Canaccord Genuity
Wealth Management

Specialist wealth management support for **business owners**

Supporting you at every stage of building and exiting from your business

For hard-working business owners like you, personal and business finances are often inextricably linked. Your accountant and solicitor do their best to keep you up to date with the latest legal and tax ramifications of financial decisions and developments, but they are probably not experts in wealth planning or investment management.

At Canaccord Genuity Wealth Management (CGWM), we are specialists in providing these services for business owners. Working in tandem with your other professional advisers, we can provide the in-depth support you need, ensuring that all your business and wealth planning needs are met at every stage of your business lifecycle.

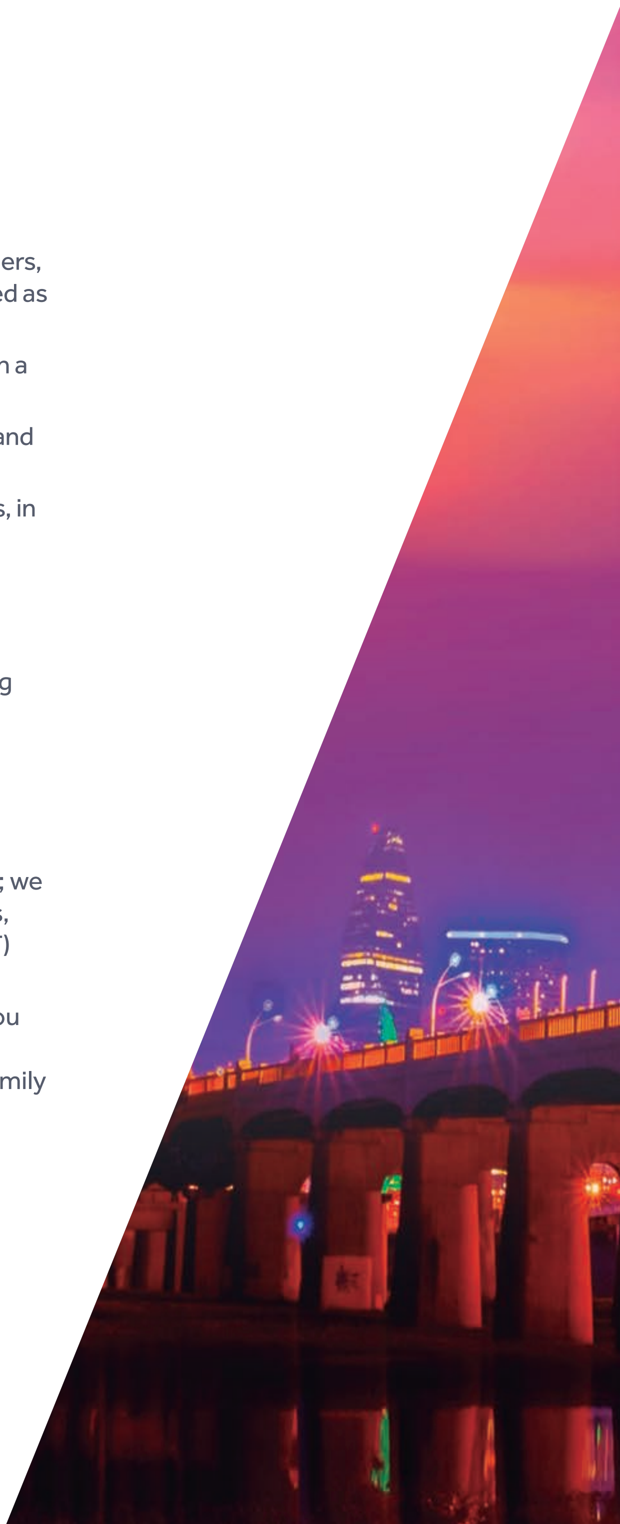
Why choose CGWM?

- We offer tailored and effective wealth management services for business owners, based on deep insights, understanding and experience of the support you need as you build, grow, sell and retire from your business
- Our Wealth Planners are truly independent and will give you impartial advice on a broad range of solutions, choosing the best options for you
- We know that no two business owners are alike, and we will adjust our advice and proposals to suit your specific needs
- We will get to know you and gain a deep understanding of your individual goals, in order to build a successful long-term relationship with you.

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 you are effectively advised and protected.

- **Pre-sale** – for as long as you own your business, we can ensure that your company and its directors are fully prepared for all eventualities and, when ready, are in a good position for a tax-efficient sale
- **Selling** – at this stage you are likely to receive a significant amount of capital; we can provide cash flow modelling to forecast and protect your future finances, as well as providing portfolio management, pension and inheritance tax (IHT) advice to help you achieve the lifestyle you want in the future
- **Post-sale** – we can ensure the proceeds from the sale provide the income you need in retirement, and continue to help you with pension and IHT planning and investing – enabling you to share your wealth tax-efficiently with your family and favourite charities.



Helping you at the **pre-sale stage**

You may not even be considering a possible sale yet, as we know you may simply be focused on running your business from day to day and developing ways to grow it. During this period, we can help with:

- Business continuity planning
- Advice on investing your bonuses or any surplus corporate funds
- Cash flow modelling and wealth MOTs to ensure you're on track for your future plans
- Tax-efficient planning, making certain you are utilising both business and personal tax allowances
- Retirement planning for directors, company owners and shareholders
- Company pensions
- IHT planning, to reduce your estate's tax liability in the future.

Protecting business continuity and succession planning

It's vital to protect your business by preparing for all possibilities, particularly when the livelihoods of others rely on its continued success.

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

If something happened to you, another joint owner or a major shareholder, could your business settle its outstanding loans? How would this affect its tax status? You have probably already addressed some aspects of this with your solicitor, by making Wills and setting up trusts and lasting powers of attorney. We can now look at your business as a whole and put solutions in place to ensure your company's long-term survival, while ensuring all unexpected changes and eventualities are covered.

There are four types of essential cover for businesses:

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

We will help you work out which plans you 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 your individual situation.

Taking a long-term view

Even if you're not considering it right now, eventually you will want to sell or pass on your business. However, by the time you're ready to put your business on the market, or start handing it over 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 you should always be aware of the possibility of a sale in the future and prepare to achieve the most lucrative and tax-efficient outcome. Working in partnership with your professional advisers, we can help to ensure that your business is structured as tax-efficiently as possible, using trusts and shareholdings. We can also make sure your business and personal finances are working in a joined-up way to make the most of any tax allowances.

Finally, we can help you plan how to withdraw surplus funds from the business tax-efficiently over time until you're ready to sell.

Supporting you through **the sale of your business**

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

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

- You are using all possible tax allowances, including maximising pension contributions and carrying forward any contributions that exceed the annual allowance and still benefit from tax relief
- You have used any business asset disposal relief available to reduce your 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, your main concern will probably be to get the most you can from the sale, in order to maintain your income at the right level. We will use cash flow modelling scenarios to help you understand how much income you'll need to live the way you want after selling your business, including your plans for retirement. Then we'll show you how to use the capital released from the sale of your 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 you to sell your business for a lower capital sum yet still be very confident of achieving your post-sale ambitions. This could help you to open up a wider range of potential bidders.

† Articles of association form a document that specifies the regulations for a company's operations and defines the company's purpose. The document lays out how tasks are to be accomplished within the organisation, including the process for appointing directors and the handling of financial records.

Helping you **achieve your post-sale ambitions**

Once again, we won't wait until you've sold your business before helping you to make plans for your future. Throughout our relationship with you, we will use cash flow modelling and look for tax-efficient ways to optimise your retirement plans and help you pass on your wealth to future generations.

Making the most of tax allowances

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

Without the protection of financial planning, all the proceeds from the sale would fall back into your estate for tax purposes. So from early on in our relationship with you, we will factor IHT into the equation and find ways to reduce liability, ensuring the maximum legacy for your 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 your estate for your beneficiaries), we work with you to make longer-term plans for IHT. We can suggest a range of options, including qualifying reinvestments and gifts, either outright or into trusts.

Investing for the future

Once the sale is complete, we can use our portfolio management expertise to advise you on investments, creating and managing a bespoke investment portfolio for your hard-earned assets. Your portfolio could include specialist solutions such as ESG (environmental, social and governance) investments, small caps (investments in smaller companies) or our IHT Portfolio Service if needed.

If you wish, we can also continue to provide you with ongoing wealth planning and investment advice and support. This is important, as there may be changes in your circumstances, as well as in legislation and investment markets, which we would look at year-on-year, adjusting your plans to ensure they stay on track.

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

Samantha and John approached us, to discuss how we could help them use the proceeds from selling their business to achieve the lifestyle they wanted. We sat down together with Samantha and John, plus their accountant and solicitor, and agreed the best way forward.

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 and solicitor 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 after selling their business, our priority was to look at a budget plan with them. Samantha and John 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 more than 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 whole of their business lifetime, 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 looked at appropriate succession plans to ensure that:

- Samantha and John 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**
- They knew exactly which taxes might be incurred when they left 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 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 gifts, 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

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

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Any tax benefits depend upon the investor's individual circumstances and clients should discuss their financial arrangements with their own tax adviser before investing. The levels and bases of taxation may be subject to change in the future.

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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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Adam & Company is a trading name of Canaccord Genuity Wealth Limited (CGWL) in Scotland.

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