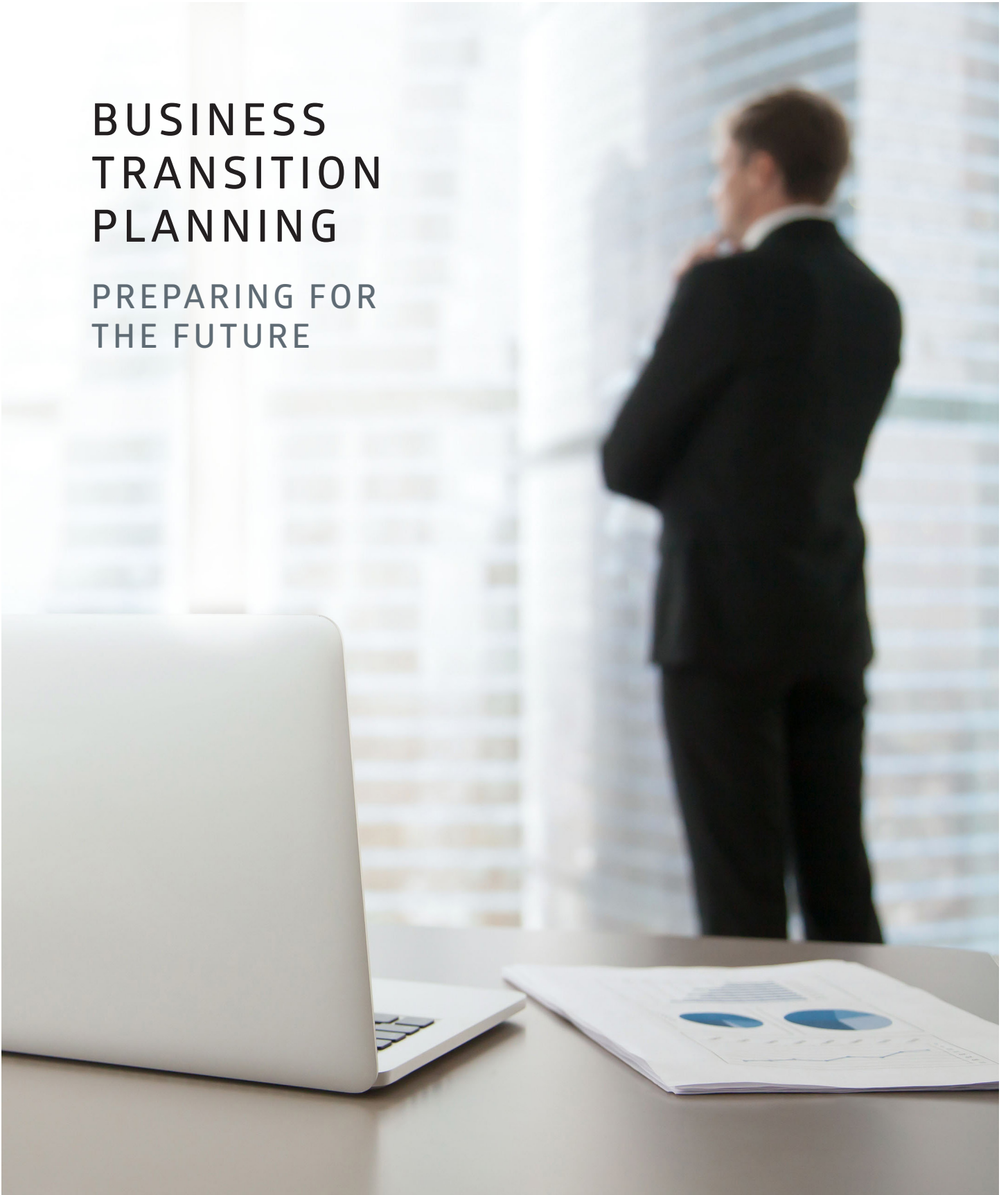




PRIVATE WEALTH
MANAGEMENT

BUSINESS TRANSITION PLANNING

PREPARING FOR
THE FUTURE



PREPARING FOR THE FUTURE

There are over one million employer-owned businesses in Canada, excluding the self-employed.¹ Of these business owners, many have not prepared their business to succeed after they exit. In fact, 43% of family-owned Canadian businesses do not have a succession plan in place.²

PLAN FOR SUCCESS

Establishing your business and making it a success was not easy. Transitioning out of your business can be even harder. Have you taken a moment to consider how you do this? Do you know your options for your business going forward? Can you exit your business in stages? Do you know the current financial value of your business?

A formal transition plan can help you answer these important questions and allow you to fulfill your short- and long-term business goals, ensuring your business endures after your departure.

Business transition planning is the process of transferring your business, while maximizing your personal financial security, minimizing taxes and protecting your retirement assets.

Planning allows you to determine how, when and to whom you will transfer your business (assets and/or shares). It also offers ways to preserve your company's value, through tax planning, and being prepared for a potential sale and any unforeseen events. By being proactive, you gain peace of mind that you and your company are ready for the future.

“A good succession plan is the best way to ensure your wishes are respected and the business continues to grow and prosper.”

Sean Foran, Managing Director,
Business Transition Planning,
CIBC Financial Planning and Advice



START PLANNING NOW

Ownership of your company will change at some point and it is far better to be proactive than reactive. Just like retirement planning, it is best to begin preparing for the transition of your business early, and to review your plan often. Planning for your business's transition five years in advance is optimal, and it is essential to have a plan in place two to three years before transitioning.

UNDERSTAND YOUR OPTIONS

Deciding how and when to pass on ownership and control of your business involves careful thought and planning. There are six main options to consider when arranging for the eventual transfer of your company.

KEEP OPTION



Groom a successor

This involves choosing someone to be the business's owner and operator. Handing your business over to a family member or employee is a common way to pass on your legacy. Identifying individuals who want to be included in the business and are a good fit to run it, requires a great deal of consideration.

SELL OPTION



Sell to management

Selling to management involves selecting shareholders or key people in your organization as successors. Already involved in your business, your successors likely have an intimate understanding of its operations. It is still important to mentor them before the transition so they fully understand the business and are prepared to take it over.

KEEP OPTION



Owner-investor option

There may not be a suitable successor within your family or employees. However, families may still have an attachment to their business and want to continue to own the business but hire an experienced management team to run it going forward.³

SELL OPTION



Sell 100% to a strategic buyer

Selling to a strategic buyer eliminates the potential for family conflict. Potential buyers can include competitors who will be familiar with the industry and market, as well as buyers seeking to benefit from a new geography, product, technology or just increased scale. They may offer the highest valuation and allow for a smooth transition.

KEEP OPTION



Hybrid approach

There is a third arrangement, called the hybrid approach. This is where some family members simply hold shares but do not work in the business, and other family members are involved in the day-to-day business. This approach requires careful planning and compromise to help reduce the chance of family conflict.⁴

SELL OPTION



Sell a stake to a private equity firm

Selling to a private equity firm lets you tailor the transaction to suit the objectives of shareholders regarding ongoing roles and ownership stake. This option allows you to cash in some of your investment and decrease risk, but still retain a stake and participate in the business's upside potential.

Each scenario has pros and cons—we can help you choose the right option for you and your business. Once you have determined the business transition plan that meets your goals, it is important to share your plan with family members and key employees at the appropriate time to ensure your wishes are carried out accordingly.

HOW WE CAN HELP

About 29% of small-to-medium-sized business owners say they have no time to deal with planning the transition of their business.⁵ A preferred solution is to engage a team of professionals to assist you in establishing a framework.

When developing and managing your transition strategy, collaborating with a team of experts helps ensure your success. Your team starts with your CIBC Private Wealth Management advisor. They oversee and coordinate your strategy, working with a team of internal and external experts. The planning framework may include family harmony issues, business valuation, methods of transfer, tax and legal implications of each sale option and successor development.

59% of business owners are looking to sell, transfer or exit the business in the next decade.



YOUR BUSINESS TRANSITION PLANNING TEAM

CIBC Private Wealth Management provides you access to the following specialist advisors to support you through your business transition process.

CIBC Private Banking Advisor creates financial strategies through single- and multi-currency solutions to meet your day-to-day banking, cash management and credit management needs.

CIBC Business Advisor assists in financing the transition plan and assesses the impact of the plan on your business debt.

CIBC Wood Gundy Investment Advisor offers a wide variety of investment products and services and insightful and impartial advice to assist you in making informed investment decisions, according to your priorities.

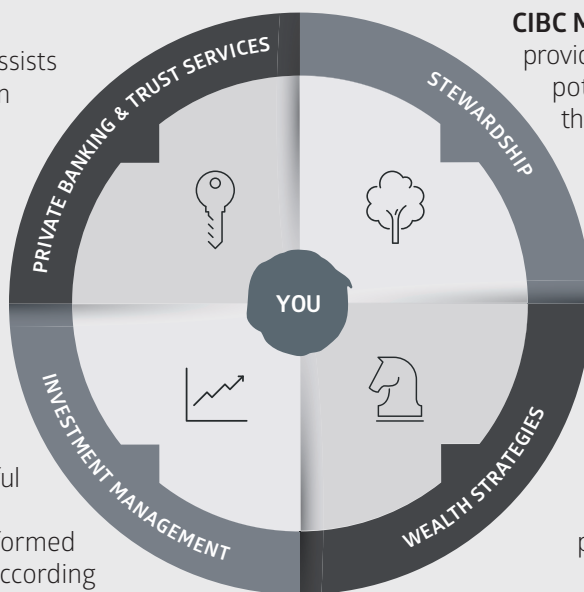
CIBC Private Investment Counsellor offers discretionary investment management services to help you build, preserve and distribute, your wealth.

CIBC Business Transition Planning Expert provides comprehensive and objective advice about the options business owners have with respect to what is next for you and your business.

CIBC Mid-Market Investment Banker provides advice on business valuation, potential buyers and timing. They then run a competitive, confidential process to attract offers and negotiate the terms of the transaction on your behalf when a sale is the desired exit strategy.

CIBC Wealth Strategist provides a personalized approach to creating your wealth plan, which may include preserving your wealth, business transition, and fulfilling your philanthropic goals.

CIBC Estate Planning Specialist⁶ works with you to implement tax-efficient estate planning solutions, as well as the development and funding of a buy/sell agreement.



Contact your CIBC advisor to learn about your business transition options. It is never too early to begin the conversation.



**PRIVATE WEALTH
MANAGEMENT**

¹ Key Small Business Statistics, Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014; and Innovation, Science and Economic Development Canada, June 2016. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html.

² PwC Family Business Survey 2016, National Bureau of Economic Research, Family Business Alliance <https://www.pwc.com/gx/en/services/family-business/family-business-survey-2016/succession.html>.

^{3,4} Proposed changes to the taxation of private corporations were released on July 18, 2017. If these proposals become law, they could impact the tax treatment to some shareholders using this structure.

⁵ Passing on the Business to the Next Generation, Canadian Federation of Independent Business, November 2012.

⁶ Financial Security Advisor in Québec.

"CIBC Private Wealth Management" consists of services provided by CIBC and certain of its subsidiaries, through CIBC Private Banking; CIBC Private Investment Counsel, a division of CIBC Asset Management Inc. ("CAM"); CIBC Trust Corporation; and CIBC Wood Gundy, a division of CIBC World Markets Inc. ("WMI"). CIBC Private Banking provides solutions from CIBC Investor Services Inc. ("ISI"), CAM and credit products. CIBC Private Wealth Management services are available to qualified individuals.

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