



CONSIDERATIONS FOR TODAY... THAT MAXIMIZE YOUR WEALTH TOMORROW

Although quotes may seem a bit cliché, I use a classic Yogi Berra quote when talking to clients as it fits so many situations and businesses: “If you don’t know where you are going, you might not get there.” This is a great quote to remember because no matter what stage of development your business is at, you need to consider what you want to achieve, otherwise it may never happen.

What is your objective and what do you want to accomplish?

The answer I hear often is “make money.” This is too simple an answer. To start, how much money do you want to make? As much as possible? Or as much as possible while allowing you to spend six months in Maui every year? These may appear to be similar objectives. However, your business would be organized differently depending on which objective you chose—workforce makeup, customer expectations and cash-flow needs to name a few. Other questions to ask yourself are:

- Do you want to run out of one location or have multiple operations?
- Do you want to expand operations or are you comfortable with the size and scope of your business today?
- Do you want to be known as having the best equipment?
- Do you want to transition your business to the next generation or go to auction?
- Do you know how much money you need to retire?

What are the right things to consider?

While most business objectives will boil down to making money in our business and accumulating wealth and equity, we all do things differently due to our own circumstances and goals. What we really need to appreciate is that money is a trailing indicator of doing the right things.

Making money today is the result of having already considered and done a number of things correctly in your business. Taking it to the next level, retaining and accumulating significant wealth is the result of continually doing the right things in a number of different stages and areas of your business.

The “right things” will change and vary

depending on the stage of your business and which area of your business you are looking at. The key to identifying what the right things are, though, is ensuring the decisions you make in your business align with your business objectives and overall goals.

Where is your business at?

Every business goes through a series of stages in its evolution. Failure to plan properly at any stage of your business lifecycle may result in significant financial consequences or lost opportunities down the road. The first step to effective planning is to understand what stage your business is at today.

Start Up: Most new business owners don’t want to incur heavy costs until they’ve proven the business potential. So you may select a simple structure such as a proprietorship or partnership. Business focus is on establishing basic processes for finances and people.

Growth: At this point, you’ve proven your business concept and concluded, “Yes, I can make money doing this.” As your sales and revenues continue to grow, operational and people needs grow more complicated. Financial needs become larger and HR needs become greater. Expansion puts pressure on all areas of your business.

Maturity: Now you’re really making money. With steady cash flow and a healthy bottom line, you can look at expansion, acquisitions or new ventures. As your business matures, give consider-

ation to protecting equity and ensuring that corporate structure in place will provide the optional tax advantages for expansion/growth/dispersing wealth and even potential sales of business units.

Exit: Finally, you need to determine how to exit your business. Many tax restructuring transactions must be completed several years before a sale or succession process begins. You need to start preparing long before you plan to actually exit. This will ensure maximum flexibility for estate planning, income tax minimization and capital gains considerations.

If you’ve done things right

It’s quite simple. You have an effective plan and have executed that plan accordingly. Specific steps generate expected outcomes based on foresight and consideration of how actions and events will unfold. Having a good plan in place will provide you with predictable outcomes and, most importantly, cash in your pockets. If you haven’t planned, you don’t know what the outcome will look like and are waiting to find out. However, do you really want to wait to find out if you’ve done things right or have left thousands of dollars either on the table or with the tax man? Don’t wait to find out if you’ve done it right! ♣

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Tabular Summary of Business Life Cycle

| | Finance | People/Management | Operations | Customers/Sales |
|--|--|---|--|---|
| Startup | Plan and establish: - Basic financial reporting | Plan and establish: - Basic goal setting - Core values - Strategic planning | Plan and establish: - Production systems - Workflow mapping - Facilities planning | Plan and establish: - Identify ideal customer - Establish contact database |
| Growth | Develop and document: - Budgeting – forecasting - Ratio analysis - Trend analysis | Develop and document: - HR systems - Employee benefits and compensation - Team building activities - Training – Education | Develop and document: - Basic KPI monitoring - Quality - Productivity - Utilization - Capacity - Cycle time | Develop and document: - Pricing analysis - Basic KPI monitoring |
| Maturity | Enhancements: - Balanced scorecard review - Succession strategy - Assess tax structure | Enhancements: - Board of Directors meeting - Equity & profit sharing plans - ESOP planning - Preparing the business for sale - Business valuation | Enhancements: - Facilities investment planning - Resource allocation reviews | Enhancements: - New market analysis |
| EXIT / SUCCESSION - Retirement and estate planning | | | | |