

# Family Business Checklist



Live *your* dream.

## GOALS AND OBJECTIVES:

- Define visions, goals and objectives for the business (short-term and long-term)
- Determine timeline to retirement
- Establish team of professional advisors (e.g. financial advisor, accountant, lawyer, tax specialist, insurance specialist)
- Review suitability of business structure (e.g. sole proprietorship, partnership, corporation)
- Decide if business should continue after retirement
- Decide if business should continue in the case of incapacity or unexpected death
- After retirement/death, should business remain in the family or can it be sold to key employees or third parties?
- If family members are to benefit at retirement/death, should each receive an equitable share of the business?

## PLANNING FOR SUCCESSORS:

- Identify successors – both management and owners
- Identify if/how family will be involved
- Consider interim leader if desired successor is not ready for role
- Determine training requirements and transition period for successors
- Provide training where required
- Determine if/how owner will remain involved after retirement

**RETIREMENT INCOME PLANNING:**

- Determine if business assets should be separated from retirement assets (e.g. holding company required?)
- Define retirement savings plan
  - Invest in operating company, holding company, RRSP, TFSA, non-registered account?
  - Decide how much to save and how often
- Consider suitability of estate freeze
- Review suitability/availability of company pension plan, Individual Pension Plan (IPP) or Retirement Compensation Arrangement (RCA)
- Determine eligibility for government benefits (e.g. Old Age Security, Guaranteed Income Supplement, Canada Pension Plan)
- Define investment plan for sale proceeds, if any
- Identify cash flow options for retirement savings (e.g. annuity, lifetime income benefit, RRSP, RRIF, pension or TFSA income, return of capital payments, systematic withdrawal payments)
- Consider retiring allowance payment where possible
- For incorporated businesses, will owner remain a shareholder at retirement (controlling or otherwise) and receive dividends, return of capital payments and/or redeem shares over time?
- Consider part-time or contract/consulting work

**EXIT STRATEGY:**

- Determine method for disposition of business (e.g. gift, sale, security rollover combined with an estate freeze, other) and financing methods (e.g. cash, loan, issuance of preferred shares)
- Determine timeline for implementation of exit strategy
- Capital gains exemption available and advisable?
- Determine funding for tax liability, if any
- Insurance required/available for buyouts and/or shareholder agreement obligations?
- Arrange for business valuation by a certified professional

**PLANNING FOR POSSIBLE MENTAL INCAPACITY:**

- Decide on alternate decision-makers for business and personal matters in the case of mental incapacity
- Prepare enduring powers of attorney, trust agreements and other necessary documents to reflect decisions made
- Adjust shareholder agreement, if any, to address business relationships in the case of shareholder incapacity

**ESTATE PLANNING:**

- Determine possibility of tax-free death benefit to be paid on death of business owner(s) or employees
- Consider suitability of estate freeze to crystalize capital gains and/or transfer growth to the next generation
- Plan for capital gains exemption at death if available and advisable
- Plan for post-mortem corporate reorganization if necessary
- Estimate tax liability at death
- Determine funding for tax liability at death, if any
- Where required, consider ability of liquidator/executor to defer tax payable at death by way of installment payments; interest would accrue annually and security would be required
- Identify how formal trusts might help to reduce tax, administration fees or conflict before or after death
- Are shareholder agreements required to govern rights and obligations of family members after death?
- Determine need for insurance to fund buyouts and/or shareholder agreement provisions at death
- When drafting a will, consider a liquidator/executor who is financially savvy or has business experience

**COMMUNICATION:**

- Involve family members and/or key employees in the decision-making process
- Communicate succession plan to all stakeholders; resolve resulting issues, if any
- Document succession plan in writing
- Establish process for dispute resolution (e.g. shareholder agreement)
- Communicate changes as required

**DOCUMENT MANAGEMENT:**

- Are the following documents in place and readily available?
  - Will(s)
  - Trust agreement(s), if applicable
  - Minute book of corporation, if applicable
  - Shareholder agreement, if applicable
  - Substitute decision-maker documents (e.g. Powers of attorney, Mandates, Representation agreements)
  - Tax returns and financial statements (retain for six or more years)
  - Property deeds, titles, mortgage statements and/or rental agreements
  - Corporate records
  - Safety deposit box details and key
  - Contact list of key personal contacts, business contacts and professional advisors