

# PERSPECTIVE



PEOPLE WHO CARE,  
PLANS THAT PERFORM

## Shifting gears

### Why succession planning is an important part of your business strategy.

Whether it's a well-loved breakfast diner that feels like the hub of the community, or a factory that manufactures safety shoes and work gloves, creating and growing a small business is incredibly rewarding, and a lot of hard work. After toiling long hours to become successful, most owners want the business to continue thriving well after they step away.

A carefully crafted succession plan is an important part of any successful small business. It can help you clearly identify your company's goals, protect the legacy of the business, plan for the unexpected and prepare for the financial security of your family and employees.

The planning process can feel overwhelming at first, but carefully thinking through all aspects of your business is time well spent.

#### Getting started

There's no time like the present. Even if you literally just opened the doors to your shop, succession planning can bring clarity to how you visualize your future success. Planning helps you narrow down your goals and objectives, identify the right person to take over one day and prepare for financial setbacks.

Bob Labrecque, a succession planning consultant with Manulife Securities, says all too often business owners wait too long to begin the planning process, starting when they're only three or four years away from retirement. "A good succession plan is a five-to-10-year strategy of building the business, and then transferring ownership while it's in a growth phase – not in a maturity or a declining phase,"



he says. "And you want a team of experts in place to help make this happen. An advisor is a key member of this planning team."

The first step in developing a business succession plan is to do a bit of self-reflection and ask yourself some important questions. Consider the following:

1. When would you like to retire or step back from running the business?
2. What kind of future would you like to see for your business?
3. Do you have a successor in mind with a mentoring plan in place?
4. Are there any weaknesses in your current business operations that need to be addressed?
5. What is your plan for handling any unexpected events, including illness, financial difficulties or retaining top employees?
6. Do you have a team of financial and legal experts to help you with the planning process?

#### Estate planning and taxes

Even though running a successful business can occupy your full attention, it's important to look at the bigger picture and how a business succession plan dovetails into your personal plans.

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Along with helping to determine the financial value of a company and opportunities for growth, an advisor can help with retirement and estate planning.

A business owner hoping to step down must plan for adequate retirement income to maintain their desired lifestyle, put a savings plan in place to cover future expenses, such as a child's education, and set up life and disability insurance plans so loved ones are well cared for in the event of serious illness or death – all while maximizing tax-planning opportunities. For more information about estate planning, contact your advisor.

### Managing emotions

As you are getting your succession plans down on paper, don't discount the emotional impact that this major life event may have on you and on the entire organization. Labrecque says leaving can be very difficult and emotional for many business owners. "Quite often, for a first-generation business owner, this is their baby and there can be strong protective feelings that nobody else can do what they do." Owners have some important decisions to consider:

- Take an honest look at who can lead the business and compile a short list of candidates
- Create a succession team to help navigate the financial, legal and human resources aspects of the transition Explore new opportunities for the organization to ensure continued strength and growth

- Establish a co-lead to allow the current owner to begin stepping back into a lesser role

If the intent is to transition the business within the family, a specialist called a family facilitator may also be helpful. "Family transfers are the most complicated because they involve not only the business but the family dynamics," says Labrecque. "Families also need to have honest discussions about whether children even want to take over the family business. They may want the money and the lifestyle, but do they find the work interesting?"

### Winding down

As a business owner prepares for retirement, there may still be an opportunity to stay involved and active, but at a slower pace. A step-down approach is possible, where the ownership is transferred but the owner stays on in a limited capacity for a set duration to help with the transition. After a lifetime of work, the boss can gradually ease into retirement, rather than giving up everything all at once.

Succession planning can be a rewarding process that sets the tone for the overall success of your business. For more information about getting started, consider this module of information created by the Business Development Bank of Canada <https://www.bdc.ca/en/articles-tools/change-ownership/plan-succession/succession-planning-optimizing-your-business-transition> and speak with your advisor to begin building a proper framework.

## The value of naming a beneficiary

How some financial products can keep more money in the family.

Settling an estate can be a time-consuming and costly exercise. And after working hard your whole life, you want to ensure your legacy is passed to your heirs in the most efficient and cost-effective way possible. This is where segregated funds and guaranteed interest contracts (GICs), financial products sold by an insurance company, can come in handy. By letting you name a beneficiary, these products help keep more of your money in your family, among other things.

### How it works

When you name a beneficiary, an insurance company is obligated, under the Insurance Act, to pay any death benefit proceeds directly to the named beneficiary, instead of to the estate. The advantages of direct payment to the beneficiary include avoiding potential delays in settling the estate, as well as bypassing probate<sup>1</sup> and other administrative fees. These administrative, accounting and legal fees could add up to an additional five per cent or more, depending on the complexity of the estate.

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## COMPANY ANNOUNCEMENTS

We are so happy to announce that Madelyn Lunz is now Arca Financial Group's newest Life Insurance & Investment Advisor! We also recently welcomed Elizabeth Farr as an associate on John Lunz's team and Tammy Burbidge to our Operations team. Our teams are working hard for you and we continue to hold virtual and telephone meetings. Hopefully we will be able to meet face to face again soon.

If you would like to receive the newsletter by email rather than paper, please let us know by emailing [klarisa.mcdonald@manulifesecurities.ca](mailto:klarisa.mcdonald@manulifesecurities.ca) and stating 'newsletter by email' in the subject line.

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### Market risk and liquidity

Settling an estate can take months or even years, especially if the will is challenged or if there's any other estate litigation. During this time, any investments may be frozen and exposed to the risks of the market (such as a market correction). However, any death benefit proceeds for a named beneficiary are usually paid within two weeks of receipt of the proper documentation, greatly reducing exposure to market risk.

This puts money in the beneficiary's hands quickly, to use as they wish, for example to pay down debt, make a purchase or reinvest the funds. Having only a portion of your estate with an insurance company can provide beneficiaries with much-needed cash, alleviating the stress of having to pay any outstanding expenses and incoming bills while they wait for other funds from the settlement of the estate.

### What is probate?

Simply put, probate is an approval process that validates your will and gives its executor the authority to do their job. Probating a will or estate is not free – the fees are calculated based on the size of your estate and they vary between provinces.

### Potential creditor protection

When non-registered assets are paid by financial institutions other than insurance companies, they usually flow through the estate. Assets in an estate may become vulnerable to the deceased's creditors. For beneficiaries, this could mean a substantially smaller inheritance. Having the death benefit proceeds bypass the estate offers potential protection from estate creditors.

### Control over payments

You can control how and when your beneficiaries receive the money. By using the annuity settlement option in a segregated fund to automatically transfer proceeds upon death into an annuity, you can specify scheduled payments to the beneficiaries.

### Ease the burden on the executor

While being an executor can be very rewarding, it's also a big responsibility that comes with the risk of personal liability. By having assets dealt with outside of your estate so your executor doesn't have to manage them, you can ease the burden and reduce the risk for your executor.

### Privacy

Probate is a matter of public record, so avoiding it helps to preserve confidentiality, while payments made by insurance companies are generally a private matter.<sup>2</sup> This can be especially helpful in situations when you do not want to disclose your wishes to other family members.

Speak to your advisor today. An advisor can help you determine whether a segregated fund or GIC is suitable for your situation, as well as help ensure you have a solid estate plan that meets your needs.

<sup>1</sup> The probate process and fees do not apply in Quebec. There is a verification process for non-notarial wills but not for notarial wills.

<sup>2</sup> In Saskatchewan, jointly held property and insurance policies with a named beneficiary are included on the application for probate but do not flow through the estate and are not subject to probate fees.



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Mutual funds are offered through Manulife Securities Investment Services Inc. Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Arca Financial Group Inc. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada

# The fresh-air brain cure

## How getting outside can boost your mental health.



With the pandemic forcing restrictions on a wide swath of indoor activities, a lot of people are rediscovering the joys of getting out in nature. In fact, in a recent poll 75 per cent of Canadians say spending time outdoors is more important to them than ever before, and a whopping 94 per cent are getting closer to nature to relieve stress and anxiety.<sup>1</sup>

These people seem to be on to something. For years, researchers around the world have been studying the effects of nature on the human brain,

and the findings have been overwhelmingly positive. Getting outside offers rewards beyond decreasing stress and replenishing mental energy. It can help improve focus, sharpen memory and dispel negative thoughts – and can even change the way we think.

### Restore focus

Having trouble concentrating? Get outside. Nature can help improve our concentration, and natural beauty can even elicit feelings of awe – a sure way to boost the psyche.<sup>2</sup>

Take, for example, the Japanese practice of forest bathing, or *shinrin-yoku*. This is simply being nestled in nature and taking in the sights, smells and sounds of your surroundings. Those who participate in this practice are said to be less anxious, less fatigued and less confused. They're also better at performing creative problem-solving tasks.<sup>3</sup>

Spending time outside can mirror the effects of meditation and help get rid of mental fog. The best part? Any natural space will do, so there's no need to arrange an elaborate hike or trek to the deep wilderness.

<sup>1</sup> [www.natureconservancy.ca/en/who-we-are/news-room/news-releases/for-pandemic-weary-canadians.html](http://www.natureconservancy.ca/en/who-we-are/news-room/news-releases/for-pandemic-weary-canadians.html)

<sup>2</sup> [www.apa.org/pubs/journals/releases/psp-psi0000018.pdf](http://www.apa.org/pubs/journals/releases/psp-psi0000018.pdf)

<sup>3</sup> [www.natureandforesttherapy.org/about/science](http://www.natureandforesttherapy.org/about/science)

<sup>4</sup> [www.sciencealert.com/12-science-backed-reasons-you-should-spend-more-time-outside](http://www.sciencealert.com/12-science-backed-reasons-you-should-spend-more-time-outside)

<sup>5</sup> <https://news.stanford.edu/2015/06/30/hiking-mental-health-063015>

<https://mysolutionsonline.ca>

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### Fine-tune your memory

Looking at natural scenery truly helps our cognitive function. A study conducted by the University of Michigan found that participants performed 20 per cent better on a memory test after walking around an arboretum, while those who walked down a city street did not improve their test results. Another study found improved brain function in those who simply looked at photos of landscapes.<sup>4</sup>

If you find you're getting forgetful, take a nature break and head out to a park or garden. Even a few minutes in a natural environment will kick-start your brain.

### Chase away bad thoughts

If negative thoughts are invading your head space, some of the best advice you might heed is to "walk it off in a garden." We're less likely to dwell on fears, frustrations and anxieties when we're out in nature. In fact, seeing greenery prevents our brain from physically doing so.

Stanford University researchers did an experiment that sent two groups of participants on different types of walks. One group walked through a high-traffic urban setting, the other through a natural landscape. When comparing the brain scans from the two groups, researchers found that activity in the part of the brain responsible for obsessive negative thought was much lower in the group that walked in the natural setting as compared to the urban walkers.<sup>5</sup>

Accessing the mental health benefits of being outdoors doesn't have to be complicated – a short walk surrounded by flora and fauna is enough to positively recharge the brain. It's just a matter of getting out the door. The fresh-air brain cure is as easy as a walk in the park. Literally.



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