Specialist wealth management support for your **business owner clients**

Building a close working partnership

As a professional adviser, you work hard to create enduring relationships with your business owner clients, by using your expertise to provide guidance and support their commercial goals.

To help you build even stronger bonds with your clients, we at Canaccord Genuity Wealth Management (CGWM) can work in partnership with you. As wealth management specialists, we offer complementary wealth planning and investment management services to support each client's future prosperity.

By joining forces with you to support your business owner clients, we can ensure that all their business and wealth planning needs are being met at every stage of their business lifecycle: before, during and post exit.

Why choose CGWM?

- We will work closely and collaboratively with you; we are proud of our long-lasting and mutually beneficial affiliations with our solicitor and accountancy partners
- We offer holistic wealth management services for business owners, based on deep insights, understanding and experience of the support they need as they build, sell and retire from their businesses
- Our Wealth Planners are truly independent and will give your clients impartial advice on a broad range of solutions, choosing the best options for them
- We know that no two business owners are alike, and we will adjust our advice and proposals to suit each client's specific needs.

The three key stages of business ownership

We can work with you through the key business lifecycle stages: pre-sale, selling and post-sale, to ensure that each of your business owner clients is supported and protected.

- **Pre-sale** – throughout the life of the business while it's owned by your client, we can ensure that the company and directors are fully prepared for all eventualities and, when ready, in a good position for a tax-efficient sale
- **Selling** – at this stage, there is likely to be a significant release of capital; we can provide cash flow modelling to forecast and protect future finances, as well as providing portfolio management, pension and inheritance tax (IHT) advice to help your client achieve the lifestyle they want in the future
- **Post-sale** – we can ensure the proceeds from the sale provide the income your client needs in retirement, and continue to help them with pension and IHT planning and investing – enabling them to share their wealth tax-efficiently with their family and favourite charities.

Helping your clients at the **pre-sale stage**

Many clients may not even be considering a possible sale at this stage; owners are very focused on running their business at the present time and developing ways to grow it. During this period, we can help with:

• Business continuity planning
• Advice on investing their bonuses or any surplus corporate funds
• Cash flow modelling and wealth MOTs to ensure they are on track for their future plans
• Tax-efficient financial planning, ensuring all applicable business and personal tax allowances are utilised
• Retirement planning for directors, company owners and shareholders
• Company pensions
• IHT planning, to reduce their estate's tax liability in the future.

Protecting business continuity and succession planning

When running a business, it's vital to prepare for all possibilities, particularly when the livelihoods of others rely on its continued success.

What would happen if a key member of the company had an accident, became terminally ill or died?

If something happened to one of the owners or major shareholders, could the business settle its outstanding loans? How would this affect its tax status? You have probably already addressed some aspects of this via Wills and by setting up trusts and lasting powers of attorney; we can work alongside you to ensure every eventuality is covered.

At CGWM, we offer advice on a range of ways to help your business owner clients deal with unexpected changes. Our specialist Wealth Planners will put solutions in place to ensure the long-term survival of the company.

There are four types of essential cover for businesses:

• Key person protection
• Business loan protection
• Relevant life plan
• Shareholder protection.

We will help each of your clients work out which plans they need and what the sum assured should be. We will then factor in tax implications and recommend a provider that we believe offers the best cover for their individual situation.

Taking a long-term view

By the time a client decides that the moment is right to put their business on the market, or start passing it on to the next generation, it may already be too late to put tax-efficient plans in place.

We will make sure that doesn't happen. We believe that business owners should always be aware of the possibility of a sale in the future and prepare to achieve the most lucrative and tax-efficient outcome. We can help to ensure that the business is financially structured as tax-efficiently as possible, using trusts, pensions and shareholdings. We can also make sure their business and personal finances are working in a 'joined up' way to make the most of any allowances.

Even if your client is not currently thinking of selling, we can help them plan how to withdraw surplus funds from the business tax-efficiently over time.

Supporting your clients through the **sale of their business**

Our brief at this stage is to help your client achieve their immediate goals, whether they want to raise capital for another venture, pass on a thriving business to their family or set themself up for retirement. However, we also need to help them plan for the unexpected.

Our first task will be to ensure that the business is in the right shape for sale. We will work with you to check that:

- All tax allowances are being used, including maximising pension contributions and carrying forward any contributions that exceed the annual allowance and still benefit from tax relief
- They have used any business asset disposal relief available to reduce their liability for capital gains tax
- The business continuity plans we've already set up are adjusted to cover any issues that might arise during the sale
- The articles of association are up to date
- Employment contracts, insurance cover, Wills and lasting powers of attorney are in place.

When selling a business, an owner's main concern is usually about getting the most they can from the sale, in order to maintain their income at the right level. We will use cash flow modelling scenarios to help your client understand how much they will need to live the way they want after selling their business, including their plans for retirement. Then we'll show them how to use the capital released from the sale of their business to achieve those plans through our investment management service.

A combination of careful and tax-efficient financial planning and expert portfolio management might enable them to sell their business for a lower capital sum yet still be very confident of achieving their post-sale ambitions. This would have the benefit of opening up a wider range of potential bidders.

Helping your clients **achieve their post-sale ambitions**

Once again, we won't wait until your client has sold their business before making plans for their future. Throughout our relationship with you and your client, we will be using cash flow modelling and considering tax-efficient ways to optimise their retirement plans and help them pass on their wealth to future generations.

Making the most of tax allowances

We will ensure that your client uses all their tax allowances – for example, if the business owners are a married couple, we have two sets of allowances to work with. This means that the gross income needed to achieve the net annual retirement income they want may be lower than expected. We can combine their personal allowance, dividend allowance, savings allowance, capital gains tax exemption and tax-free cash from pensions, which together will help to provide a tax-efficient income in retirement.

Once the business is sold, all the proceeds, without any financial planning, would fall back into their estate for tax purposes. Having already considered this earlier in our relationship with your client, we will again review and factor IHT into the equation, finding ways to mitigate liability and ensure the maximum legacy for their family or loved ones.

Although we will often arrange life policies in trust as a useful way of mitigating IHT (the proceeds from the life insurance policy will not be counted as part of their estate for their beneficiaries), we will also work with your client to make longer-term plans for IHT. We can suggest a range of options, including qualifying reinvestments and gifting, either outright or into trusts.

Investing for the future

Once the sale is complete, we can use our portfolio management expertise to advise your client on investments. We can create and manage a bespoke investment portfolio for their hard-earned assets, including specialist solutions such as ESG (environmental, social and governance) investments, small caps (investing in smaller companies) or our IHT Portfolio Service if needed.

If your client wishes, we will also continue to provide ongoing wealth planning and investment advice and support. We believe this is essential, as there may be changes in circumstances, legislation, and investment markets, which we would look at year-on-year, adjusting your client's plans to ensure they stay on track.

How we supported Samantha and John to achieve the financial outcome they wanted

Samantha and John's company accountant approached us, to discuss how we could help the couple to use the proceeds from selling their business to achieve the lifestyle they wanted. We sat down together with Samantha and John, the accountant and the couple's solicitor, and agreed the best way forward. We then worked as a team of experts to put everything in place.

Samantha and John's challenge

Samantha, 58, and John, 59, had run their family engineering business in the Midlands for 30 years. Samantha set the business up with an inheritance from her late father and the couple had been planning on selling up by the time John was 65.

They had three children, aged 22, 24 and 26, and over the years their accountant had discussed succession planning with them. However, while they originally thought that their children would work in the business and eventually take over, in the end they all pursued their own careers, leaving Samantha and John rethinking their plans, and their future.

Samantha and John's personal investible wealth was £1,500,000, as follows:

Asset	Invested		Amount
Joint core taxed account	Discretionary investment manager		£650,000
Samantha's ISA account	ESG investment		£350,000
John's ISA account	ESG investment		£250,000
John's premium bonds			£50,000
Joint cash			£200,000
		Total	**£1,500,000**

They also owned a property valued at £1,250,000 with no outstanding mortgage.

Finding out more about their needs

Each year, Samantha and John had been drawing £190,000 in income from the business. This had supported their three children through private education and university, as well as covering their mortgage liabilities.

During the pandemic in 2020, their net profit dropped, bringing a realisation that the value of their business, which they saw as their retirement pot, could easily diminish. They had already received an offer for £2,250,000 but they felt that the business was worth in the region of £4,000,000 and weren't yet ready to sell.

The value of cash flow modelling

To help visualise what their future could look like post sale, our priority was to look at a budget plan with them. They felt that to achieve the lifestyle they wanted they would need a net income of around £100,000 each year.

The next stage of the planning process was to calculate how their future would look if we based cash flow on a sale of £4,000,000 net of tax, and £100,000 net income per annum.

We always start by exploring whether business owners are making the most of all possible current tax allowances. This means that when we get into the finer details of the cash flow modelling, we can help provide a more tax-efficient path to their desired retirement income and lifestyle.

Most business owners have focused on corporation tax and dividends during their business life. When they sell and retire, we can educate them on the world of personal taxation and allowances that they can use to produce a good starting income without tax. The following table illustrates how this would work for Samantha and John.

	Samantha	John
ISA – 3% yield £350,000	£10,500	
ISA – 3% yield £250,000		£7,500
Dividend income from core taxed account	£2,000	£2,000
Personal allowance (tax year 2023/2024)	£12,570	£12,570
Personal savings allowance* (tax year 2023/2024)	£1,000	£1,000
Capital gains tax annual exempt amount (tax year 2023/2024)	£6,000	£6,000
Total	**£32,070**	**£29,070**

*This would fall to £500 per year for a higher rate taxpayer.

They could draw over half of their required £100,000 income tax free, which would minimise the pressure on their capital. Based on our agreed assumptions, our cash flow illustration showed that, even factoring in the possibility of a market crash just after they had retired and started to draw their income, they would not run out of money if they both lived to 100.

Market shocks are incorporated into the cash flow modelling illustration: both individual shocks and general stock market movements such as those witnessed from 1998 to 2020 – or even the impact of high inflation levels in 2022. This means pragmatism and ‘defensive financial engineering’ can be fully incorporated into our approach.

Addressing business owners’ specific concerns

We wanted to provide Samantha and John with holistic financial planning that would stretch across the entirety of their business journey, so we implemented several measures to protect them even before they reached the point of selling. These addressed a range of concerns specific to business owners:

- How do we extract capital efficiently?
- Will the buyer require us to stay on in a consultancy capacity?
- Who will run the business if we die?
- Who inherits if we die?
- Who will run the business if we are ill?
- Who will run the business if we can’t?

We held joined-up discussions with their solicitor to ensure that the appropriate succession plans were in place. Working together, we ensured that:

- They had a business Will in place, leaving their shares to their children
- Their articles of association were updated
- They had a cross option agreement set up**
- Their accountant had discussed all taxes that might be incurred on exiting their business.

We arranged life and critical illness cover and set up various trusts to meet all eventualities.

This covered many of the ‘what ifs’ along the way, so Samantha and John were now ready to sell their business.

A successful outcome

In April 2023, by working closely with their solicitor and accountant, we helped Samantha and John prepare their business for a successful sale of £4,000,000 net of all fees and tax.

We used our cash flow models to demonstrate that they could easily afford to share part of the proceeds with their children without affecting their long-term financial security. The funds were invested after they had made an initial outright gift to each child of £100,000.

IHT planning will now form a major part of our advice. This will include annual reviews, to ensure that their arrangements are providing the income they need, as well as looking at further gifting, trusts, business relief planning and possibly life cover.

** A cross option agreement is used if a shareholder dies. It provides the surviving shareholders with an option to buy the deceased’s shares at market price.

Investment involves risk. The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance.

The tax treatment of all investments depends upon individual circumstances and the levels and basis of taxation may change in the future. Investors should discuss their financial arrangements with their own tax adviser before investing.

The information provided is not to be treated as specific advice. It has no regard for the specific investment objectives, financial situation or needs of any specific person or entity.

Discover our **can-do** approach

Your clients rely on you for advice on a wide range of issues surrounding their business and personal lives. Our services will dovetail with yours, as we work together to build your clients' wealth with confidence. Together, we can support them through the personal challenges of running and selling a business, and adjusting to the future with the retirement they've always wanted.

To find out more about how we go above and beyond to understand your business owner clients' wealth management needs and aspirations – and empower them to achieve them – get in touch. We'll be delighted to answer your questions and provide details of our services.

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Specific risks of the IHT portfolio service investing in AIM-listed companies include the potential volatility and illiquidity associated with smaller capitalisation companies. There may be a wide spread between buying and selling prices for AIM-listed shares. If an investor has to sell these shares immediately they may not get back the full amount invested, due to the wide spread. AIM rules are less demanding than those of the official list of the London Stock Exchange, and companies listed on AIM carry a greater risk than a company with a full listing. The current inheritance tax rules and tax treatment of AIM shares may change in the future. In addition, investors must be prepared to hold their shares in AIM-listed companies for a minimum of two years or these assets will be considered part of their estate in the IHT calculation.

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