



## Putting the 'success' into succession for small business owners

If you are a small business owner, you are no doubt a master at making your business tick, but are you applying the same focus to an exit strategy from your business to maximise your retirement position?

Questions, such as "When do I want to retire?" and "How do I extract value from my business?" may sound simple but the answers are not always easy to grapple with. Nonetheless, failure to plan ahead for these questions can seriously compromise your retirement lifestyle.

In a survey conducted by CPA Australia, only 38 percent of small business owners interviewed have succession plans<sup>1</sup>. When this is coupled with ABS data that shows 33 percent of all Australian small business operators are over 50 years old<sup>2</sup>, a worrying picture emerges of a large group of small business owners approaching retirement without proper succession and retirement planning in place.

### The first step

Many business owners feel pressure to push retirement back so they can continue to generate income. Of the 1.9 million retirees who had worked at some time in the last 20 years, the most common factor in their decision to retire was their health<sup>3</sup>.

### Is your business your retirement nest egg?

You may have a general idea that one day you will be able to 'cash in' your business and retire on the proceeds. It is vital to analyse the issues involved, such as:

- How much is your business really worth on the market?
- Are there specific actions that can be taken to improve value prior to retirement?
- How will you go about selling your business to maximise value and avoid a 'fire sale' situation?
- Are there family succession issues to be considered?

### Cash to thrive or just enough to survive?

Once you know when you want to retire and have a succession strategy, you then need to assess if this will actually provide enough funds for you to enjoy the 20 or 30 years of retired life that you may well have.

### How to get what you deserve in retirement

In the same way that you are an expert in your small business, your financial adviser is expert in the business of putting structure and direction into your goals for retirement.

Your adviser can help you assess the 'ins and outs' of selling a business and if there are retirement funding shortcomings they can offer guidance in how to effectively allocate business income to help plan for your retirement.

Time is the key to it all and the clock is ticking, so don't delay in acting today!

### It's never too late to commit to a plan

Greg, 55, owns a deli. His wife, Janine, worked as a casual part-time teacher's aid. Greg loves his work but health-wise aims to retire at age 60. His kids have no desire to take over the family business and with no superannuation in place he knows he needs to sell the business to have some money to live on in retirement.

Fortunately, he decided to engage a financial adviser who was able to help Greg set out a 5 year strategy to improve his business sale value and accelerate savings in Greg's retirement fund. This included:

- Working with Greg's accountant to get financial records up to date and quantify the business value.
- Raising issues such as reducing redundant stock and debtors list to improve saleability.
- Setting up a super plan for Greg so he could improve funds for his retirement.
- Setting up super for Janine, so that they could take advantage of the Government Co-contribution scheme and the spouse rebate, to maximise super inflows.

1. CPA Australia: Small Business Succession and Exits Survey 2004.

2. Australian Bureau of Statistics: 2006 Characteristics of Small Business (COSBO) survey.

3. Australian Bureau of Statistics: 2009 Australian Social Trends.