



YOUR GLOBE CANADA WORLD BUSINESS INVESTING OPINION POLITICS SPORTS LIFE

# Why many business owners are contemplating an exit

**BRENDA BOUW**

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED AUGUST 12, 2021

2 COMMENTS SHARE - A A+ TEXT SIZE BOOKMARK



Entrepreneurs looking to sell their businesses range from those who are worried about possible higher capital gains

### TOP STORIES

Hundreds of properties evacuated as wind prompts growth in B.C. wildfires

AUGUST 16 **UPDATED**



A recent Statistics Canada survey of almost 17,000 business owners found that about 3 per cent have plans to transfer or sell their business within the next year, which translates into hundreds of deals across the country based on the sample size alone.

Many business owners are looking at retiring now that the pandemic is starting to fade. According to a recent report from Royal Bank of Canada's economics department, retirements delayed by the pandemic are expected to pick up in the second half of this year, "nearing the 10-plus year trend driven by an aging baby boomer cohort." The recent introduction of Bill C-208, which gives more generous tax treatment to intergenerational transfers of small and medium-sized businesses, could also spur more sales.

Mark Groulx, president of Toronto-based mergers and acquisitions advisory firm AIM Group Canada Ltd., says his firm has been busy throughout the pandemic. Clients looking to sell range from business owners who are worried about possible higher capital gains taxes to those looking for a new challenge or to retire.

"The pandemic has made a lot of people think, 'Maybe there's more to life,'" says Mr. Groulx, whose clients are often referrals from advisors looking to help their clients sell their companies.

Janine Guenther, president of Dixon Mitchell Investment Counsel in Vancouver, says the pandemic encouraged many entrepreneurs to have conversations that they've been putting off about selling their businesses.

She says advisors can help provide "the sober second thought" on everything from when to sell, to whom, at what price, and what to do next.

"It's exciting when someone wants to buy your business, so you can lose your head a bit. We try to help them put it all into perspective," she says.

Advisors should be working with a team of professionals to help business owners through the sale process, including everyone from business evaluators to lawyers and accountants.

#### TOP STORIES

Hundreds of properties evacuated as wind prompts growth in B.C. wildfires

AUGUST 16 **UPDATED**



For example, Canadians who sell a business could qualify for a lifetime capital gains exemption of up to \$892,218 in 2021, or \$1-million for farmers. To qualify, owners need to be shareholders for at least two years, so pre-planning is important, Ms. Guenther says.

Advisors also need to help business owners figure out the best use of the sale proceeds, whether it's to invest in another venture or invest it for retirement.

“We talk to them about their income requirements ... and what their portfolio looks like from a diversification perspective,” she says.

Diversification can be a new concept for many entrepreneurs, she adds. For some entrepreneurs, their only other asset is their home.

“Having them invest outside of Canada ... across small-cap, large-cap investments around the world, and even fixed income for balance within a portfolio can sometimes be an interesting conversation and takes a bit of time. But it's well worth going down that road,” Ms. Guenther says.

Advisors need to help clients determine a suitable asset allocation and structure their portfolios in the most tax-efficient way.

“We try to make sure that when the money does come in, that it sets them up for the rest of their life, and they can do what they want to do,” Ms. Guenther says.

Rona Birenbaum, certified financial planner and founder of Toronto-based fee-only financial planning firm Caring for Clients, says business owners who have personal and business succession plans in place often achieve the best results from a sale.

She recommends they start planning at least five years in advance to ensure the sale is both tax-efficient and generates the best price possible.

“It starts with identifying what the business needs to look like five years from now to sell optimally: The operational and financial gaps that need closing drives the new five-year business plan,” Ms. Birenbaum says.

Well before putting a business up for sale, Mr. Groulx recommends business owners ensure they have a strong management team in place that can run the company.

“The more the company can operate without you, and you have a management team in place, the more valuable your company is,” he says.

Owners also need to ensure, as much as possible, that they have strong revenue and cash flow that will also help the business sell at the best price. For example, he says companies with recurring revenue and long-term customer contracts will often receive higher valuations.

“Obviously growing companies are better than shrinking companies,” he says.

Ms. Birenbaum also says advisors need to be supportive and sensitive with business owners looking to sell because, to them, it’s personal.

“One of our major roles is to help the client see their reality in a sensitive and constructive manner because their business is an emotional asset,” she says.

“They’ve given their career, their life to it. They’ve sacrificed a lot; family time, leisure time, and all sorts of things, to create what they did,” Ms. Birenbaum adds. “It’s a delicate process, but it’s really important to help them do the work that needs to be done for them to get maximum value – and there’s always work to be done.”

---

© Copyright 2021 The Globe and Mail Inc. All rights reserved.

351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

Phillip Crawley, Publisher