BUSINESS TRANSITION ALLIANCE
STRATEGIES TO INCREASE VALUE

Three Tips When Transitioning Your Business:

· Ensure that the shares of your company qualify for the lifetime capital gains exemption (LCGE). If all or substantially all of the business' assets are not used principally in an active business carried on primarily in Canada at the time of sale, then the shares will not qualify. As a result, the shares may need to be "purified" prior to the sale. The Canada Revenue Agency generally takes the position that "all or substantially all" means 90% or more. Non-active assets generally consist of an investment portfolio not used in day-to-day business activities.

· If you expect the value of the business to increase, consider reorganizing the company (e.g. estate freeze) so that some or all of the future growth can accrue to other family members, either directly or through a family trust. This can multiply the use of the LCGE among family members. However, keep in mind that the after-tax value of this growth will now belong to these family members.

· When you sell your business, consider donating some proceeds to a registered charity. The donation tax credit can minimize the tax on the capital gain from the sale of the business. In order for this strategy to be effective, the charitable donation must be made **in the year of sale**. Since the donation is irrevocable, ensure that you have enough remaining assets to meet your retirement income and estate planning goals.

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