BUSINESS FINANCIAL PLANNING

Financial planning is as important, if not more so, for businesses as it is for individuals because typically the financial goals of a number of people are at stake.

OBJECTIVES OF BUSINESS FINANCIAL PLANNING

The broad objective of business financial planning is to assist a business entity to utilize its assets to achieve both short and long-term goals of its stakeholders, including owners, shareholders, and employees. More specific business financial planning objectives might include:

- Generating net revenues sufficient to meet the current/future income requirements of each stakeholder
- Building tax-deferred wealth in the form of business share equity
- Attracting and keeping high-value employees
- Identifying and managing risks to financial survival, such as:
  - Disabling injury, critical illness, or death of any person(s) upon whom the enterprise depends for its profitable operations
  - Creditor demands for financial security and personal indemnification
  - Property, premises, product, and operational liabilities
  - Employee dishonesty, fraud, theft, or disappearance losses
- Providing smooth transition of ownership and control upon retirement, disability, death, dismissal, or departure for any other reason of any one or more stakeholders

THE BUSINESS FINANCIAL PLANNING PROCESS

Nakamun's business financial planning process includes the following steps:

- Assess the current business situation
- Building tax-deferred wealth in the form of business share equity
- Define the desired goals of the corporation and its stakeholders
- Identify and research tools available to assist in achieving the goals
- Discuss, prioritize, and select options to incorporate in the financial plan
- Implement the plan options
- Review the plan results at least annually and make adjustments when appropriate

TWO ISSUES COMPLICATE THE PROCESS

1) Balancing the business owner's needs with those of the organization
2) Working within corporate and individual tax and legal frameworks; and within the very specific rules that dictate the interrelationship between the two

THE TOOLS OF BUSINESS FINANCIAL PLANNING

Depending on the specific goals of a business financial plan, numerous tools are available to help attain those goals. The following are just some of those tools:

- **Unanimous Shareholder's Agreements (USA)** — define when, why, how, to whom, and under what terms a shareholder may or must turn over beneficial ownership of shares to others. USAs typically outline what is to happen in the event that any working shareholder is unable to perform responsibilities to the business by reason of death, disability, or retirement (voluntary or involuntary)
- **Buy/Sell Funding Agreements** — supplemental to or sometimes in lieu of a USA. These agreements are designed to ensure business shareholders have the cash available to purchase the shares of a deceased or disabled shareholder. Various insurance policies are often acquired to provide the funding necessary under the terms of the agreement
- **Key Person Insurance** — mitigates financial losses caused by death, disability, or critical illness of a key employee. Losses incurred due to interruption of key business activities, hiring and training a replacement, salary continuation, and/or other related causes are offset or recovered by such insurance plans
- **Group Registered Retirement Savings (RRSP) and Pension Plans —** provide a formal structure for a business to assist its employees to provide for adequate income in retirement
- **Individual Pension Plans (IPP)** — assist business owners to increase tax-deferred wealth outside the company beyond the amount available with traditional RRSP limits. An IPP allows a company to create a tax-deductible expense when moving funds into the personal control of the business owner without immediate taxation. These IPP funds are protected from the business owner's and business' creditors
- **Retirement Compensation Arrangement (RCA)** — similar to an IPP, an RCA funds a business owner's retirement while also providing an element of key person or estate planning life insurance
- **Employee Benefit Plans —** cost-effectively provide basic life and disability income insurance for all employees. Extended health, dental, and drugs benefits also assist in assuring a healthy workforce and reduce absenteeism
- **Health Care Spending Accounts —** a remarkably flexible mechanism designed to fund a wide range of health related expense items for employees on a tax-free basis, while remaining fully deductible to the business

THE TOOLS OF BUSINESS FINANCIAL PLANNING CONT.

- **Group Accident and Sickness Program (GASP)** — protects employees from a personal health care crisis (Emergency Care, Long Term Care, Critical Illness, or Disability). The premium can be set up as an expense to the company and the benefit as non-taxable to the employee
- **Shared Ownership strategy —** turns corporate dollars into tax preferred personal dollars by bundling some financial products amongst the corporation and its . The corporation pays for certain elements without creating a taxable benefit to the owner
- **Business Succession process —** ensures the business is positioned for a key shareholder's death. This process would ensure the distribution of surplus assets in accordance with the owner's wishes while minimizing taxes and interruption to the business and continuing to balance key stakeholders' needs
- **Property and Casualty Insurance and Comprehensive Liability Coverage —** help protect the business and connected individuals against losses or legal liability judgements in respect of fire, business operations, premises, product, theft, dishonesty, certain legal actions, or other risks

THE ROLE OF YOUR NAKAMUN ADVISOR

Your Nakamun Advisor is experienced in guiding clients through the complicated business planning process and ensuring the needs of all parties are balanced. Once we have gained a strong sense of your goals, we will assess the suitability of a variety of planning tools and make reasoned recommendations suited to your situation. Where appropriate, we will draw upon the expertise of other professionals. Perhaps most importantly, your Nakamun Advisor remains up-to-date with planning techniques and is available to assist you to ensure your business financial plan remains effective as time passes.