



Retirement planning for business owners

Your company may be your pension. But, as Samantha Brown and Gavin Smith of RBC Wealth Management explain, there are other retirement planning strategies to consider.

Business owners often devote most of their time and energy to securing their companies' futures, but can neglect their own financial futures in the process.

"Business owners tend to pride themselves on being in control, but often overlook personal wealth planning," says Samantha Brown, Senior Director at RBC Wealth Management. "For most business owners, their company is their pension – they are totally reliant on its sale to fund their retirement."

While selling might be viable, those without a clear wealth plan could find themselves working longer or living more frugally than hoped. The prudent advice is to prepare well in advance.

Plan for a future beyond the business

Retirement may be unexpected – prompted by family, business events or health reasons. This uncertainty makes early planning essential. Income needs can increase during early retirement as people want to travel while still physically active.

"It's about structuring your assets so they pay for the lifestyle you want," says Gavin Smith, Director at RBC Wealth Management. Business owners should set up their own pension plan, just as they would for employees.

"Many business owners are financially well-off and don't think they need pension benefits. But they can use them to help their family," says Smith. "It's wise to have at least two options: the business and a pension on the side."

Within a family business, selling isn't always an option. You might transfer the company to a child or family member, retaining shares or drawing income as a consultant. But not all children want to continue, triggering conversations around wealth transfer and succession planning.

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Make use of all your planning options

Retirement planning means taking a holistic view of your financial affairs. These three questions are worth reflecting on:

- Will my assets provide the income I need for my desired lifestyle?
- Do I need higher investment risk than anticipated?
- How can I pass remaining assets to beneficiaries efficiently?

Brown likens it to orienteering: starting with where you are now, thinking about where you want to be when you stop working, and determining the essential stops along the way.

Take full advantage of available wrappers and allowances, starting with pensions and ISAs. Additional higher-risk options include the Enterprise Investment Scheme, Venture Capital Trusts and property investments.

Spreading wealth across different vehicles provides diversification, but the real advantage is accessing each at different times to provide income when needed. "It's about knowing which taps to open and when," says Brown.

Leaving a legacy

Planning for life after work isn't simply about covering living costs. For many, it means leaving a legacy – to the next generation, to charity or to both.

"The reality is you often have more than enough money to fund retirement, so the real question is what you want to pass to your children and whether you want to support causes you're passionate about," says Smith.

Whether you are growing your business, preparing for an exit or planning your post-sale future, the message is consistent: seek advice early and plan with the same rigour you bring to your business.

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