

## Plan now to maximize the value of your business in the future.

**It is never too early to start planning for the eventual transition or sale of your business. A good succession plan ensures, among other things, that you've identified prospective buyers, positioned your business for future successes and maximized your financial return upon sale.**

**Here are the Top 10 things you can do now to maximize your business's value in the future:**

### **1) Know What You Want to Get from Your Business**

Consult your CIBC business advisor to help determine how much you want to get from your business upon retirement, and seek expert advice on how much your business is currently worth. Once you have this information, you can work with your team of advisors to put together a plan to build the value of your business before you exit. Starting the planning process early is critical, as execution of the strategy to create value in your business can take years.

There are many unknowns that factor into a company's ultimate value so it is important that as part of your plan you account for multiple scenarios. Valuation will be affected by who you decide to sell to – family, employees, management or a third party, as well as how you sell it – asset sale or share sale. Timing will also be critical, as market trends, business performance and personal considerations will be factors that impact value.

### **2) Develop Management Capability**

A business that can provide a seamless transition at the time of sale is of greater value to a potential purchaser. Ensure that management has clearly defined roles, is supported by a strong team and has a focused vision. Identify potential successors early on and implement a training strategy that will equip them with the skills they'll need to run the business effectively after you're gone.

### **3) Have a Tax Strategy**

Talk to your CIBC business advisor about the advantages of various tax savings vehicles, such as RRSPs, Tax-Free Savings Accounts, and Individual Pension Plans, and consider such strategies as income-splitting, using testamentary trusts and incorporating your business to reduce the tax burden both now and down the road. Understand the criteria to qualify for the Lifetime Capital Gains Exemption and ensure your business meets that criteria when it comes time to sell.

### **4) Become a Market Leader**

Being a market leader or having a defensible market niche can increase your company's value, making it appear as a "need to have" asset. Ensure that your business continues to respond and adapt to major industry developments and consumer trends. Factors that contribute to strong market position include a customer-focused approach to sales, supported by a highly capable front line staff and use of technology solutions to build, market, and deliver your product.

## 5) Ensure a Strong Financial Performance

Showing above average profit margins for your industry and a strong balance sheet is critical to building your company's value. This is not always easy to do, particularly in challenging economic times, but CIBC has products and solutions that can help you create an action plan to help your company generate a strong financial performance and maximize the value of your business.

## 6) Achieve Growth

A company that has demonstrated steady growth and has a strategy for continued growth will be more valuable to a prospective buyer than one that has achieved stability. Knowing where your growth is coming from – organic vs. acquisition – and having a plan in place to achieve that growth is key.

## 7) Simplify the Corporate Structure

Avoid complicated corporate structures that will make the transfer of ownership difficult. Consider separating out non-core business activities to further simplify your organization.

## 8) Limit Liabilities and Red Tape

Liabilities come in all shapes and sizes, from legal, to financial, to employee liabilities.

Ensure that you tie up any loose ends before beginning the sale process, so that there are no dark clouds hovering over the transaction or surprises that may hinder the sale. Also, keep your corporate records up-to-date to avoid any additional costs and delays.

## 9) Prepare for Purchase Financing Requirements

Your ability to provide purchase financing to a prospective buyer may improve your chances of selling your business efficiently and for maximum value. You will need to determine the financing structure that works best for both buyer and seller, and the future success of the business.

## 10) Build a Team of Advisors to Guide you Towards Your Goal

To help you establish the structure of your overall plan, it's important to include Lawyers, Accountants, Tax, Investment and Estate Specialists and Bankers in your team of outside advisors. Meet with your team of advisors regularly to ensure that you adjust to any changes in the economy or in the industry in which you operate, and for unbiased expert advice on selling your business.

**Your CIBC business advisor, along with a customized team of specialists, can work with you to take the necessary steps in planning your retirement future, and ensuring the right succession plan is in place for your business.**

**For more detailed information, please speak with your CIBC business advisor.**



**For what matters.**