

# CAPIC Presentation on Business Succession Planning With Immigration Assistance



Presenter:

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Past President**



# What is CAPIC ?

- **Mission:** CAPIC, the Canadian Association of Professional Immigration Consultants, leads, connects, protects and develops the profession, serving the best interest Regulated Canadian Immigration Consultants.
- **Values:** Respect, Professionalism, Positive, Inspiring and Creative Work Environment, Integrity, Transparency and Accountability, Member Value Creation

*Recognized by the Canadian Federal Government as the only “voice” of RCICs*

# A Spoonful of Canadian Industry Statistics

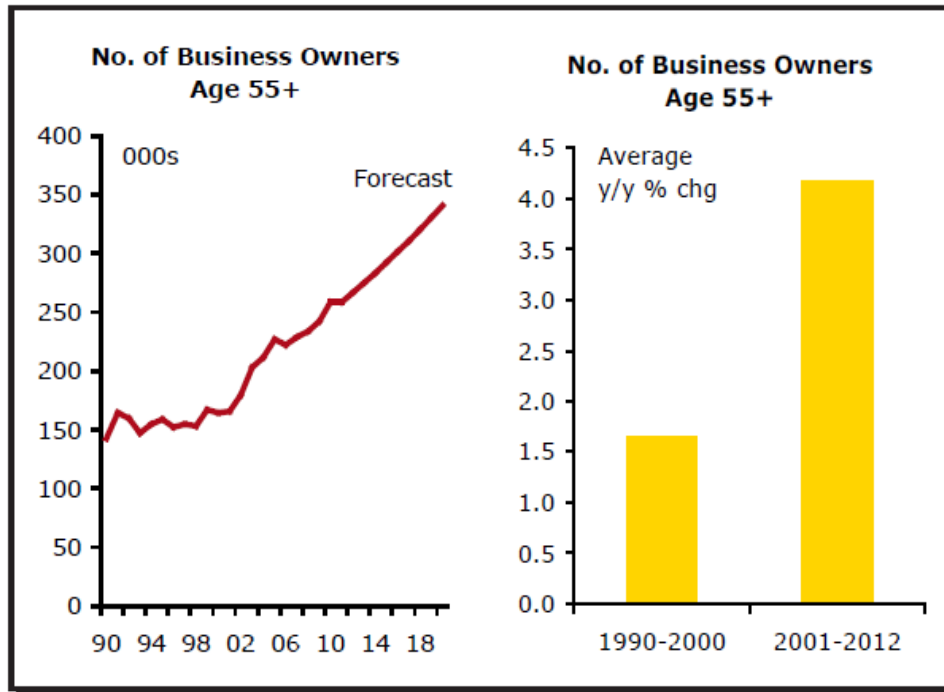
## □ According to Industry Canada

- nearly 1.15 million small and medium businesses (SME)
- more than 98 per cent have less than 100 employees
- They employ nearly 70 per cent of the Canadian workforce
- When businesses with 100 to 499 employees are added, SMEs employ ~90 percent of Canadians
- 78 percent operate in the service-producing sector, compared with ~21 percent in the goods-producing sector.

# Baby Boomers Shake The Numbers

Chart 1

## Business Owners Getting Older



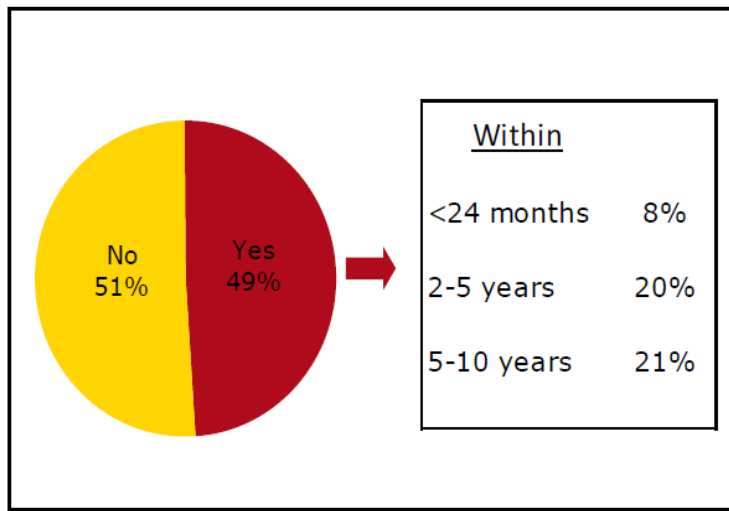
Source: Statistics Canada, CIBC

- More than 300,000 business owners, or almost one-fourth of all businesses with employees, are now aged 55 and over
- Their number has risen by 4% a year over the past decade, more than double the rate of the 1990s
- By the end of 2022, close to 400,000 business owners will be over the age of 55

# Business Retirement Stampede

Chart 2

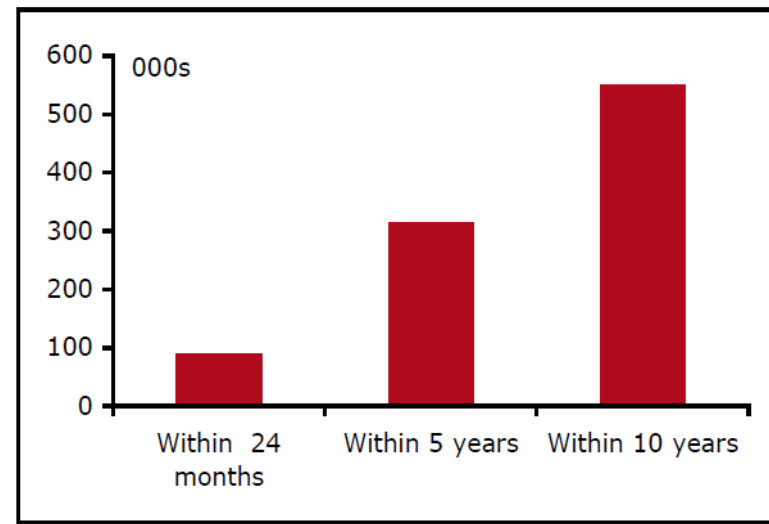
Plans To Exit the Business in the Coming Decade



Source: CIBC calculations based on the Leger Marketing Poll (July 2012), Statistics Canada

Chart 3

Number of Business Owners Planning to Exit



Source: CIBC calculations based on the Leger Marketing Poll (July 2012), Statistics Canada

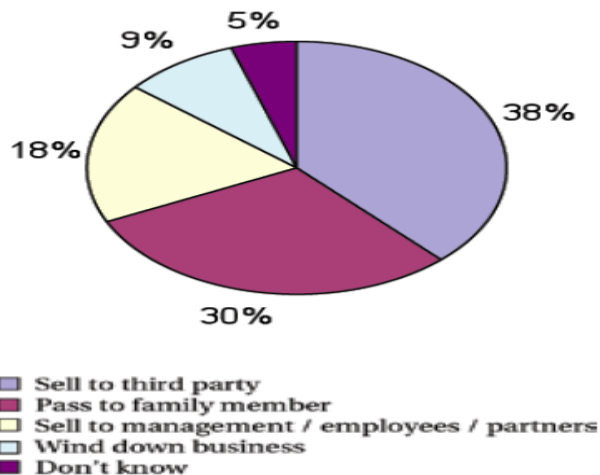
➤ **One-half or ~550,000 of business owners plans to exit within the next 10 years, with the vast majority planning to retire**

***CFIB Survey 2012 (8,300 businesses): 77% plan to exit in next 10 years; Reason for 85% is retirement***

# Which Door is The Exit And How Do I Get There?

## HOW BUSINESS OWNERS PLAN TO EXIT

In a study by RBC of small- and medium-sized-business owners in Canada over the age of 50, selling to a third-party was the number one exit strategy (38%) followed by passing to a family member (30%). Five percent had no exit strategy.



Source: RBC Quantitative Study of the Business Succession Market in Canada (March 2007); based on private companies with annual revenue greater than \$250,000.

## CFIB Survey 2012 (8,300 businesses):

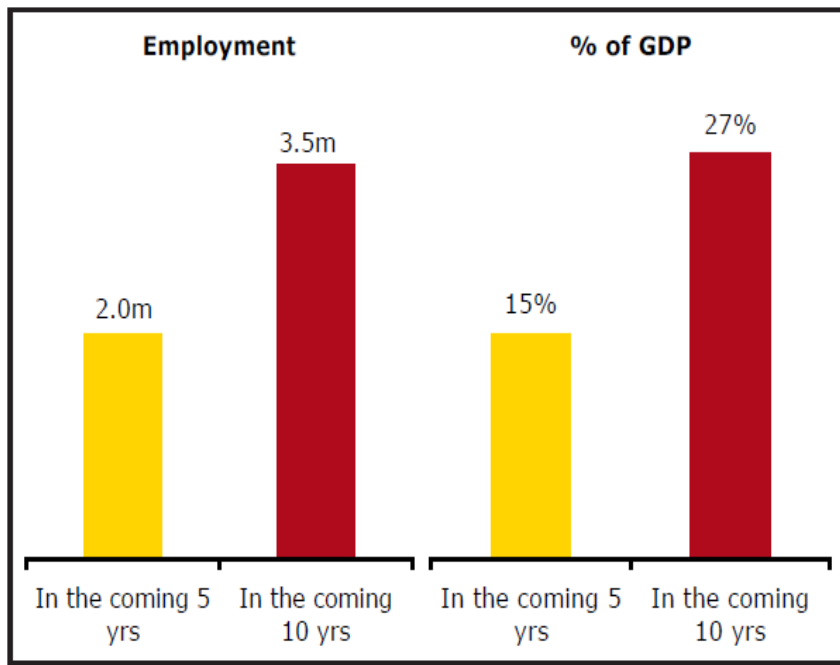
- **Exiting business Method #1:**  
**Sale to 3rd party buyers 48%**
- **Most important retirement source:**  
**77% Proceeds of business sale**
- **Barriers to succession planning:**  
**56% Finding a buyer/suitable successor**
- **51% No business plan**

# Crisis Under the Microscope

- ❑ Chamber says number of retiring owners means crisis for Sudbury economy (Nov 2016); <Sudbury is a city of ~160,000 located in Northern Ontario>
- Half of Sudbury entrepreneurs plan to retire in the next ten years, but only half of them have a succession plan for their business. These disturbing numbers inspired the Chamber to set up a task force
- "If those businesses close their doors there is a serious impact across the entire economy from employment, lost jobs to lost opportunities, said Andre Dumais, who chairs the committee that set up the poll, "we're in a retail outlet, if a store like this closes it reduces your options by one more place."
- The survey also shows that 80 per cent of former Sudbury business owners who did not plan for the future ended up closing their doors

# SME Business Succession -A Call For Attention-

## Current Economic Contribution of Firms Expected to Change Ownership



Source: CIBC calculations based on the Leger Marketing Poll (July 2012), Statistics Canada

- By 2022, a turnover of ~\$3.7 trillion business assets and economic control
- SME's changing ownership up to 2022 employ 3.5 million employees and account for ~27% of GDP

Affected are by ripple effects:  
Economic Growth, Employment,  
Communities, Productivity, and more



# An Innovative Approach Using Immigration

- Immigration could play an important part of the bundle of solutions available

## HOW?

- Implement a tailored Business Succession Immigration program for finding a potential successor AND bringing in new capital from outside the country for growth
- Concerted action by Stakeholders

## WHO ARE THE STAKEHOLDERS?

Communities, Government department, local Politicians, Chamber of Commerce

## GOAL?

Match the Succession Business Owner & Potential Immigrant having the right skills, motivation and funds



# The Stakeholders: Government & Communities & Local Politicians & Chamber Of Commerce

- ❑ **Government Immigration Department**
  - Match businesses owners with potential immigrants
  - Provide state-of-the-art online platform (eg in Canada the Express Entry system) for potential match & application process
  - Define program and pre-requisites for business owner & immigrant to register
  - Process immigration application and select immigrant for Work Permit & PR
  
- ❑ **Communities & Local Politicians**
  - Identify potential succession business owners & inform about existing program
  - Evaluate small businesses which are essential for community but do not meet certain threshold of program <substitute requirement>
  
- ❑ **Chamber Of Commerce Assistance**
  - Succession Plan incl. the Succession Management Process

# The Immigration Process Stages 1

## -Some Thoughts-

- ❑ **Registration business owner requirements**
  - I. Business Evaluation Report by independent 3rd party**
  - II. Business & Industry description**
  - III. Minimum of 2 full-time employees**
  - IV. Net assets of at least \$100,000 & steady profits**
  - V. Optional community support letter to overcome III (# employees) or IV (net assets) for vital businesses**
  
- ❑ **Registration potential Immigrant requirements:**
  - I. Net assets of at least \$500,000**
  - II. Business Experience & skill set description**
  - III. Commitment to purchase business & invest into business with a total of at least \$250,000 total <exemption for by community declared vital businesses>**
  - IV. Commitment to retain # of employees**

# The Immigration Process Stages 2

## -Some Thoughts-

- ❑ **Match business owner & potential Immigrant**
  - I. Negotiations and purchase of business based on Business Evaluation report**
  - II. Purchase & Sales agreement outlines Succession Management Process**
  - III. Owner will provide 6 months to 1 year support & training**
  
- ❑ **Application for WP & Application for Permanent Residence**
  - I. Potential immigrant signs performance agreement outlining succession management process, purchase price & investment, retaining of # of employees & proof of business viability**
  - II. Obtains 2 year WP for managing fulltime the business**
  - III. After 2 years an application for landing has to be filed based on fulfilment of Performance Agreement (bridging WP for processing time)**

# The Ultimate Achievement



**Thank You!**

