AN UNKNOWN FUTURE:
The owner, too busy and hands-on in the business, has not planned for retirement or transition to his sons. With no knowledge of the present day value of the business, he has no idea if the sale or transition of his business will provide him with proceeds to fund his retirement or how and when it will occur. In addition, a lack of focus on value enhancement means ‘low-hanging’ business improvements were being overlooked.

MISSED OPPORTUNITIES:
The share structure of the business was archaic, with no thought of transition, capital gains exemptions or risk avoidance. Many opportunities for savings were missed due to the inadequate organization of corporate documents. With a blended set of financial records between companies, the corporate accounting process didn’t allow for clarity around production costs and yields. Job costing was impossible; so, profit margins unclear.
THE SOLUTION:
A written succession plan was created with areas of responsibility for the family business from parents to the next generation. Corporate structures for two manufacturing companies and a real estate holding company were established. A business driver and valuation reports provided insight into value-enhancing activities from revenue development, physical plant improvements to process and HR. Also, plans were implemented for an accelerated business management training program for the sons. With a clear understanding of their financial situation, the parents can develop a personal retirement and financial plan of how and when they will retire.

RESULTS:
The clients agreed to proceed with the reorganization of the share structure because they had greater certainty for the process, timing and peace of mind. There was clarity around tax ramifications and their ability to transfer the company in the future at the lowest tax cost. A number of the risks were covered by insurance to cover the loss of any of the shareholders or key players in the business.

The father will exit, and transition will occur to the second generation within the next five years.

Now that a solid foundation and succession plan are completed, the family can start working on Phase Two, enhancing the value of the business.

TIME FRAME:
This initial foundation and planning stage took three months

Client Feedback:
The client has told us they are clear on the value of their business and how the transition will take place. They now have an understanding of the tax cost of transitioning and a structure to minimize taxes. As a group they have peace of mind knowing most of the contingencies and risks were covered. They are now all following the written plan we created together.

We were also told that Strategic Succession and referred team made the process easy. The central document registry (CDR) created a high level of organization and transparency for all involved. The right group of other professionals accessed through the Trusted Advisor Network provided added and necessary expertise.