



# How to Share Profits, Ownership and Growth with your Employees and Team Members

With CHBA National & MNP LLP



# Your Hosts

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# Your Hosts

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- 20+ Years Experience
- Assurance, Tax Services, Succession, Strategy and SMARTshare





How does the conversation  
typically start?



## Telephone call or email stating:

“I want to bring employees into ownership.”

“I want my employees to buy the company one day.”

“I want to motivate my employees with ownership.”

“I want my people to feel more involved.”

“I want a bonus plan to reward my team.”

“One of my key people asked me about buying some shares.”



## And then we ask “*Why?*” and hear:

“I have some good people I want to keep.”

“I want my people to feel like their work makes a difference.”

“I risk losing good people if I don’t do something for them.”

“If that person goes, our company is in trouble.”

“If that person goes, my succession plan is shot.”

“My friend Johnny is doing it ... and it sounds like a good idea.”

“I have been promising myself and others for years to get this done!”

These are all really good reasons.

## The initial requirements are important because it:

- Forms key parameters for any planning
- Important customization criteria for your plan
- Clearly defines the expected outcomes
- Helps you navigate the complexities of
  - Tax planning
  - New legal agreements (i.e. shareholder agreement, buy-sells, etc.)
- Becomes requirements list you can refer to often

## Basic questions we need to be clear about early:

- Do you want to share profits?
- Do you want to share future growth?
- Is this a reward for long service?
  - Rewarding past performance?
  - Looking to future growth only?
- Is this open to all employees?
  - Yes
  - Yes, eventually
  - No, let's start with just a few key people



## Basic questions we need to be clear on early:

- Do you want your employees to save tax?
- Do you want them to contribute cash?
- Are you willing to help finance their purchase?
- Do employees actually want to become owners?
- What is your timeline for rolling this out?
- Pay profits out annually, or have it vest over years to help keep people around?
  - Pay some out now
  - Have some vest over quarters or years



What options are  
available?

## Your three options are...

1. Rewards through a bonus plan:

Employee Profit Sharing Plans

2. Rewards through an ownership plan:

Employee Ownership Plans

3. A combination of these two.



## Main differences

### *Employee Profit Sharing Plan*

- Profit sharing only, based on important metrics
- Not sharing in ownership
- Formalized bonus structure
- Can also be Deferred Profit Sharing Plan



## Main differences

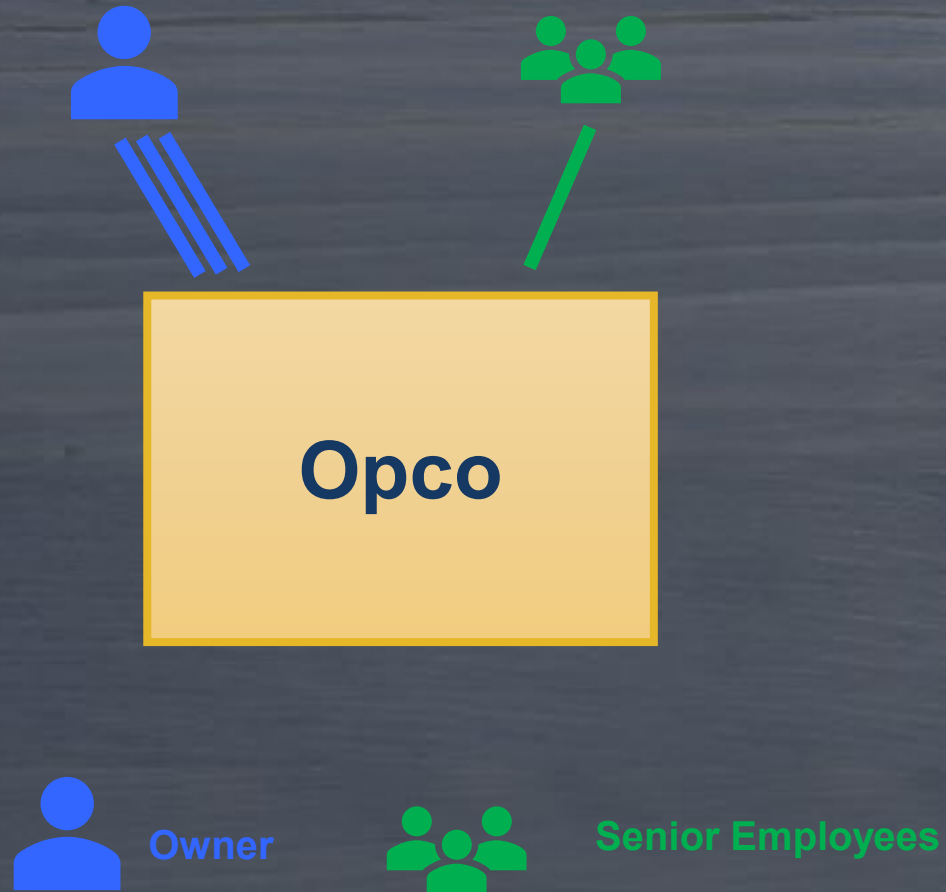
### *Employee Share Ownership Plan*

- Most attributes of Profit Sharing
- With level of ownership sharing, typically through minority interest
- TFSA and RSP can sometimes be used
- Can be used for Management Buy-Out (MBO) – great succession tool

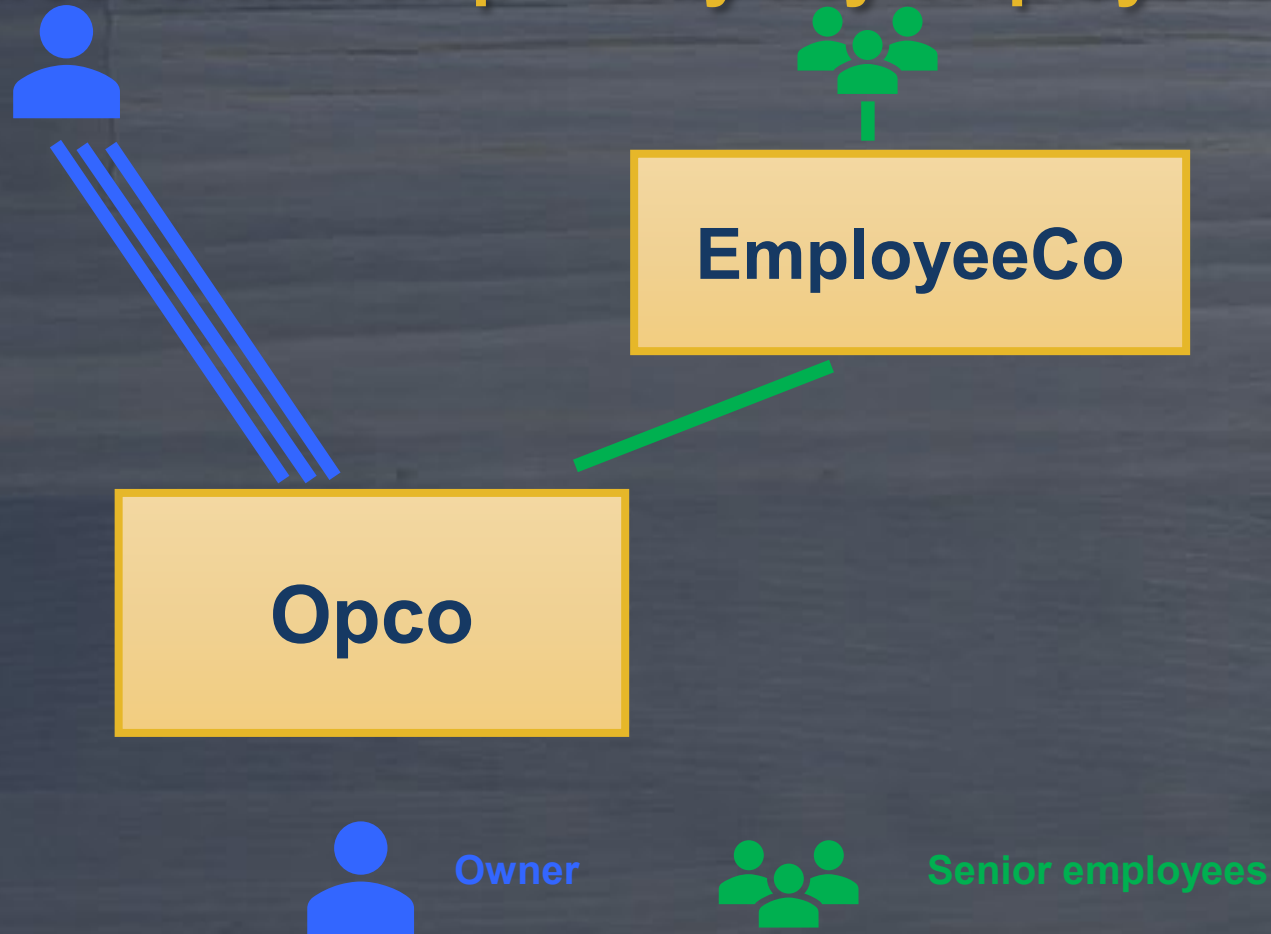


# Typical employee ownership structures

## Direct ownership



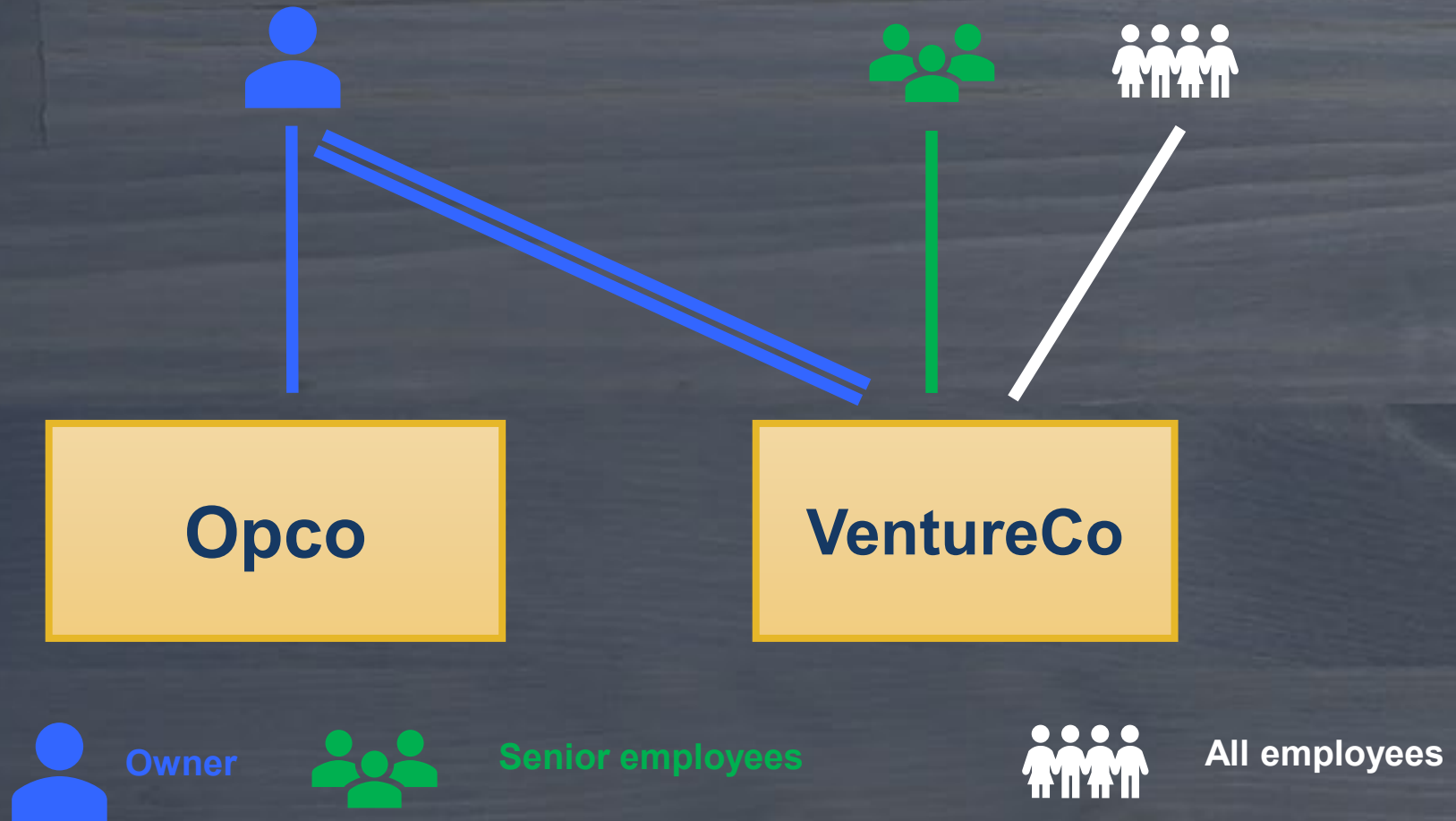
## Indirect ownership – only key employees



## Indirect ownership – all employees



## New venture – key or all employees





What are the  
key steps?

## Key steps in an effective process

**Determine what you want to achieve**



**Determine what are you willing to give up?**



**Develop your unique solution**



**Develop eligibility criteria**



**Start the communication process**



**Implement**



**Implementation follow-up**



# Questions?

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