

**ASSOCIATION OF INDUSTRY
SECTOR COUNCILS**



SUCCESSION PLANNING GUIDE

**FOR NOVA SCOTIA BUSINESSES &
ORGANIZATIONS**

PREPARED BY
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Sector Councils



WELCOME

Congratulations on taking this first step toward protecting your future, and that of your business or organization, with Succession Planning!

The following pages present an outline and table of contents preparing you for what to expect in each Step.



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PROGRAM OVERVIEW





PHASE 1
Assessment &
Successor Evaluation

01

GATHER DETAILS ABOUT YOUR BUSINESS OR ORGANIZATION

To begin succession planning for your business or organization, you will need to compile relevant information and documentation such as the Memorandum of Association, public filing documents, partnership agreements, contracts (e.g., vendors), and anything else that may contain pertinent information.

02

PLAN FOR CONVERSATIONS WITH AFFECTED PARTIES

An important component of the succession planning process are the conversations you'll have with involved parties about their future plans, concerns, how the process will impact them and the part they'll play in the transition.

03

IDENTIFY SUCCESSORS

This step the key component of your succession planning activities. The reason you are embarking on this process is to identify a strong successor and solid plan for a smooth transition for your business or organization.



PHASE 2
Transition Planning

04

OPTIONS IDENTIFICATION

This step will ask you to identify options for a variety of decisions including transfer options, neutral advisors, investment decisions and others.

05

**ACTION PLAN / SUCCESSOR DEVELOPMENT PLAN
AND TIMELINE**

At this stage, you will develop goals, objectives and an action plan for your business or organization's transition. You can involve the chosen successor at this stage to ensure your goals are communicated and align with their anticipated projection.



PHASE 3
Implementation

06

TRANSITION AND IMPLEMENTATION

At this stage you will create a task list, perform a final conflict check and communicate the plan. Depending on the nature of your business or organization, your transition may happen gradually or require you to hand everything over at once.

07

MONITORING

To ensure your succession plan is followed to completion and stays on track, you will need to develop monitoring and reporting measures as well as a communication plan.

INTRODUCTION

What is succession planning?

Succession planning is the process of compiling necessary information and analysing options to plan for the future of your business or organization. Succession planning involves preparing to transition your business to a new owner or your organization to new leadership while protecting your financial security and/or ensuring organizational sustainability.

In the case of a business, a Succession Plan encompasses elements of tax, retirement savings and estate planning to form an overall financial plan. A Succession Plan can also support a company or organization's executive and other interest holders through the retirement of a key staff member, family disputes or in the event of an unforeseen death or illness.



Since not all elements contained within this guide may pertain to your organization, you are welcome to skip ahead through any sections you feel are not relevant. Whether you have a spouse or business partner, own a sole proprietorship, or run an organization, this guide will help you develop your Succession Plan for a smooth transition.

Why do I need a succession plan?

A Succession Plan creates certainty for yourself, your employees and your family through times of substantial change. This plan will ensure that your business or organization continues to flourish after you leave while facilitating a smoother retirement. In creating a succession plan, you are providing piece of mind for yourself and your family not just through retirement but also in the event of temporary or long-term disability or incapacity.

Having a Succession Plan in place **mitigates risk** that aspects of the business or organization will be lost in transition and **avoids confusion or conflict** between business partners or family members. Through succession planning, impacted parties are empowered to establish a long-term tax plan that **affords more control** while **reducing the loss to taxation** in an ownership conversion.

Importantly, succession planning creates **opportunities to analyse options** and choose the best path for the future. This planning considers and involves all key parties to ensure the outcome incorporates a range of interests and that those involved are aware of the chosen direction.

Transitions can be an emotional time. Planning with a clear head and emotions in check can allow you to avoid hasty and irrational decision making driven by sentimental points of view.



WHAT SHOULD I EXPECT?

This Guide and the companion Succession Planning Workbook provide instruction, resources and workspace to begin your succession planning.

In addition to the materials provided, you will also need to gather information and documents pertaining to your business or organization. You will be instructed to locate and utilize these documents as you progress through the Guide.

To align your Succession Plan with your business or organization's overall financial plan, you will also need to have financial information available. You may benefit from meeting with a trusted financial advisor as you begin the succession planning journey.

It will be helpful to have a **pen** and **paper** handy to record any notes not captured within the **Succession Planning Workbook**, which you may use in digital PDF or printed version, as well as a **calculator** when reviewing and analysing financials. You may also use **Microsoft Word** to record notes and **Microsoft Excel** as a calculator, or alternative similar software with which you are familiar.

The time it takes to establish a Succession Plan will vary based on the size of your enterprise and the parties involved. Expect the planning process to take anywhere from a matter of weeks to months depending on your availability of resources. Succession planning will involve conversations with family, employees, and business partners, as well as the coordination of legal and financial matters.

You may benefit from creating a schedule for completing your Succession Plan. It is important to take the process at your own pace while remembering that the future of your business or organization depends on your planning in the present.

PHASE 1

Initial Assessment & Successor Evaluation

1. Gather details about your business or organization
2. Plan for conversations with affected parties
3. Identify successors



In **Phase 1**, you will be gathering information and establishing a roadmap to carry out the succession planning process.

You will be directed to relevant documents and materials to extract pertinent information for the initial assessment of your business or organization. You will participate in a key party identification exercise and be asked to notate discussion topics and potential concerns applicable to each. Finally, you will begin to identify and evaluate potential successors prior to their inclusion in the process.

Step 1

Gather details about your business or organization

To begin succession planning for your business or organization, you will need to compile relevant information and documentation such as the Memorandum of Association, public filing documents, partnership agreements, contracts (e.g., vendors), and anything else that may contain pertinent information. Using the fillable template, enter the following details of your business or organization in the space provided on page 4:

- Owner/lead name and contact information
- Business/organization name
- Business/organization address
- Nature of the business/organization
- Registered provinces

Blank fields have been provided so that you may include your own business or organizational details you would like to capture. Examples of other fields may include:

- Additional contact names like that of a business partner, human resources manager, lead employee or other key positions pertinent to your industry
- Board of Directors' Chair or President
- Addresses of additional locations or plants

Documenting

Your first task is to identify one to three other critical roles throughout the organization. Consider how they contribute to the business or organization and any risks to operations in the absence of these roles.

Using the table provided on page 5 of the template, create an inventory of existing key staff members and positions. Document the level of training and experience needed for the position. Estimate the time it takes to onboard new staff for each position and note resources required. An example of this table is provided below:

In addition to completing these steps, it is critical that you formalize and document important procedures and organizational details, while ensuring these files are readily available. You may need to access or reference these documents in the future when filing taxes. These documents will also prove useful to your successor and the organization to maintain consistency in business processes.

If you have created a business plan or have an organizational strategy in place, this is a great start! In this case, you and / or your senior management team should ensure these files are kept up to date on an annual basis. It is a good idea to schedule this annual review in advance to ensure the items are addressed, and time is set aside to keep documents recent and relevant.

Position	Level of Training / Experience Required	Time to Onboard	Current Staff
General Manager	Undergraduate degree; certificate	1 month	Sally Smart

Documenting

It grows increasingly important each year to have your documents digitized and backed up. If you currently maintain paper records, it is a good idea to scan these into a computer system and keep them organized in a digital folder. This filing method will provide safeguards in the event of natural disaster or system compromise. Electronic filing also allows for more flexibility than paper filing.

If you have a current digital copy of your files, create an additional backup copy, and save this to an external hard drive, USB flash drive, or cloud storage space such as [Google Drive](#), [Amazon](#) or [OneDrive](#).

Business procedures and documentation to have on file

- Articles of incorporation
- Tax filings
- Business plan / strategy
- Licenses or certifications
- Funding applications
- Job descriptions
- Standard operating procedures
- Governing Acts
- Any other industry-specific critical documents

Documenting the outcomes of succession planning

At the end of this process, you or another trusted individual should digitally document the key outcomes.

You will keep this guide and the completed fillable template for your own records. Some of the thoughts and ideas posed throughout this guide may be especially personal to you and you may not wish to share them widely with other parties.

Therefore in Appendix C, a succession plan outline is included for easy reference and transfer of the information you accumulate throughout the duration of this guide and in completing the fillable template. Use this sample outline in a word processor like Microsoft Word with guidance from the section headings . In each section, include relevant information - activities from this guide may be entered in their entirety or details may be extracted and adapted as needed.

Step 2

Planning for Conversations with Affected Parties

An important component of the succession planning process are the conversations you'll have with involved parties about their future plans, concerns, how the process will impact them and the part they'll play in the transition.

The parties who should be engaged in the process may include family members, business partners or part owners, key colleagues, investors or other financial parties, staff members, suppliers, customers and others depending on the nature of your business or organization.

The following section highlights potential considerations to discuss with each party. The applicability of each discussion will vary depending on your personal circumstances and those of your business or organization. **If any of the following conversations do not pertain to you, feel free to skip ahead to the next relevant section.**



Conversations with your business partner(s) or key colleagues

Discussing succession planning with your business partner(s) or colleagues is essential for the continued success of your business or organization. Your partner or other colleagues have likely considered succession planning on their own and may already have a plan in mind. It is important to provide your colleague(s) time to consider their options and role in Succession Plan prior to making any decisions.

If your partner or colleagues have not considered the benefits or necessity of succession planning, you may first need to discuss its importance. The first section of this guide highlights what stands to be gained from your Succession Plan and the risks of not having one in place.

If you have a business partner and you have previously developed a Partnership Agreement, it will be beneficial to have this nearby throughout these conversations. Ensure it is up to date and aligns with your mutual intentions for the partnership. If you do not have a Partnership Agreement, it is a good idea to engage your lawyer and establish this agreement. This will provide clarity for yourself and your business partner as you progress through succession planning.

The goal in your initial conversations is to help your business partner or colleagues see the value in succession planning, understand why you want to have the conversation, get their thoughts on a direction for the business or organization and determine if they have preference for successors. As planning progresses, you will want to engage your business partner or colleagues in idea and option generation (**Phase 2**) as well as the transition to new owners or management (**Phase 3**).



Conversations with your spouse

Whether you own a business with your spouse, or they are uninvolved, your spouse will almost certainly be part of the succession planning conversation. They will want to understand your retirement plan as well as welcome the opportunity to voice their considerations.

If you are embarking on the retirement planning process together, your spouse may be an integral decision maker and a valuable support.

Together with your spouse, consider the type of retirement you would like to have. Think about factors such as location, lifestyle and how you'll spend your time. Ask yourselves questions about what will make you happy and what are your biggest concerns.

Discuss items of high importance that either of you would like to prioritize in retirement, such as reserving funds for dependents or staying in your family home. Ensure these factors are considered throughout the planning process and are accounted for in the final succession plan.

For other spousal considerations, please see estate planning in Step 4.



If your business has heavy family involvement, or you intend on leaving your company to your child or another family member, consider bringing them into the conversation early. Speak individually with each party involved – and potentially those who are not directly involved. You may share as much or as little as you would like. It is important to make them aware that you are considering succession planning and of its importance to you, as this will bring everyone onto the same page.

Other parties with interest

Whether you run a business with your spouse and/or have employees, there are likely other key parties you will want to involve in these conversations. This may include your Board of Directors, senior management, department heads and/or high-level specialists.

Record your retirement goals

Using the fillable template, record the retirement goals you have discussed with your partner, spouse and/or other parties on page 9. It may be beneficial to take notes during your discussions, or you may wish to use the template to summarize the key points and outcomes upon reflection after the fact.

Indicate the goals that are most important to you. Beside or underneath each goal, note why it is important to serve as a reminder.

These goals will be personal to you, but some examples may include:

- Deciding your target retirement age or trigger.
- Remaining with the business or organization in an Advisor role.
- Setting up trusts for family.
- Downsizing your home or reducing debt obligations.
- Establishing reliable and sustainable retirement income, considering any value you'll derive from sale or silent ownership of your business.



Gather or build your financial statements

Part of the transition for your business or organization that cannot be understated is the financial component.

Gather the documents you have up to this point. This may include annual filings, tax returns, invoices, budgets, funding applications, bank statements or other documentation. If you have not previously drafted a balance sheet or income statement, seek the advice of a financial professional and use the fillable template to begin.

If you have maintained clear financial records throughout the years, it is still beneficial to meet with a financial planner to discuss the topic of succession planning. There is additional space provided in the fillable template to record notes, observations, lessons learned or conclusions coming out of this meeting.



Identify helpful advisors

Now that you have engaged in conversations with the parties who have an interest in or are impacted by your succession plan, you may feel a lot of opposing pressures or be hesitant about the way forward. With so many conflicting voices, it may be beneficial for you to engage an advisor – a neutral third party with expertise regarding your situation.

This may be somebody you've turned to in the past, someone you've dealt with through business dealings, a family member who has been through a similar situation or another neutral party with knowledge of your business or organization.

Look for contacts with whom you've established trust and have a comfortable, open, and honest conversation. This person may have special knowledge of your business or organization or hold specific technical skills that enable them to understand your current planning process.

You may engage more than one advisor if you feel their perspective would be beneficial in your planning. Advisors may consist of professionals such as your accountant or lawyer, or even impartial family member(s).

Included on page 11 of the fillable template is space for you to record up to three advisors. Feel free to think of more and list on the page or in the additional space provided at the end of **Step 2**.



Step 3

Identify Successors

This step is the key component of your succession planning activities. The reason you are embarking on this process is to identify a strong successor and solid plan for a smooth transition for your business or organization.

With this step, you can use the fillable template to identify and evaluate potential successors. You will additionally be asked to consider the impact that each candidate may have on the others.

Potential successors

A good successor can come from a variety of places. The successor may be a member of your family or someone from within your organization. It may be somebody you know or have met through business dealings - the successor could even be a competitor. The successor you choose may end up being someone you've never met. However, it is important to thoroughly

consider your options and consistently evaluate each option to ensure you're making the right choice for your business or organization.

A strong candidate will be knowledgeable in your subject area, have great people skills and be passionate about taking over your responsibility. Consider the traits you value most in a successor and create your own evaluation criteria.

List up to five potential successors in the space provided in the table on page 13. Describe why you chose them and categorize each successor as either family, non-family, employee, or another category of your choice.

If your business or organization has other key roles for which succession planning is valuable, repeat this step now or in the future for each necessary role, to further build out this succession plan.

Evaluate successors

Continuing to utilize the successor evaluation matrix in the fillable template, you will now evaluate each candidate based on a set of criteria in this guide as well as those aligned with your values identified above.

Consider the educational background of each potential successor and the applicability to your business or organization. Consider their management experience and any knowledge you have of how they operated – socially, fiscally, or otherwise – in their previous roles.

Examine the values you identified in the previous section and determine which candidates excel in these areas. Rank each candidate and determine one to two candidates for a short list.

Consider impact on others

As part of the successor decision, it is important to consider the impact that each successor may have on key individuals. For example, if you have multiple children in your successor matrix, each child will be impacted differently depending on which is chosen, if any.

If you are leaving your business or handing your organization to a high-level employee, how will this impact the future hierarchy? If your child is part of senior management – will the new successor continue to work with them?

These future dynamics may be even more important to the continued success of your business or organization than the successful transition.

If you have more than one successor option after the evaluation stage, then consider the potential interpersonal relations between each option and key parties to determine which transition will likely be most harmonious. If you believe either option to be a strong choice, you may benefit from consulting with your support system and advisor network to gain outside input and further insights into the successors you're considering.

Choose a successor

At this point you should be ready to make an informed decision on your successor. Accounting for the carefully drafted considerations in your successor evaluation matrix, you are prepped and ready with the information necessary to make a sound decision or present a well-backed case to your Board.

This decision may not lay solely in your hands. If you have a Board of Directors or managers with whom you are collaborating with on succession, you can engage in this activity now and be prepared for your next meeting with your suggestions.

If this is your decision, it may still be wise to consult with others on this important choice. Your trusted advisor or other parties may offer knowledgeable advice and a fresh perspective on the options you've identified.

Keep in mind the person you think is best to succeed may or may not want or be willing to take on the responsibility, risk, and workload. They may or may not be in the financial position to buy you out immediately or over the term you're planning for. You may have had this conversation previously; you may need to prepare to have it.

PHASE 2

Transition Planning

4. Options identification
5. Action plan and successor development plan



In **Phase 2**, you will be considering your potential options for ownership transfer, mediators, and other factors. You will be creating an action plan and working with the chosen successor to create the successor development plan, which provides both parties with guidance and reassurance throughout the transition.

You will identify options for ownership transfer, financing, living arrangements and other personal considerations, business structure, mediators, future investment, and estate planning. These may or may not apply, depending on whether the business or organization is being acquired by a new owner in the succession. **Any parts that are not relevant are skippable.**

Together with the chosen successor, you will establish goals and objectives for the transition and select a path that suits these goals. You will create an action plan to carry out the identified goals and objectives and socialize this with your key interest holders.

Finally, you will create a successor development plan to support your successor's knowledge of the business or organization and path forward. **Therefore, you will need to set a meeting with the successor.**

You should continue to read ahead, both in this guide and the fillable template to prepare an *agenda* for your meeting with your successor. You will have a collection of activities in the following sections to discuss and complete in preparation for the transition.

Step 4

Options Identification

Congratulations on choosing a successor!

If you have not or cannot do so at this point, you may proceed through the following steps on your own. It may be beneficial to repeat this guide from this point with the new successor when one is chosen, or to direct the successor to these exercises through their orientation.

This step will help the two of you throughout the transition period, ensuring a plan of action for finances, direction and the transfer itself is set in place and understood by all parties.

This step will ask you to identify options for a variety of decisions including transfer options, neutral advisors, investment decisions and others. Space to record options for each category is included in the fillable template.

The options you need to consider will vary depending on the nature of your business or organization – whether your car or living arrangements are tied to your employment, association of your retirement assets, among other factors.

This section will provide information on your transfer and financing options. It is a good idea to consider these on your own as well as meeting with your trusted advisor to discuss and seek advice. If the successor will not be acquiring ownership of the business or organization, these sections may vary in relevance. **Feel free to skip any parts that do not pertain to your succession.**

The fillable template contains space to record your options and considerations beginning on page 16. Take this to your meeting(s) and expand on your thoughts based on the outcomes discussed with your advisor.

TRUSTS

Trusts are an additional option for consideration, but are taxed at the highest marginal rate.

Testamentary trusts only come about as a result of someone's death, arising from their will. They are often used to protect assets for future use by secondary beneficiaries or protect assets for disabled beneficiaries.

Inter Vivos trusts are created by yourself, if chosen. They can be used to maximize capital gains exemption during a sale to a beneficiary of the trust and protect the assets.

Tax exemptions to be explored with your accountant or advisor include:

- [Principal Residence Exemption](#)
- [Capital Gains Exemption for Small Business Corporations](#)

There may also be exemptions designed specifically for businesses or organizations like yours.

Options for the transfer

These are your primary options for the transfer. You should discuss these with your advisor, partners or key parties, and an accountant or other knowledgeable contacts who can fully review the benefits and risks associated with each of the following:

- Gift to family
- Estate freeze
- Sale to family or non-family
 - Asset sale
 - Share sale
 - Employee option

Options may vary depending on the business or organizational structure – whether non-profit, sole proprietorship, partnership, or corporation. You should seek professional advice regarding legal, insurance or tax implications arising from your business or organization's structure.

Ensure the successor, particularly if they are buying or receiving ownership of your business or organization, is also aware of these factors and how they are impacted. The recipient of your business may incur capital gains or recapture tax. They should be informed of their liability risks.

The fillable template contains space to record your options and considerations beginning on page 16. Take this to your meeting(s) and expand on your thoughts based on the outcomes discussed with your advisor.

Business structure

Your knowledge of different business structures may vary depending on the nature of your business and your history with possible incorporation. The types of business structures will be explained here – you can identify which currently applies to your business, and contemplate which structure may be most appropriate going forward. Space to record these thoughts and weigh the pros and cons of each is provided on page 17 of the fillable template.

If this section is not relevant to you or your organization, **feel free to skip ahead to Options for Financing**, or the next relevant section for your business or organization. **If your retirement or a sale of business is not part of this succession planning process, you may wish to skip ahead to Step 5.**

- **Sole Proprietorship** – the business and owner are considered the same entity. This is the simplest type of business structure but comes with significant liability for the owner.
- **Partnership** – a business or organization operated by two or more people who are jointly carrying out business activity with a view to profit. A partnership is governed by the *Partnership Act*. Like in a sole proprietorship, each partner incurs unlimited liability as the partnership is not typically considered an entity outside of the partners.

Nova Scotia offers more comprehensive information on choosing a legal structure for your business or organization:

[Choose a legal structure for your business or non-profit](#)

Business structure

- **Limited Partnership** – a business may have both general partners and limited partners. General partners maintain unlimited liability for the business or organization, while limited partners have limited rights and liabilities. Both the *Partnership Act* and *Limited Partnerships Act* apply.
- **Corporation or company** – setting up a company is a more complicated process which results in the business being a separate entity from the owner(s). The main benefit is the limited liability that applies to the owners (shareholders).
- **Non-profit organization** – a business or organization may not distribute income to its members or organizers and exist for a purpose other than making a profit.

Discuss the benefits of each form listed above with your advisor(s) and successor.

PAUSE!

Choosing a successor can feel overwhelming. Take a moment to pause and appreciate why you are committing to this process. Think about the significance your retirement holds to yourself and your family.

*If you feel you need a break from choosing a successor, **skip forward** slightly to your personal finances. Discuss this section with your partner or your family to tackle planning as a team.*

Options for financing

Your financing options will depend on the organizational structure of your organization and it is a good idea to talk to your financial advisor, accountant, lawyer and other professionals when considering these options. Create a list of questions in the space provided on page 18 of the fillable template to take to your meetings with these contacts. You can also use this space to take relevant notes during these meetings.

You and the successor have two primary options in terms of financing the transfer - internal, or between yourself and the successor, or external, involving an additional party. Each option has advantages and disadvantages for both parties.

Firstly, you and the successor may explore internal financing. This consists of an agreement between yourself and the successor - if they are the buyer - where the successor acquires ownership of your business or organization over time, begins with a down payment, or agrees to buy or lease various parts. This can prove beneficial for the buyer, as interest rates are typically lower in an internal transaction. However, there are also risks associated particularly for yourself as the seller. If the successor does not have all funds up front, you will have limited initial funds to act on in your retirement.

INSURANCE

Discuss insurance with your financial advisor. Depending on the nature of your business and assets involved, it may be beneficial for you to obtain property or liability insurance for your operation.

Disability and life insurance may also apply, particularly if your business is a partnership. Life insurance will take care of the other partner should something happen to one of you.

It can be a difficult conversation to have, especially if your business partner is a spouse or other family member, but it's an important one that can help protect you, your partner or your loved ones during difficult times.

Options for financing

Alternatively, an outside lender like a bank or targeted lending organization may provide a loan. This method can provide more difficult if financing proves hard to obtain or may add an extra couple of steps; however, it can also lower the risks involved in the transaction by providing your funds up front. Resources for grants and lending options may be found through the [Government of Canada website](#).

Consider your current and future financial needs compared against the successor's ability to fully fund the transition. If an external party is to be brought in, how well will the business or organization be able to take on the debt? Are you, as the current owner, prepared to fully step away from your business or organization, or will this be a gradual process?

Have this discussion with your advisors and your chosen successor to begin to shape your action plan.



Wills and Estates

While ensuring your business or organization's succession plan is in order, it is favourable to look after your personal finances and estate. This creates a clearer picture of what you will want your retirement to look like.

If you are not looking to retire or this section is not relevant to your situation, it is still important to your family to prepare for the future by having your estate documents in place.

It's important to keep your will up to date. Commit to a plan to update your will periodically or upon any significant life event, like getting married, having children, or starting a new business. Though many resources are tailored to an older demographic, you are never too young to draft your will.

Without a will, you will not have any control over the division or distribution of your assets which can lead to unfairness or avoidable confrontation between family.

Many lawyers will draft a will for a flat fee. If you choose to draft your will yourself, there are many resources online that may help. If you go this route, it is still a good idea to have your draft reviewed by a lawyer.

Resources for creating your will include:

- [Legal Information Society of Nova Scotia - Wills](#)
- [NS BREFD - Questions About Wills](#)
- [Law Depot - Last Will and Testament](#)



POWER OF ATTORNEY

A Power of Attorney is a trusted person you appoint to step in and make your legal and financial decisions on your behalf when you are not able.

A Power of Attorney may also be instated temporarily, designed to cease upon occurrence of a certain event.

This resource from the [Legal Information Society of Nova Scotia – Power of Attorney](#) will help you designate your Power of Attorney.

PERSONAL DIRECTIVE

A personal directive or living will is similar to a Power of Attorney, but tailored toward your health care decisions. Your personal directive may appoint a trusted person to make all or select health care decisions in circumstances where you are incapacitated.

Nova Scotia has several comprehensive resources to assist you in creating your personal care directive including an [online application](#) you can follow step by step to create your own personal directive.

More information may be found on the website for the [Government of Nova Scotia – Making a Personal Directive](#)

Speak with your spouse, family or any other impacted party about their personal financial and estate planning.

Taking care of your personal finances

When considering the options listed above, ensure that you highlight the best strategy for minimizing your own tax implications as a starting point.

Importantly, you need to consider your personal assets – particularly large assets that may be tied to your business or organization. These large assets may include your home, being the long-standing physical location of your workshop or sitting on the same property as your fish plant, a car you've used and financed through your business, or other key items that may require replacement or special treatment upon the succession.

Think about your personal investments and consider the interdependency of your personal finances on your business or organization. It is imperative that your personal finances are diversified so that the succession event is not solely responsible for financing your retirement.

Look at your current additional cashflow and what you may be able to set aside to invest. At this stage, discuss your finances with your spouse or other parties and develop or revise your investment strategy. Meet with your personal financial advisor to create a strategy to diversify.

With your advisor or a knowledgeable contact, review account options such as registered retirement savings plans (RRSPs), registered education savings plans (RESPs) if you have children, tax free savings accounts (TFSAs) or non-registered accounts among others. Familiarize yourself with some of the advantages and disadvantages of mutual funds, stocks, bonds, real estate and other financial instruments.

Develop a draft budget, with the assistance of a personal financial advisor if needed, for after the succession to determine your future income needs.

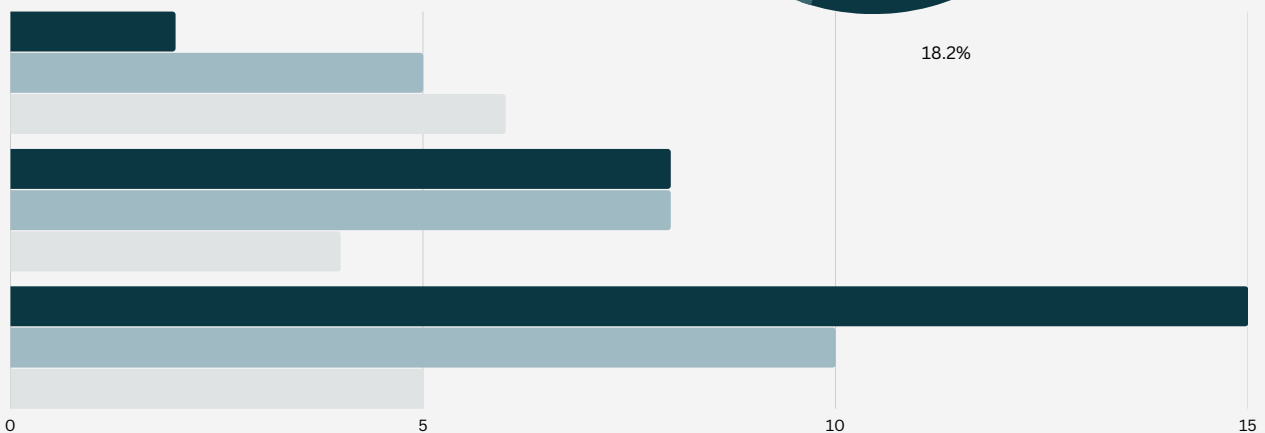
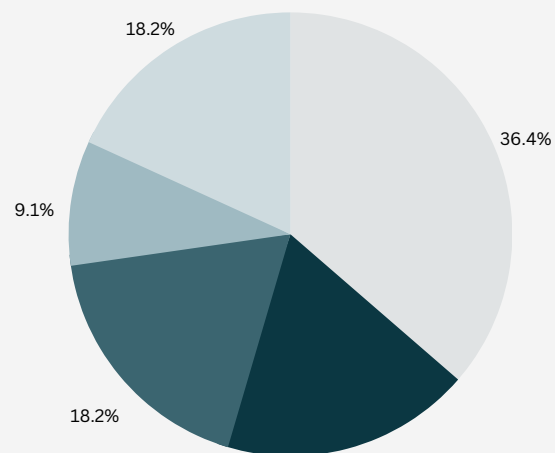
Part of this exercise should also involve assessing the successor's finances and determining their liability risks based on their previous business activity.

Making the decision

After identifying your options across the previous categories, it is time to come to a decision regarding your transfer options, business structure and financing.

Consider the outcome of your personal financial planning and how your retirement is impacted by the results of these decisions, if applicable.

BUDGET



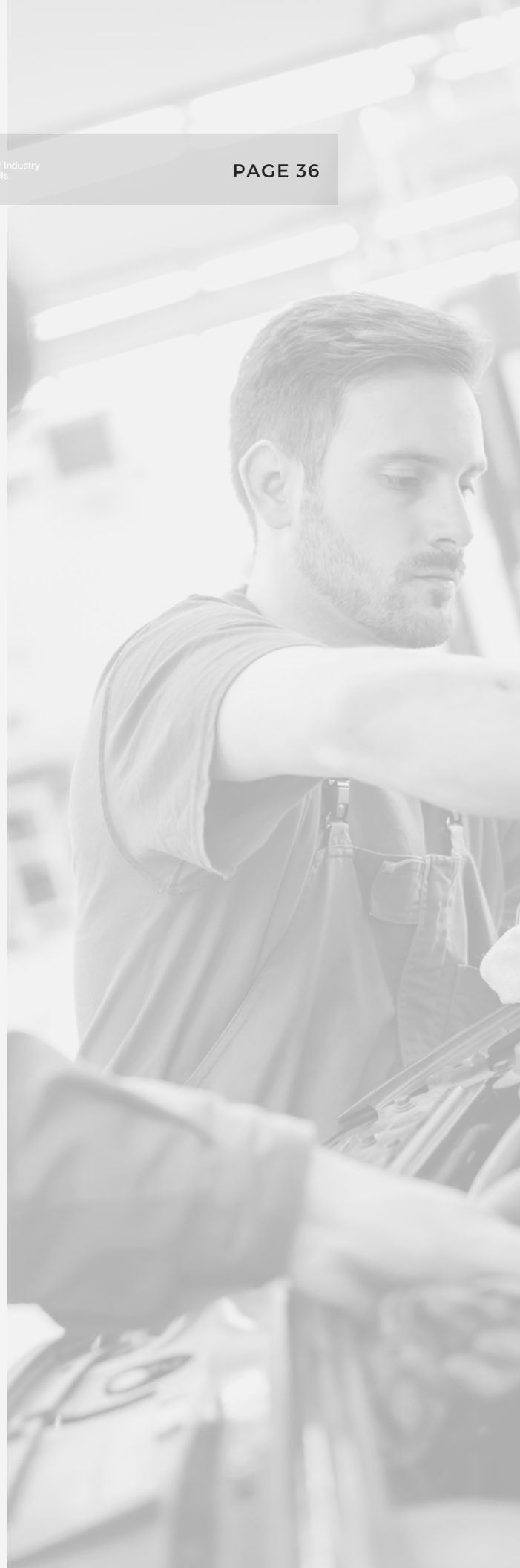
Step 5

Action Plan

Successor Development Plan and Timeline

At this stage, you will develop goals, objectives and an action plan for your business or organization's transition. You can involve the chosen successor at this point to ensure your goals are communicated and align with their anticipated projection.

Together, you will develop the action plan to carry out these goals and objectives throughout the transition and communicate this plan to your interest holders.



Establish goals and objectives

Together with the successor you have chosen as the most appropriate and promising candidate, you will establish the goals and objectives for the transition of the business or organization. Goals should be SMART (specific, measurable, achievable, relevant and time-bound).



Establish goals and objectives

Goals will need to be observed from two perspectives – both that of yourself and the successor. Each of you will have valuable skills and experience from which to draw to create realistic and actionable goals to encourage a smooth transition.

Discuss the values you prioritize most in the operation of your business or organization. Ask your successor what they value most. Examples of topics for discussion include employee culture and hiring priorities, output targets or other operational factors.

On page 19 of the fillable template, state the goals you and the chosen successor feel are important to prioritize throughout the transfer. You can *disregard the space for actions* right now, as these will be covered in the next section.

Goals will help you set the direction for the transition and allow you to create targets and measures for ensuring each component of the transfer is successful.





Sample Goals

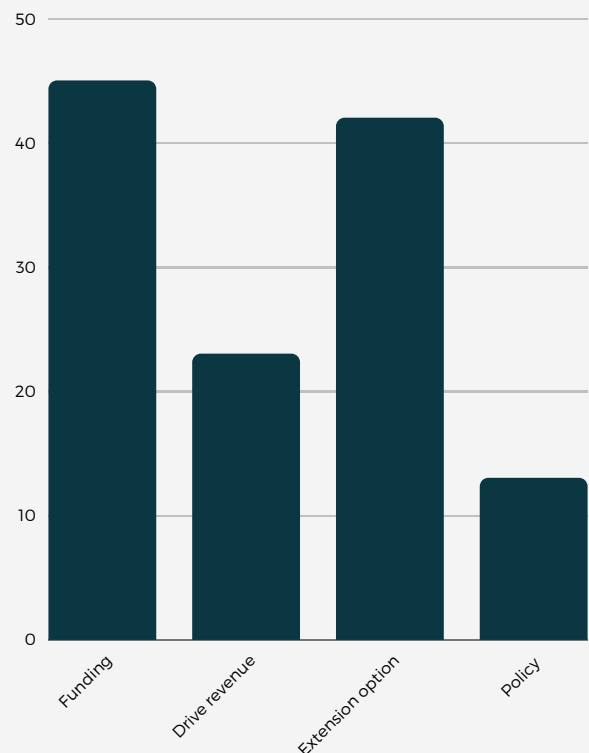
- Obtain funding for an HR consultant to assist through transition period
- Drive revenue with a new advertising campaign to maximize company value prior to impending sale
- Negotiate extension option on equipment and other leases
- Maintain vehicle fleet and equipment to avoid investment prior to sale
- Instate or document safety measures and policy, particularly if your business or organization has positions requiring physical labour

Consider the transfer options you identified during brainstorming at Step 4. Which of these options best align with the goals you have listed? Are you satisfied with the decision(s) made at Step 4?

In light of the direction your succession plan will take based on your previously chosen decisions and goals, stipulate specific objectives such as:

- Apply to funding round ending July 31 for one year of funding for HR consultant
- Establish 4-week training program for new employees in entry positions; upskilling program with three pathways accessible after a year of employment
- Create standard operating procedures for safe equipment handling

In instances where you and your successor cannot come to an agreement, consider enlisting a neutral third-party advisor to help you find common ground.



Create your action plan

Now it's time to assign actions to each of your agreed upon goals included within the succession plan. These actions will serve as a roadmap for implementing your plan.

The fillable template has space included under each goal to list associated actions and related details beginning on page 19.

The following are an example of actions associated with some of the goals listed above:

- HR Consultant Funding:
 - Research and identify viable funding programs
 - Complete funding applications
- Training and Upskilling (**Information on the Labour, Skills & Immigration Training Program – the WIPSI and the WEI – can be found in Appendix A of this document on Page 56*)
 - Examine daily activities
 - Identify gaps in knowledge or process bottlenecks
 - Find appropriate training programs
 - Budget for training expenses
 - Communicate or instate training options for staff
- Standard Operating Procedures
 - Determine relevant safety legislation
 - Research existing industry specific manuals and protocols
 - Create new or update existing manuals

Create your action plan

As shown above, a long-term goal of the theoretical organization is to train and upskill new and existing employees. The goal is given more specific objectives that outline favourability toward 4-week programs and that a year of employment would unlock access to three upskilling pathways. The action items that follow these goals and objectives are examining the current daily activities; identifying gaps in knowledge that impact the ability of employees to effectively do their job or bottlenecks in processes that delay production or service offerings; finding appropriate training programs to address these gaps; budgeting for training and upskilling expenses; and communicating these training options or mandates to staff. These are only examples – in reality, there could be more or less actions associated with various goals.

There may also be other actions involved in the succession that are not directly related to your long-term goals. It is important that your plan remains flexible.

For example, one item on your action plan may involve the training of the successor. You, your business partner(s), organization's board or other parties may wish for the successor to be brought up to date quickly. Therefore, the training portion of your action plan may only last through the first three months. Other actions, like developing the workforce or increasing revenue may occur over a longer timeline.

Talk to your interest holders

After you have identified actions for your plan, consult your interest holders and advisors to socialize your succession plan. Seek the insight of those with expertise or interest in the plan. Those with expertise may include business partners, managers or key employees, family members or other parties. Answer their questions or record their concerns to address as you develop and implement the remainder of this guide.

When you meet with your advisor, prepare a list of questions to gain appropriate insight and maximize the value drawn from this meeting(s). Bring forward the questions posed by key individuals to brainstorm answers or solutions together with your advisor. Space is provided to record questions and thoughts on page 23 of the fillable template.

Potential questions include:

- Are these goals attainable or reasonable to expect of a new successor?
- Do these actions advance the goals? Do they work together to beneficially advance the interests of the business or organization?
- Are there any perspectives that have not been considered in setting these goals, objectives and actions?



Successor Development Planning

This section will engage both yourself and your chosen successor to create a Successor Development Plan. If a successor has not yet been chosen, **this step may be skipped for now**. However, it will be beneficial for you to revisit this section following successor selection to ensure proper knowledge and skill transfer takes place.

As the owner, this plan requires you to assess your own strengths, weaknesses, knowledge and experience to determine areas of focus for the development plan. Outline your duties, education and commonly utilized skills. Identify any specialized company or industry knowledge that your successor will need to learn or ensure they have for a successful transition.

Write these down in the space provided on page 25 of the fillable template. In the first column, a series of knowledge areas are listed. These may or may not be relevant to yourself and your business or organization. Space is also provided to add your own knowledge areas depending on the unique set of skills required to run your business or organization. A sample of this table is provided below:

Knowledge Area	Duties	Strengths	Weaknesses	Experience
Administration				
Human Resources				
Industry Specific				
[Insert your own]				

Successor Development Planning

Have the successor look at their own current strengths and identify how this suits the role. Using the fillable template, they will engage in a similar activity.

This step will be vital in identifying skill and knowledge gaps between yourself as the outgoing owner or manager and the successor. On the fillable template, capture skill gaps on page 27 to inform the Successor Development Plan.

In addition to recognized skill gaps, work with the successor to outline any additional training needed prior to the transfer. You can include any training or action items in the numbered sections below each gap. Once a list of activities has been identified and prioritized, assign a timeline to the succession plan on page 29.

Compile this Successor Development Plan in a separate document to be owned by the successor. Encourage the successor to keep the Successor Development Plan stored or backed up digitally.



PHASE 3

Implementation

- 6. Transition and implementation
- 7. Monitoring



In **Phase 3**, you will be implementing the plan you've created, while ensuring the smooth transition of your business or organization.

You will establish a task list for the individuals involved in the active transition of the business or organization. You will perform a conflict check among the most involved interest holders, choose a dispute resolution mechanism, and choose a mediator if necessary.

At the last step, you will create guidelines for continued monitoring and reporting. You will share your plan widely with all impacted parties and discuss communications planning.

Step 6

Transition & Implementation

You've made it to the transition and implementation stage!

Here, you will create a task list, perform a final conflict check and communicate the plan to the key parties who will work closely with the new owner / successor to carry out the transition.

Depending on the nature of your business or organization, your transition may happen gradually or require you to hand everything over at once. Consider your unique situation when determining your tasks and timeline. No matter the situation, it is vital for the successor to begin their familiarization with the business or organization prior to taking the lead.



Establishing Tasks

Use the fillable template on page 30 to list the tasks involved in the transition. These tasks should align with the actions you identified in Step 5.

Outline tasks that will involve labourers / employees and those for management, differentiating those tasks that will need to be carried out by various members of ownership. Delineate the responsibilities of each party in completing the action plan.

The following examples may assist a transition by helping a new successor understand the ongoings of the business or organization and ensure adequate safety measures are in place that will withstand the transfer of ownership or control. Write any helpful tasks you think of that may assist your action plan in the space provided in the fillable template.

YEAR 1	
Task	Task Owner
Maintain database of daily activities	Workers
Communicate and approve training options for employees	Management
Choose a final candidate for the HR consultant position	Owner / Executive

Establishing Tasks

When specifying task owner, consider the most appropriate party to carry out each task. The workers responsible for the day-to-day functions of the business or organization should be able to easily log these activities. Management are the ideal candidates to disseminate and coordinate information to their team(s) regarding relevant training opportunities. The hiring of management is typically reserved for the highest-level decision makers.

Any tasks identified for the owner or successor should be considered as part of, or be added to, the Successor Development Plan.

In the same section of the fillable template, space is included to map out a timeline to ensure tasks are completed not only on time but in proper sequence.

Checking for Conflicts

Identify any potential conflicts with the new successor or other key parties that you could foresee derailing the transition or decreasing its success.

Examples of potential conflicts include:

- The involvement of adult children who do not agree with the succession plan
- Creditors with opposing interests
- Licenses issued under the name of the head of the business or organization rather than that of the business or organization itself – consider whether the chosen successor will be eligible for these licenses or certifications or if additional training may be required; and
- In some organizations or industries, profit interests may oppose public interests. It is important to discuss your successor's intentions for the future of your business or organization to ensure continuity and consistency.

If any of these conflicts will require negotiation or understanding between various parties before proceeding, seek assistance from a mediator if appropriate or necessary.

Checking for Conflicts

Establish an agreement with the successor that outlines terms and conditions of the transfer and the interests of both parties. Ensure all parties agree on the defined terms and their interpretation. Include any other control mechanisms including timelines, monetary agreements or other contractual obligations between parties that will ensure a smooth and successful transition from yourself to the new owner or successor.

Review the plan from the perspective of transitioning business tasks. Under the current timeline, will the successor be prepared to take on the tasks at the planned time? Are there any transitions that should be completed sooner? Any training not accounted for within the Successor Development Plan?

Also consider your employees and management – are they empowered to complete the tasks they've been given? Are there any significant interruptions to their current responsibilities? Have you considered how potential interferences would be handled?

Continuing Conversations

At this point, your plan should be nearly complete and ready to be shared with your network of key parties and close advisors.

Choose a few key parties and socialize your plan with them. Record feedback in the space provided in the fillable template on page 31.

Determine if any last-minute alterations are required. Ask your trusted parties some of the questions listed above to gain their perspective.

Do they feel the plan is manageable? Thorough?

Formalizing the Plan

With any last adjustments, your plan is ready to be finalized.

Type up your final plan to be widely distributed. A sample outline for a Succession Plan arising from this guide is included in **Appendix C**. You will be able to cross reference this outline with the activities in the fillable template to create an external planning document.

Distributing the Plan

Communicating the necessary change from your ownership or management to a successor has been emphasized throughout this Guide. No key member of your team should be surprised that you now have a plan to leave the company. However, change can always be upsetting, so careful messaging is needed at this stage. Is this a success story about your company's humble beginnings and exciting future full of growth and possibility? Is this a reassuring message that everything is status quo, including all jobs? Is this a message to ask for everyone's support and dedication during what could be a challenging transition? Prepare your employees, keep them informed, and be as open as possible to keep their trust and set up the new owner for success when it comes to the workforce.

Distribute the plan to any parties with action items at this stage. If the succession is upcoming, ensure each impacted party has a copy of the plan or an understanding of their directive in carrying out the plan.



NOT READY TO RETIRE JUST YET?

There are likely still a few action items that would be beneficial to take care of sooner than later.

This may include activities like obtaining insurance, estate planning with your spouse or family or diversifying your investment portfolio.

Talk to your family, partner, advisors, employees or other individuals in your network to complete these activities.

Upon successful conclusion of an activity such as business registration or insurance certification, ensure a copy of the documentation is included with your records. Ideally, these documents will be labelled and filed together with your succession plan.

Similarly, keep personal documents like your personal financial portfolio well labelled and filed, but kept separately from business documentation.

Step 7

Monitoring

To ensure your succession plan is followed to completion and stays on track, you will need to develop monitoring and reporting measures as well as a communication plan.



SHARE YOUR PLAN

Share your plan broadly, including to any parties that have not been engaged in the planning process. This may include certain advisors or professionals, some family members if they have not otherwise been involved or unaffected employees.

You may find that they have further input. Give careful consideration to the treatment of their input. Consider that you have not included them in the process prior to this point.



ESTABLISH A COMMUNICATION PLAN

It may be beneficial for you to create a communication plan to connect industry partners, clients, or the public.

Create a brief summary of your succession plan. Depending on the breadth and level of detail within your plan, you may tailor this summary to each individual involved in the transition so that they understand where their responsibilities lie. Distribute a summary of your plan with specific action items for anyone involved. Communicate the planned timeline so they know what is expected and can set deadlines leading up to the transition.

You may also be required – and it is good practice – to contact your local media sources to advertise the change in ownership of your business or organization. Depending on the nature of your business, you may be required to provide public notice by law. Your local media contacts can help you advertise this transition in newspapers or media websites, as well as through social media.

Reporting Responsibilities

Depending on the business or organizational structure chosen, your reporting requirements may vary.

If you have registered or are registering your business or organization, adhere to the reporting requirements in the jurisdiction(s) where you are registered. Potential registry details and reporting requirements include:

- Your personal information including your name, birthday and address
- Date you established the company or became an owner
- Details regarding control and the rights associated with your shares; and
- History of registry updates.

You should endeavour to keep these records updated at least once per year, and upon the occurrence of any material change to your information.

Alternatively, if you operate a publicly owned company, you may have reporting obligations to your shareholders. Review these requirements and build a reporting template that satisfies these requirements.

Resources available to assist in building your reporting template follow:

- Microsoft Office provides a basic [Annual Financial Report Template](#) for Microsoft Excel.
- If you subscribe to the Adobe suite, this high-level [annual report outline](#) provides a list of report sections including the CEO's letter, table of contents, profile of the business or organization, and discussion regarding business performance, and the financial statements. It additionally provides design tips and annual report templates.
- The following blog post from the [Corporate Finance Institute](#) also provides an overview of annual reporting and content suggestions to get you started.

APPENDIX A

Labour, Skills & Immigration (LSI) Training Program Information



Workplace Innovation and Productivity Skills Incentive (WIPSI)

WIPSI is a grant that supports the development of new skills to help businesses increase their productivity, innovation, competitiveness, and address inclusion, diversity, equity and accessibility (IDEA), to make them more competitive outside of Nova Scotia. It typically supports training on new software or equipment, continuous process improvement, and training that can make workplaces more inclusive. Some examples of WIPSI training support include re-tooling and skill development, technology and optimization, robotics and automation, and IDEA training to help to improve an organization's current services, workplace culture and hiring processes.

WIPSI is not intended to support training activity that will result in competitiveness between Nova Scotia businesses. Additionally, WIPSI cannot support training activity that is supported by other government programs (e.g. the Workplace Education Initiative supporting essential business skills like leadership, sales and marketing).

For more information visit: [Workplace Innovation and Productivity Skills Incentive - Government of Nova Scotia, Canada](#)



Workplace Education Initiative (WEI)

The Workplace Education Initiative (WEI) provides business skills training for working Nova Scotians. This training enhances individuals' workplace skills and supports businesses and organizations to be more successful, open to change and ready for growth. This program is funded and delivered by the Department of Labour, Skills and Immigration in partnership with business, industry, and community organizations. Programs offered are listed on our website.

WEI training offers participants 40 hours of training over approximately 10 weeks, customized to individual, industry and community needs. WEI delivers programs in individual companies and sector councils, and in clusters of businesses and industries with a common need for training hosted by partner organizations. Classes are kept relatively small, with 8 to 12 participants, to allow for individual attention and support throughout the training and positioning participants for success. Regional Workplace Education and Training Coordinators support the assessment of the learning needs of individual businesses or groups of businesses and will recommend education programs to fill those training needs. The Coordinator also assists with the application for funding, which covers the cost of instruction, and provide support while a program is taking place.

For more information visit: [Workplace Education | novascotia.ca](https://www.novascotia.ca/workplace-education)

APPENDIX B

Advisor Evaluation Criteria

01

Does your advisor have special knowledge in your sector or industry?

02

Is your advisor experienced in the field in which they are assisting you?

03

Does your advisor appear to have genuine interest in the continued success of your business or organization?

04

Do you communicate effectively and openly with your advisor?

05

Does your advisor have a network of contacts they may leverage on your behalf?

06

Do you find your advisor listens to you?

07

Does your advisor value your opinion?

SUCCESSION PLAN OUTLINE

APPENDIX C

SECTION 01

Details of the Business or Organization

SECTION 02

Schedule or Timeline for the Transition

SECTION 03

Knowledge, Skills and Experience of the Current Owner or Key Associates

SECTION 04

Successor(s) Details and Development Plan

SECTION 05

Action Plan

SECTION 06

Monitoring and KPIs



Skilled workers. Quality homes. Better communities.

