



How to Maximize Your Business's Take-Home Value

For owners looking to exit their business or retire, the goal should always be twofold: maximize the value of your business while paying the least amount of taxes. Glenn Bowman and Glen Nortje explain the importance of succession planning and how it's directly linked to the sales price a business ultimately receives and the amount you will take home when it's all said and done.

Two years in, and it's clear the pandemic has made a substantial impact on mid-market and family-run businesses—but whether that impact is positive or negative depends on a host of factors.

For every education company that was able to pivot to support online learning demand and realize unprecedented financial results, there's a business in the tourism sector that, after months of dwindling profits, doesn't have the means or resources to rebuild yet again.

Owners of both businesses may be motivated to sell—albeit for different reasons. And when they do, they'll have an important question to ponder: Do they want their children, a charity or the Canada Revenue Agency (CRA) to receive the bulk of the money from the sale? (You can pick only two.)

Unsurprisingly, few people pick the CRA. They'd much prefer to maximize their business's value—and keep as much of that sales price in their pocket—so they can use it to fund their next phase of life, pass some money to their children or support the causes that mean the most to them.

Yet studies show that 61% of businesses don't have a comprehensive succession plan in place for the future of their business or their family wealth. An additional 22% have yet to start even minimal transition planning.

This lack of succession planning is directly linked to the sales price a business ultimately receives, and the amount of taxes the owner inevitably pays. This is because—while black swan events, like a pandemic, are virtually impossible to plan for—there are many internal business aspects you can anticipate and control.

A succession or transition plan can help you do so—and make it easier to determine the right time to sell.

Elements of a solid succession plan

To become part of the coveted minority of business owners that both receive top dollar for their business and retain a higher percentage of the sale, you need to think about the eventual sale of your business *before* you're ready to sell.

A few things you may want to consider in the months or years leading up to the exit of your business include:

- **your legacy:** What mark do you want to leave on the world? Will your business help you achieve it—making it important to appoint the right successor? Or will you use the funds from the sale of your business to advance a cause that's important to you?
- **succession:** Are your children interested in taking over the family business when the time comes? Or will you have to sell the business to a third party, your management team or another buyer entirely? The earlier you have these conversations and gauge interest, the more time you'll have to prepare.
- **your business's strengths and weaknesses:** There are certain internal elements that increase the value of your business when it comes time to hit the market. For instance, your business will likely be worth more if it can be easily passed on to a new owner. So, if the bulk of your customers do business with your company because of their personal relationship with you, you may need to spend some time severing that bond—and introducing them to other members of your management team.
- **tax planning:** By articulating your business and personal goals, and engaging a professional early in the process, you can structure your business in a way that [minimizes the amount of taxes you pay overall](#).

Leveraging the transition plan for optimal sale

A strong transition plan helps you set your business up for success by encouraging you to face the future with intention—and set your business up in a way that will attract the best buyer, help you achieve your financial goals and reduce the amount of taxes you pay after a sale.

However, executing the sale correctly also has a significant impact on your sale's take-home value. Consider it a second opportunity to further boost your financial returns. To seize this second opportunity, it's integral to seek professional advice. Not only can the right professional service firm help you time the market right, but it can help you:

- **develop a plan for sale:** A professional team can help you define your needs and outcomes and take steps to help you realize anticipated benefits.

- **find a range of buyers:** A good firm will have its finger on the pulse of the market and be able to connect you with a larger number of ideal buyers than you would find on your own. Not only does this larger pool of buyers raise the odds of finding someone to pay your desired price, but it could also lead to greater competitive tension which, in turn, could help you attract a higher price than anticipated.
- **navigate the complex selling process:** A professional team will work directly with your business owners/managers, identify and pre-qualify counterparties, and manage every step of the transaction—resulting in less delays and optimized value.

A trusted partner

Finding a full-service team—that can help you achieve maximum take-home value for your business—should be the first step. This means finding a team who can seamlessly handle both the corporate finance and wealth management side of things.

For starters, they will help you determine and execute the necessary steps to maximize value before a sale. Secondly, they will work with you to minimize financial risk and the taxes you pay, while maximizing your structural security, retained earnings, retirement income, and your legacy.

When you're ready to sell, your advisors will guide you through the process, while providing the financial support you need to make sure the deal is structured in a way that reduces taxes and allows you to walk away with as much of the sales proceeds as possible.

Recommended for you:

The Succession Conundrum: Who Should Take Over the Business? [Find out your options.](#)

Our Contributors

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