As a business owner, do you have a retirement contingency plan?

Fluctuating profitability affects business valuations and the funds available to support the retirement lifestyle of business owners.

Retirement savings of business owners between the ages of 45 and 64:

- **61%** indicated that they had saved less than $100,000
- **14%** have saved $500,000 or more

47% of private business owners expect to be over 65 when they retire.

The barriers that owners have experienced:
- Finding a buyer/suitable successor: 42%
- Valuating the business: 34%
- Too much dependence on the business owner’s leadership: 32%

Business Owner Exit Options:
- Sell to buyer(s) unrelated to my family: 36%
- Transfer at no cost to family member(s): 15%
- Wind down (close) the business: 12%
- Sell to family member(s): 4%
- Don’t know: 33%

Determining how much is needed to be saved for retirement depends on a wide variety of factors, including:

- Planned amount of spending each year in retirement
- How much can be saved each year leading up to retirement
- Current age and age at retirement / expected lifespan
- Funds available from other sources such as Canada Pensions Plan, Old Age Security, pensions and inheritances
- Future health and health-care costs
- Taxes, especially regarding the use of registered plan assets (RRSPs and RRIFs) to support retirement spending

What owners are currently drawing from their businesses annually:
- **89%** drew out less than $100,000
- **1%** draw at least $500,000

Over 75% of respondents indicated that they were able to save only **$25,000 or less** on an annual basis towards their retirement.

Putting an Effective Retirement Plan in Place:
- Indicated that they did not have a business succession plan: 65%
- Had an up-to-date formal written business succession plan: 8%
- Owners closer to retirement had an up-to-date formal written plan: 14%
- Respondents had an informal business succession plan (unwritten): 23%

31% of private business owners noted that they had maximized their RRSPs, TFSA and or PPRPs
21% have non-registered investments for retirement
49% have not diversified their pool of retirement capital

31% of private business owners expect to be over 65 when they retire.

BMO Wealth Management

We're here to help.

Source: BMO Wealth Management Report, As a business owner, do you have a retirement contingency plan? October 2016. This publication is for informational purposes only and is not and should not be construed as, professional advice to any individual. Individuals should contact their BMO representative for professional advice regarding their personal circumstances and/or financial position. The information contained in this publication is based on material believed to be reliable, but BMO Wealth Management cannot guarantee the information is accurate or complete. BMO Wealth Management does not undertake to advise individuals as to a change in the information provided. It is intended as advice of a general nature and is not to be construed as specific advice to any particular person nor with respect to any specific risk or insurance product. The comments included in this publication are not intended to be a definitive analysis of tax applicability or trust and estates law. Comments regarding an individual’s particular tax position should be obtained in respect of any person’s specific circumstances.