

# Wealth of Life

WINTER 2015

TINGLEY GROUP OF  
RBC DOMINION SECURITIES



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Welcome to the winter issue of *Wealth of Life*.

I don't know if it is just me or just part of getting older, but I seem to be somewhat more mindful of life. In my younger years it was all about going to school and getting an education. Upon graduation from university it was about forging a career and starting a family. The last 25 years have been a blur and now I find myself reflecting and noticing more of what is going on.

Somewhere in the last 25 years, my life has completely shifted. I can remember taking my kids mountain biking and the mosquitoes chewing me up while I waited for them. Now my youngest son has to give me a 15-minute head start so he doesn't have to wait for me at the top of the quarry here in Hillsborough. Of course, with winter approaching, my kids will want to take off for the double diamonds and leave dad to the blue trails.

I hope that for the year ahead you take the time to reflect on the blessings in your life and to appreciate those who are important to you.

In this edition of the newsletter, we introduce the newest member of our team, Jessica Berry, who joined us over the summer. We are very excited to have her on board and if you haven't talked with her yet, give her a call and say hi. You'll also find an article introducing our group's "Wealth of Life Process," as well as an article by Tim Fawcett, CEO of EastWind Business Solutions, entitled "Thinking About Selling Your Business: Four Steps to Finding Your Sell-by Date."

So, enjoy this issue of *Wealth of Life*, take care and have a wonderful holiday season with friends and family. Let's hope we don't get the same amount of snow we did last winter.



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# THINKING ABOUT SELLING YOUR BUSINESS

Four Steps to Finding Your Sell-By Date - by Tim Fawcett, CEO of EastWind Business Solutions

Most business owners think selling their business is a sprint, something akin to a 4 x 100-meter relay race. You start from scratch, build something valuable—measuring time in months instead of years—and sprint into the waiting arms of Google (or Apple or Facebook) as they obligingly acquire your business for millions. They hand over the check and you ride off into the sunset. After all, that's how it worked for the guys who started Nest and WhatsApp – right?

But unfortunately, the process of selling your business looks more like an exhausting 100-mile ultra-marathon. It takes years and a lot of planning to make a clean break from your company – which means it pays to start planning sooner rather than later.

## HERE'S HOW TO BACKDATE YOUR EXIT

### Step 1: Pick your exit date

The first step is to figure out when you want to be completely out of your business. This is the day you walk out of the building and never come back. Maybe you have a dream to sail around the world with your children while they're young. Perhaps you want to start an orphanage in Bolivia or a vineyard in Tuscany.

Whatever your goal, the first step is writing down when you want out and jotting some notes as to why that date is important to you, what you will do after you sell, with whom, and why.

### Step 2: Estimate the length of your earn-out

When you sell your business, chances are good that you will get paid in two or more stages. You'll get the first check when the deal closes and the second at some point in the future – if you hit certain goals set by the buyer. The length of your so-called earn-out will depend on the kind of business you're in.

The average earn-out these days is three years. If you're in a professional services business, your earn-out could be as long as five years. If you're in a manufacturing or technology business, you might get away with a one-year transition period.

Estimate: + 1-5 years

### Step 3: Calculate the length of the sale process

The next step is to figure out how long it will take you to negotiate the sale of your company. This process involves hiring an intermediary (a mergers and acquisitions professional, investment banker, or business broker),

putting together a marketing package for your business, confidentially presenting it to potential acquirers, hosting management meetings, negotiating letters of intent, and then going through a 60 to 90-day due diligence period. From the day you hire an intermediary to the day the wire transfer hits your account, the entire process usually takes six to 12 months. To be safe, budget one year.

Estimate: + 1 year

### Step 4: Create your strategy-stable operating window

Next, you need to budget some time to operate your business without making any major strategic changes. An acquirer is going to want to see how your business has been performing under its current strategy so they can accurately predict how it will perform under their ownership. Ideally, you can give them three years of operating results during which you didn't make any major changes to your business model.

If you have been running your business over the last three years without making any strategic shifts, you won't need to budget any time here. On the other hand, if you plan to make some major strategic changes to prepare your business for sale, add three years from the time you make the changes.

Estimate: + 3 years

## FIGURING OUT WHEN TO SELL

The final step is to figure out when you need to start the process. Let's say you want to be in Tuscany by age 50. You budget for a three-year earn-out, which means you need to close the deal by age 47. Subtract one year from that date to account for the length of time it takes to negotiate a deal, so now you need to hire your intermediary by age 46. Then let's say you're still tweaking your business model – experimenting with different target markets, channels and models. In this case, you need to lock in on one strategy by age 43 so that an acquirer can look at three years of operating results.

It certainly would be nice to make a clean, crisp break from your business after an all-out sprint, but for the vast majority of businesses, the process of selling a company is a squishy, multi-year slog. So the sooner you start, the better.

*EastWind Business Solutions, Inc. is a full-service consulting and brokerage firm addressing the needs of small and mid-sized businesses.*

# OUR “WEALTH OF LIFE” PROCESS



For most of my life I have been in the fast lane to somewhere—whether it be establishing a business or building a family. I find it really interesting how the things that are important to me have changed a lot over my life.

When I first entered the investment world back in 1990, I thought that performance was the most important aspect of my relationship with my clients. I spent a lot of time reading about the markets, world events, research reports, annual reports, and so on. This was how I conducted myself for the first 10 years of my career. One conclusion that I came to is that it is impossible to predict world events, interest rates, currencies, and the stock markets, and that trying to do so is kind of like herding cats. The most important lesson I learned is this: Own good blue chip dividend companies that have a history of growing their dividends, and let time look after the rest.

This is not to say that the rate of return is not important, but it became apparent to me that there were so many other financial planning issues being neglected on a regular basis with far more financial importance than the rate of return. For example, clients without Wills, business partners without buy-sell agreements or proper tax planning, to name a few.

Since around the year 2000 until the present, wealth management planning has become a more important aspect of our business. Now a big part of our relationships with

the families we look after revolves around estate planning, tax planning, insurance planning, and coming up with retirement cash-flow projections.

Even now, though, despite having a great investment portfolio and all aspects of wealth management planning looked after, over the last five years I have come to yet another realization. Generally, what is top of mind for most clients is their health or the health of a loved one, or life circumstances, including transitioning from a career into retirement, living with illness, dealing with the loss of a loved one, kids moving out on their own.... Then there are opportunities that come with having the luxury of time: travel, exploring personal interests, volunteering, etc. All of this makes up what I like to call “Our Clients’ Story.”

To meet the growing demand for information and services on these subjects, our team has been hosting seminars and providing our clients with articles on fitness, nutrition, life coaching, travel, life transitions, charitable giving, and volunteering to name a few. We will continue to offer these events and resources to our clients on an ongoing basis.

This evolution of our business over the last 25 years has resulted in an approach to client service that our team calls “Wealth of Life.” Comprehensive in scope, “Wealth of Life” keeps us focused on building a great long-term portfolio that leverages the benefits of dividend investing and getting all the financial planning looked after. But it also keeps us focused on getting to know our clients’ stories—because that’s where the true wealth lies.



*“In the presence of greatness, pettiness disappears.  
In the absence of a great dream, pettiness prevails.”*

– Robert Fritz, Composer, Filmmaker & Author

# INTRODUCING JESSICA BERRY

## In her own words...

Making a significant change in your life, such as beginning a new career with a new team, is not something that you can take lightly. I've experienced this first-hand.

The decision to join the Tingley Group of RBC Dominion Securities has been one of the biggest of my life so far. But I knew, even before my first day in the office, that joining Howard, Jeff, Phil and Angela was the right call. From meeting everyone on the team, to the leadership and communication skills that Howard has demonstrated throughout the process, it has been an exceptional experience since day one.

Now, five months after joining the team and learning about their process, their beliefs in client service, their commitment to teamwork, and experiencing the support that they have shown me.... Everything that I had anticipated has been confirmed. This is truly a team that I am proud to be a part of.

I joined the Tingley Group of RBC Dominion Securities in July 2015 after being employed in various roles within the financial industry since 2003. I recently worked as an Investment Representative for several years, which gave

me the opportunity to develop a wealth of knowledge and experience in investments. As an Associate with the Tingley Group of RBC Dominion Securities, I will be the primary point of contact for our clients, managing your daily needs, fulfilling varied requests and acting as a liaison with the firm's back office departments. I am honoured and excited to be a part of the Tingley Group of RBC Dominion Securities. I am looking forward to speaking with and meeting all of you, and I will strive towards building trusting and long-term relationships with you.

Outside of the office, I enjoy the small and meaningful moments in life that I can share with my family and friends. I love to travel and enjoy experiencing new places. In the summer months, I spend as much time as I can near the water or in the garden, or out walking the local trails. A few years ago, I found a new passion to keep me active in the winter months: downhill skiing. On a rainy day, when I am not outside, you can often find me curled up enjoying some quiet time with a good book or writing my own thoughts onto paper, as it is a personal dream to have something published one day.



## RECIPE FROM THE KITCHEN

### Quinoa Salad with Beets

Cook 1 cup of quinoa as the label directs. Then let it cool.

Whisk 2 tablespoons of cider vinegar with 1 teaspoon of Dijon mustard; whisk in 1/3 cup olive oil.

Toss dressing with 4 cups of baby spinach, 2 cups diced cooked beets, 1/2 cup each candied walnuts and sliced red onion, and the quinoa.

Season to taste and top with crumbled blue cheese.

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