

Passing the torch to the next generation

FLAGSTAFF REGION SUCCESSION SERIES



Many business owners dream of the day they can transfer the family business to the next generation. The process of succession planning is unique to each business, but there are general guidelines that you can follow to help your business explore and implement a successful succession strategy.

Get the answers you seek

As you prepare for succession, there are likely heavy questions in the air - questions that impact both you and your successors.

For instance, you may be wondering which family members are interested in taking over the business and, of that pool, who has the best set of skills, education and experience to ensure its continued success.

On the flip side, interested family members might be wondering when you plan to begin the transition process, how your successor will be chosen and what's involved if they want to put their hat in the ring.

By creating a succession plan, you have an opportunity to ask - and answer - these questions in a transparent way.

Clarify the nitty gritty

Once everyone understands what's

involved with the transition process, it's your turn to decide how things will proceed. At this stage, you may want to outline the requirements for taking over the business and help those who are interested, but not yet qualified, map out a path to succession.

You may also want to use this time to determine how the communication process will work moving forward. This may include creating a formal process to fairly and equitably address family disagreements (before they occur) and break down how business benefits will be allocated between active and non-active family members.

This is also an ideal time to start thinking about how active family members should be compensated - whether that's with a salary, stock options or something else entirely.

Choose the right tool for the job

As you work through the details of a family transition, it can be helpful to familiarize yourself with the various tools at your disposal.

Estate freezes: These financial strategies allow business owners to retain control of the company while still compensating successors for their

contributions to the business.

Often using family trusts, estate freezes enable successors to participate in the future growth of the company in advance of assuming full control.

Shareholder agreements: These agreements are a flexible way to establish the rights and responsibilities related to company ownership and administration. By helping transfer the founders' values to subsequent generations, these documents play a key role in preserving family relations and ongoing business success.

Family trusts: These financial tools allow family members to income split and defer taxes that would otherwise arise upon the business owners' death.

By enabling business owners to retain control over the company, family trusts form an essential part of many succession plans. As an added advantage, they can protect the business against claims by the successors' creditors or spouses.

A proactive approach

A seamless family business transition doesn't happen by accident.

Fortunately, with a little

planning and professional guidance, you can develop the necessary communication skills and financial structures to preserve family relations and business wealth for generations to come.

To learn more about how you can transfer your business to the next generation and become involved in the Flagstaff County Succession Program, please contact Jordyn Prior - Economic Development Coordinator at 780-384-4151 or email jprior@flagstaff.ab.ca.



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