

After Sale of the Company, 5 Steps for a Business Owner to turn into a Wealth Manager

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Congratulations! You have just successfully sold your business and entered a new stage of your life. Now what? After this intense period, your focus should shift from your professional life to your personal life. Your biggest issue will now be investing and conserving the wealth that took you so many years to grow.

This was the topic addressed by the discussion panel lead by Howard Johnson, Veracap M&A International Inc., at the [Business Transition Forum](#) held in Toronto. The conference was for business owners that wish to learn how to plan for the eventual sale of a mid-market privately owned business. More than 250 business owners, senior executives and expert advisors attended and below are five of the steps that I raised during the chat:

1. Take your time: One topic that gets sadly neglected is how to deal with the sudden wealth or cash from the sale of the business. Financially, many mistakes are made by investing the proceeds of a sale too fast without proper consideration of the personal financial goals and without settling into one's new life. It may often be better to get accustomed to the new wealth over time. Put some money aside to pay

for your consumption over the next year, and for the tax liabilities that have arisen due to the sale of the business and the income generated by it. The remaining financial assets can be parked in a separate account in safe assets until you are ready to invest them.

2. You will get Swamped by Investment Choices: Business owners who sell now turn into wealth managers, and their main responsibility is to preserve their wealth for their family and to invest it in ways that can help them achieve their personal and financial goals. This is when wealth owning families struggle to differentiate among the myriad possible investment vehicles, products and solutions. Individuals need to be able to differentiate between good advisors, who propose solutions that are advantageous for both the investors and the advisor, and solutions that do not add any value for the investor. Trust is the key foundation of modern business relationships and lasting relationships are only possible if all sides profit from the relationship.

3. Educate Yourself: In order to differentiate among the different options and opportunities and to effectively improve investment performance, I do think it is vital to acquire a good understanding of wealth management practices. Many banks offer good training. In my view, wealth owners need a basic understanding of topics such as modern portfolio theory, behavioral finance, financial planning and risk management. On top of that, a good understanding of different investment vehicles – stocks, bonds, commodities, hedge funds, private equity, etc., including their risks – is also necessary.

4. Create Your Wealth Plan: Once you have settled into seeing your new role as stewards of wealth, it is time to focus on the most important financial decisions that need to be taken. This does not necessarily take a year after the liquidity event; it can be as short as a few months or even weeks. Yet, at some point, the role transition will be at a more advanced stage and former business owners will be ready to pursue new opportunities in life. On the personal side, these could include philanthropic activities or a possible new career or a new business. Whatever the new role, the financial assets have to be structured to allow the wealth owners to achieve these goals. The focus on the financial side should be on the development of an individual financial plan that is designed to meet the wealth owner's financial goals

and needs. This should eventually result in a strategic asset allocation and perhaps an investment policy statement that serves as an anchor for investment decisions many years into the future. Only when these fundamental parameters of the investment portfolio are set should the actual investments be made.

5. A final thought - Enjoy Your Wealth: The ultimate goal is simple: Enjoy your wealth, enjoy your life and maybe even enjoy your new career.

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