



Industry News

Aging small-business owners unprepared for retirement: survey

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While entrepreneurs put a lot of time and energy into growing and expanding their business, too many don't have a clearly defined exit strategy

By Leah Golob | October 05, 2017 12:10

The majority of Canadian small-business owners don't have a detailed retirement plan in place despite little interest in expanding their business, according to recent study conducted on behalf of Toronto-based Canadian Imperial Bank of Commerce.

In fact, 78% of aging business owners haven't prepared any sort of formal plan to prepare for an upcoming retirement or in the event of an unexpected emergency, the report says.

These findings are surprising given that many small-business owners are no longer planning to grow their business. Among these owners, 42% say their happy with the size the business is now, 36% say they plan to close, sell or transfer the business, and 3% say there is not enough cash flow to expand.

"The recent gains in the economy and in real estate values have promoted some business owners to consider selling," says Sean Foran, managing director of business transitions planning at CIBC Wealth Strategies Group.

"While entrepreneurs put a lot of time and energy into growing and expanding their business, too many don't have a clearly defined exit strategy."

Whether winding down a business or transferring it to a family member or an employee, letting go of a business can be complicated and made even more difficult by tax consequences, he adds.

"The biggest mistake small-business owners make is not having these conversations early enough," Foran says. "It's important to involve a team of experts including lawyers, accountants and financial advisors to achieve a higher valuation, maximize retirement income and reduce their overall tax bill."

The CIBC small-business poll was completed from Sept. 6 to 15, among 1,014 randomly selected Canadians who are decision makers for small businesses and who are Angus Reid Forum or EMI Research Solutions panellists.

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