

# Jacqueline Flett Law Corporation

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## **Business Succession Planning Basics**

Just as people avoid creating a Will, business owners also avoid facing the question, “What will happen to my business after I’m gone?” There are important reasons for creating, at minimum, a business succession plan, for example:

1. someone is going to have to deal with your business when you are gone and you have the ability to make it an easy transition or a torturous experience. If you care for your executors and your family, you owe it to them to make it easy;
2. you’ve spent years building up your business. The lack of a clear succession plan can destroy any value that has been created if it is not managed properly in the months after your death; and
3. proper planning can allow the net value of your business to flow back to your estate for the benefit of your family or other beneficiaries.

The key components of a basic business succession plan are:

1. A Power of Attorney permitting someone else to step in and manage the affairs of the business if you should become incapable of doing so.
2. A consolidated business information manual which should include:
  - (a) all important contact information for the business, including contact particulars for any office manager, secretary, bookkeeper, accountant, landlord, insurance provider, etc.;
  - (b) copies of all important legal documents such as intellectual property registrations, leases, and other contracts;
  - (c) details of the business’s bank accounts, including account numbers and locations and contact information for the business’s bankers;
  - (d) if the business has more than one owner, copies of any ownership agreements such as shareholders agreements or partnership agreements;
  - (e) details of any life insurance or disability insurance;

- (f) copies of any maintenance agreements such as janitorial services and equipment leases; and
  - (g) either passwords for all computers and SAAS services used by the business (for example, gmail and PayPal account passwords) or a statement regarding where such passwords can be located if you keep a list of such passwords in a safety deposit box or other location.
3. A source of funding for expenses or debts in the event that the business needs to be wound up. You should not rely on accounts receivables or work in progress to cover the final expenses of the business. If you do not maintain a large float in the business, you should make the arrangements to set up life and disability insurance with proceeds payable to the business.
  4. If your business is incorporated, you should have a shareholders resolution held with your Will appointing your executor or business trustee as a director and signing officer of your business which will assist you in dealing with financial institutions as some may not accept the Power of Attorney.

The foregoing is a list of the basic planning that every business undertakes. As your business grows, additional planning can take place to reduce taxes, prepare the business for an easy sale, and ensure a smooth transition. Your team of lawyer, financial planner, accountant, and insurance provider should work with you to create a succession plan that can put your mind at ease and maximize the value of your business for your estate.

For more information about a creating a succession plan, please contact Jacqueline Flett at [jacqueline@flettlaw.com](mailto:jacqueline@flettlaw.com).