

Retiring from Small Business

Selling a small business can be a challenging, complicated and uncertain time. So too can retiring. Combine the two and you have a situation where early planning and advice is critical.

Plan early

The earlier you plan for the sale of your business, the more value you are likely to gain. Selling a business can take up a lot of your time but so can addressing the day-to-day demands of running your business. Trying to do too much of both at the same time can mean you don't manage either properly.

There are a range of things that may need to be addressed early on with the assistance of your accountant or solicitor. Key examples include:

- ensuring the financial accounts are in order
- obtaining a valuation of the business
- determining the potential tax implications if the business is sold
- considering whether the business should be restructured before the offer for sale, and
- preparing or amending the legal and/or other documentation to facilitate the sale.

Manage capital gains tax

When you sell your business, you may be eligible to claim certain capital gains tax (CGT) concessions. For example, you may be able to disregard 100% of a capital gain made on the sale of your business if you:

- have owned the assets for a continuous period of 15 years or more
- are at least 55 years of age, and
- are disposing of the asset for retirement purposes or are permanently incapacitated.

Alternatively, if you don't meet the above conditions, there are other concessions that you may be eligible to use that could reduce or eliminate any taxable capital gain on the sale of your business.

You should consult with a registered tax agent to determine the CGT implications, whether the small business concessions will be available to you and which ones should be claimed.



Maximise super contributions

If you are like many small business owners, you have probably used most of the profits from your business to service debt and/or fund the next growth stage, which means you may not have been able to make further contributions to your super. Fortunately following from the sale of your business, there are strategies that you may be able to use to get some or all of the sale proceeds into super and generate a tax-effective income to meet your living expenses in retirement.

Depending on your circumstances, you may be able to contribute up to \$1.355m from the sale of your business into super in 2014/15. What's more, the money won't count towards the concessional or non-concessional contribution caps that would ordinarily apply when contributing to super.

A financial adviser is the best person to help you maximise your super contributions using your sale proceeds. They can liaise with your accountant to ascertain which small business CGT concessions will be claimed and help formulate a contribution plan that takes advantage of the available contribution caps.

Address other advice issues

While boosting your super would be a top priority, there are a number of other issues you may need to address when it comes to selling your business and planning for retirement. For instance, you may need to:

- decide where to invest sale proceeds that can't (or shouldn't) be put in super
- unwind or reassign business insurance policies, such as those used to fund a Buy Sell agreement
- pay-off business loans and release guarantees
- deal with business property that may (or may not) have been held in a self-managed super fund
- review your personal insurance needs to ensure you are suitably covered, and
- facilitate, with legal advice from your solicitor, any changes that may need to be made to your estate planning.

A financial adviser can provide or facilitate advice regarding all these and other issues you may encounter. They can also work with other professionals to ensure all areas are covered in an integrated and seamless manner.

To find out more about the information in this article contact Rick Maggi on 9382 8885

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