical Succession Planning Issues

A study by the Business Development Bank of Canada shows that more than 40% of Canadian entrepreneurs will exit their business to retire in the next five years.

The problem is – many business owners aren't ready and won't make the most of the transition.

1. The Cost to Transition a \$40 Million Business at Death is \$11 Million in Tax, Payable Immediately

In our society, few of us want to talk about death, especially our own. That is a key reason so many business owners have no plans for their company should they pass away unexpectedly.

While a sudden passing brings enormous grief to a business owner's family, friends and colleagues, it becomes compounded when the tax man comes calling. Without proper planning, the tax implications can be far more than any available cash, and often results in drastic measures, to the point of liquidation, to satisfy tax requirements.

This can be avoided through proper planning with family, business partners and your financial advisor.

2. Only 26% Have a Strategy to Transfer Wealth to the Next Generation

In a recent Royal Bank survey, only 26% of respondents have a full strategy to transfer their wealth to the next generation.

For business owners, having a written-out wealth transfer plan in place now is of critical importance. Why? Not having a plan is like not having a will – it can cause incredible stress for the next generation, but even more importantly, it can also result in a significant tax bill.

There are tax-efficient ways to transfer wealth to the next generation. You and your family deserve to take advantage of them.

3. One Third of Business Owners Assume that Their Children Will Take Over

This is related to the previous point. While it's quite common for children to take over the family business, it can be complicated. The first obvious question: are the kids on board? Are they the ones to take the company to the next level? And if there is more than one child, will all of them be involved? If so, is it a formal plan, or friendly dinner-table talk?

I have found that many "plans" were actually just loose discussions, with few or no written details.

So, you have two issues that may be related – wealth transfer and business transfer. You need written plans for both.

4. Succession and Exit Planning are Different

Succession planning and exit planning often are used interchangeably. As business owners, it's important to understand the difference.

Succession planning focuses on transferring the leadership of a company. It involves identifying, training and transferring leadership/management to another person or team of people. This may or may not be family or colleagues in your company.

Exit planning focuses on the transfer of wealth of a business. It requires identifying and executing the transfer of a company and its ownership to another person, team or entity. This means your capital, your legacy and your retirement.

5. New Federal Tax Proposals May Hurt your Financial Independence

Presently, the federal tax changes relating to business are still in the discussion stages, but it's easy to understand why many business owners are up in arms.

There are two proposals that are of significant concern. One would make it more difficult for small businesses, including family-run businesses, to share income with family members. Another would limit a small business owner's ability to keep certain investments in their business as a safeguard against future emergencies or economic downturns.

It is important for business owners to keep abreast of these changes and work with their financial advisors to organize their business structures in the most tax-efficient manner.

Would You Like to Talk? It's Easy to Start

Let's start with a phone call, a coffee or lunch. We'll learn about each other. You'll tell me about your business and your plans, and I'll tell you how I typically help owners like yourself, and how I work smoothly with their accountants and lawyers.

After that, if you have any questions about your business,

please call me. I want to be the one who will get you an answer on an important tax question, or help you with renegotiating a bank line or looking at an insurance needs analysis for your business or yourself.

Let's face it, you have enough to do with the day-to-day operations of your business. You know you need a plan. The first step in getting it off your "to do" list is to call or email. You'll feel better the minute you do. It would be my pleasure to help you.

My New Book, "Balanced: The Al Pearlstein Story, Lessons from My Father on Life, Family and Investing"

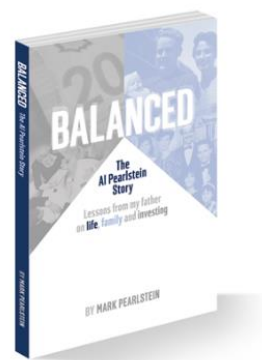
For the past few years, I've been working on a book to honour my father. I wrote "Balanced: The Al Pearlstein Story, Lessons from My Father on Life, Family and Investing" to thank him for his lifelong guidance.

Over his 67 years in the investment business, all with RBC Dominion Securities and its predecessor companies, my dad was a leading stock broker on Bay Street.

Everyone in the investment business knows Al and many have wondered about his secret to success and longevity. Over all those decades, my dad figured out an effective way to balance family and career.

He was, and still is, happy to share his "secret sauce" with anyone who asks. I've absorbed those lessons and I'm thrilled to share them through this memoir.

The book is set to be published in November. Details will be able available on markpearlsteinwealthmanagement.com.



Do you know someone who should read this?

Some of my clients have mentioned that they've shared my newsletters with other family members, friends or colleagues. If you know someone who might benefit from this, why not pass it on?



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