

# WARMIN'G

More than a million Canadian small-to-medium-sized business owners are going to retire in the next five to eight years. **They're about to get the shock of their lives**

Fred Dodd is more than a little frustrated. You could even say he gets downright feisty when it comes to the subject of succession planning – or more accurately, the lack of it. So much so that he's launched a one-man campaign against the status quo.

A former entrepreneur who sold his company (at a profit) before embarking on a second career as a financial advisor, Dodd has been preaching the gospel of succession and retirement preparation for over a decade. He says too many people have nothing planned beyond a vague notion of selling their company to finance a comfortable retirement.

"They're afraid to talk about it," Dodd explains. "Their lives and their identities are tied to their business. They see retirement as another form of death, so they avoid the discussion. And then, when they're finally ready to deal with it, there's a host of other issues to contend with."

Such as? Many baby boomer SME owners just assume one of their children is going to take over the business (without ever having that conversation). Research suggests that the bulk of those

sons and daughters just aren't interested. Truthfully, however, the majority of SME owners (66 per cent) don't want to pass the business on: they need the money from the sale of their company to finance their retirement.

Which brings them to the next big question: where are the buyers? Demographically speaking, there are fewer people in the next generation, and fewer people means fewer buyers. That

not-insignificant hurdle is compounded by the fact that the majority of those about-to-retire SME owners believe their business is worth twice its actual value. Any sale is likely to include vendor take-back financing as well as the owner's continued involvement with the business as she/he helps with the management transition. Getting that money will depend on the success of the new owners.

Put that all together and you have a situation where potentially 50 per cent of an SME owner's anticipated retirement fund evaporates following a realistic valuation of the company's actual worth and another 25 per cent could remain tied-up in business operations. If an owner hoped to sell their

## Reality Check

The majority of SME owners believe their business is worth 2x its actual value

"The 5:10:15 rule states that if you realize a 5% overall return on your retirement investment portfolio and withdraw 10% of the original principle per year, you will be broke in year 15 – **even if you started with \$2 million in the bank.**" Fred Dodd, author, *Succession 2020*



“More than 99% of Canadian businesses are SMEs, meaning they have less than 500 employees; 98% are companies with fewer than 100 employees. Now consider that over 70% of baby boomer SME owners will turn 70 by 2020. A reported 90% of them have not yet initiated any formal succession-planning effort. What if a third or half of these businesses fail in their succession efforts? **“The results will be catastrophic.”** Fred Dodd, author, *Succession 2020*

business for \$2 million, and they’re lucky enough to find a buyer, they might actually walk away with only \$500,000 – not to mention having to work several years past the time when they’re ready to let go.

But wait, there’s even more bad news. Say you’re an SME business owner who’s finally ready to retire. Where do you turn for help? Typically, notes Dodd, there are five different bodies of professionals who help business owners with decision making: accountants, lawyers, insurance agents, bankers, and investment advisors. There may be as many as 20 different professional groups, depending on the situation (for more information on business support experts, see **succession2020.com**). Either way, this is where it really gets hairy.

“They all have their separate areas of expertise, and they operate in silos. They will each provide an SME with advice in their own subject area, but there’s almost no coordination. Sure, there’s a very small group of specialists who might occasionally work together, but generally they work alone.

“There are several reasons for this disjointed approach,” continues Dodd. “Each client

relationship represents a money-making opportunity, and none of those experts wants to lose their position as the primary contact for SME owner interaction. Instead, they quietly keep the turf war going at the expense of the client. This has to stop and it has to stop now!

“There’s a crisis looming around the world as so-called boomerpreneurs head for the exit. If there’s going to be success in their succession, this bunker mentality has to be replaced with collective coordination and cross-sector expertise. The alternative — millions of jobs and billions of dollars in GDP lost — is simply unacceptable.”

Dodd (64) was a goalie in his rec hockey days, so it’s no surprise that he’s prepared to make the save here too. Enter **Success(ion)**

**2020**, a seminal book that details his innovative Total Wealth Management Planning Process™ (TWMPP™ for short). Over 10 years in the making, this just-released publication includes clear directions for new paradigms in succession planning and new ownership financing.

**5:2**  
Ratio of Boomer generation retirees to working-age people

The focal point of Dodd’s comprehensive and collaborative approach is a specially trained project management team who will assist and guide SME owners through every stage of the succession planning process.

But don’t take Dodd’s word for it. Prior to publication, his work was scrutinized and praised by a number of business and academic professionals, including the highly respected former president of Saint Mary’s University, Dr. Colin Dodds (no relation). Said Dr. Dodds: “You are to be congratulated on being able to place the business succession challenge within the context of the global mega-trends impacting on our future with a structured approach that offers an optimistic outcome for owners, the economy, and society as a whole.”

Fred Dodd’s former mentor, Dan Mosher, was so convinced of the importance of TWMPP™ that it was one of his final wishes in palliative care: he made Fred promise he would see it through. Work on the book began a week later.

With the launch of his information website **succession2020.com** and the release of **Succession 2020**, Fred Dodd has formally begun his assault on an outdated and ineffective status quo.

**66%**  
Baby boomer-SME owners who plan (or need) to sell their business to finance their retirement

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