Leaving your mark

"Only eat one steak a day, share what you have created and enjoyed, and leave your mark in some small way" was Arnold Rosenberg's philosophy as he neared his retirement. This sentiment is common among successful business owners.

Arnold started his career as a systems engineer when computers were in their infancy and took up an entire floor of an office building. Frustrated with the bureaucracy in his civil service job, Arnold decided to start his own business. He opened an office in Ottawa to implement and market his ideas for software development. The business grew quickly to become a major developer and distributor of educational and scientific software with an international customer base.

At 61, Arnold began to think about exiting the business and ending his day-to-day management role. "You look in the mirror and you see a little grey hair and realize that you might not be around forever," he says. This realization is especially bittersweet for business owners, as it may mean letting go of the business they built from scratch.

Arnold knew this was an important stage in the life cycle of his business. "We put a lot of effort into getting trained and prepared for our careers ... but very few people put the same time and effort into planning their retirement." Many people only start planning for their retirement late in life, but retirement planning should really be a career-long process. For Arnold, building his business gave him access to legal, financial and tax professionals who were knowledgeable about retirement. He took advantage of their expertise and planned for his retirement early. "At the time, it did take quite a bit of effort, but now I have the freedom to consider my options and my kids have the freedom to choose what kind of role they would like to play."

With a retirement plan already in place, Arnold had more time to focus on the transition of his business as he plans to exit. "Many people in my position are looking to their kids to carry on the family legacy, but I've always thought that puts an unfair burden on the next generation." With a son in banking and a daughter practising law, Arnold believes that his children can choose their own career trajectories: "If they want to become involved with the business, it should be entirely their decision."

Since Arnold's children had not expressed strong interest in running the business, a share-option plan could be a good way to keep talent within the business. This would allow Arnold to provide employees with incentives while still retaining control.

Wanting a tax-efficient way to transition his assets to the next generation, Arnold set up a holding company jointly owned by his two kids. "They have no votes, but technically have all the financial benefits. It is essentially more of an investment portfolio than anything else," he explained. This strategy

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allowed him to manage the tax implications of his business for his estate. However, Arnold should also be prepared to use third-party mediators for conflict resolution if his children disagree about the business.

Today, Arnold continues to enjoy contributing to his business, and jokes, "it's quite possible they're going to end up having to carry me out." As his responsibilities in the company are transferred to new management, Arnold hopes to be more involved with charitable efforts in his community: "Perhaps, I could get a group of friends together and we could take on a project, doing what is required, and maybe using what influence I have – that's something I would really enjoy doing."

Aside from giving his time, Arnold plans to contribute some assets to charities he supports upon his death. "These will be anonymous donations – I have no interest in being known for my good deeds, but I feel there are certain charities that are deserving of my money." Alternatively, Arnold could consider creating a private foundation or donor advise fund to give during his lifetime. This will also help him achieve a personal goal of tax minimization.

With his proactive retirement and exit planning, Arnold has established a structure that ensures the stability of his business and gives his children the flexibility to make their own career decisions.

Acknowledgement

This client story is abridged from Sarah Kruger and Sean Foran, Succession Stories from the Front Line (BMO Bank of Montreal, 2008), 79–85.

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09/19-1137