The Merrick Spitters Reset Report™ | North American White Paper Series

The Dual Balance Sheet Concept™

A Structural Framework for Ownership, Continuity and Succession

By Peter J. Merrick, TEP®
and Adrian C. Spitters, CFP®, FCSI®, CEA

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Executive Summary

Most owners know how to read the balance sheet their accountant prepares. It reports assets, liabilities and equity. Read with working-capital measures, income statements, valuations, ownership records and account balances, it forms the wider conventional financial picture of the enterprise. That financial picture is indispensable. It is also incomplete for succession.

The Dual Balance Sheet Concept™ distinguishes between two forms of strength:

- The **visible balance sheet**, which records assets, liabilities and equity and is read with related financial statements and valuations.
- The **structural balance sheet**, which reveals whether control, access, independence and continuity can survive the owner's incapacity, death, retirement, sale or withdrawal.

An enterprise can be profitable, well capitalized and highly valued while remaining dependent on one person's judgment, guarantees, relationships and authority. In that condition, the visible balance sheet may be strong while the structural balance sheet is weak.

The distinction also extends beyond internal succession. Recorded ownership is not always identical to practical authority. The structural balance sheet must therefore test the legal, contractual and institutional hierarchy surrounding each critical asset.

This white paper explains how owners, families and advisors can identify that gap before a transition tests it. It draws on our lived histories, on decades beside North American business and farm families, and on the patterns Peter placed into The King of Main Street. The central conclusion is practical: value becomes transferable only when the systems around it are also prepared to transfer.

Where This Framework Fits

This paper is the diagnostic starting point in a connected succession framework. The Dual Balance Sheet Concept™ identifies structural weakness. The Liquidity Gap™ measures whether capital will be available at the required time. The Succession Compression Thesis™ explains how delay reduces time, capacity and choice, while Succession Compression™ provides the practical response. Integrated Succession Architecture™ coordinates those findings into one executable succession system.

The Concentration Owners Know Best

For many business owners, the enterprise is not simply an investment. It is their income, retirement plan, collateral, reputation, family identity and principal source of wealth. Familiarity makes that concentration feel natural. It can even feel safer than a diversified portfolio because the owner understands the customers, employees and daily operations.

Yet familiarity does not remove dependency. It can conceal it.

Peter has spent decades working with owners and their families in Canada and the United States. His dual practice in Toronto and San Diego repeatedly encounters different tax rules, legal structures and financial institutions, but the same human questions: Who can act? Who can lead? Where will cash come from? What will happen to the people who depend on the business?

Adrian came to the same questions through a different door. As the son of a Dutch farmer, he learned that land, livestock, machinery and a family enterprise can carry the identity and labour of generations. He entered the investment industry during the 1987 market crash and has spent nearly 40 years seeing how concentration and weak preparation can convert temporary pressure into permanent loss of choice.

Our experience is that owners are often well informed about production, revenue and financing, but less certain about what happens when their own participation changes. This is not a criticism. The operating business rewards attention to today. Succession requires attention to a future that feels both distant and personal.

The Dual Balance Sheet Concept™ makes that future visible enough to manage.

One Enterprise, Two Balance Sheets

The two balance sheets describe the same enterprise from different directions. In this framework, the visible balance sheet is shorthand for the conventional financial picture, including accounting statements, valuations, ownership records and account balances.

Visible balance sheet	Structural balance sheet
Cash, receivables and inventory	Accessible liquidity when transition obligations arise
Land, buildings and equipment	Authority to operate, borrow, sell or retain those assets
Registered title to land and key assets	Priority, enforceability, permitted use, competing rights and final decision authority
Contracts and recurring revenue	Customer and supplier continuity beyond the founder
Debt and working-capital facilities	Refinancing resilience when guarantees or control change
Share value and goodwill	Transferable value that does not depend on one individual
Retained earnings and cash flow	Management depth, documented processes and successor readiness
Corporate ownership records	Shareholder agreements, valuation rules and dispute mechanisms
Investment accounts and reserves	Proper registration, custody, segregation and access
Estimated net worth	Family alignment, estate equalization and financial independence outside the business

The visible balance sheet answers, “What is here now?” The structural balance sheet asks, “What must continue working when circumstances change?”

That distinction matters because a succession event does not examine only the asset value. It examines the surrounding system. A lender reviews guarantees and covenants. A buyer tests management dependence and customer concentration. A family confronts fairness and control.

An estate faces tax, debt and administrative deadlines. Employees look for leadership. The owner and spouse discover whether personal financial independence exists outside the company.

The visible balance sheet can be correct while each of those questions remains unanswered.

What Belongs on the Structural Balance Sheet

The structural balance sheet is not a second set of accounting statements. It is a disciplined inventory of continuity capacity.

Authority. Who can sign, vote, borrow, direct employees and access essential records if the owner is unavailable? Wills, powers of attorney, trusts, corporate resolutions and shareholder agreements must agree with the practical authority required to run the enterprise.

Management depth. Can the company operate for 90 days without the founder? Can it retain customers, supervise employees, approve payments, maintain compliance and explain its performance to a lender or buyer? A named successor is not enough if knowledge and relationships remain concentrated in the owner.

Transferable earnings. Buyers do not purchase the founder’s past effort. They purchase the future earnings they believe can continue. If revenue, pricing, technical knowledge or customer trust rests primarily with one person, the business may be valuable to the owner but less valuable to a successor.

Liquidity. Can tax, payroll, debt, share redemptions, buyouts and estate equalization be funded when due? The Liquidity Gap™ exists when transition obligations exceed the cash and independent capital available to meet them.

Capital resilience. Will the lender renew facilities when ownership, guarantees or management changes? Succession is often an underwriting event. Credit that was available to the founder may not transfer automatically to a spouse, child, management team, trust or purchaser.

Governance. Do the governing documents explain who decides, how value is determined, how disputes are resolved and what happens after incapacity, death, retirement or conflict? Governance without capital can create an unfunded promise. Capital without governance can fund a dispute.

Tax and jurisdiction. Canada and the United States treat death, ownership transfers and business sales differently. Cross-border families may add residency, entity, trust, insurance, withholding and reporting considerations. Structure must be reviewed before a transaction or death, while alternatives remain available.

Legal finality and authority hierarchy. What constitutional rights, statutes, regulations, court orders, security interests, land-use rules or contractual restrictions can qualify the owner's practical authority? Registered title and share ownership remain essential, but the structural balance sheet must also examine priority, enforceability and the conditions attached to control.

Custody and access. Are liquid assets properly registered, segregated and coordinated with beneficiary designations and estate documents? An account on a statement is not the same as money the right person can access at the right time.

Family alignment. Does the intended successor want the role and have the ability to carry it? Do non-operating children understand how fairness will be approached? Has the spouse heard the plan directly from the owner? Silence is not agreement.

Personal independence. How much wealth and income exist outside the operating business? An owner who cannot retire without selling at a specific price has less negotiating freedom than the visible net worth suggests. Is the owner personally ready to release operating authority, and what role, income, identity and purpose will remain after the transition?

Why Conventional Statements Miss Succession Fragility

Financial statements are designed to report financial position and performance. They are not designed to record every concentration of authority, relationship or knowledge.

A customer contract may appear as a source of revenue without showing that the customer stays only because of the founder. A bank facility may appear as available credit without highlighting that it depends on a personal guarantee. Goodwill may carry substantial value without revealing whether the goodwill belongs to the enterprise or to one individual. Cash may appear on the corporate balance sheet without showing whether it can be distributed, invested or used by the estate without tax, legal or operating consequences.

This creates five recurring blind spots:

Recorded ownership can exceed effective control. The family may inherit shares but lack the knowledge, authority or lender support required to operate the company.

Registered title can exceed legal finality. An asset can remain registered to its owner while its use, financing, transfer or enforceability is conditioned by a higher-ranking constitutional, statutory, regulatory, judicial or contractual framework.

Estimated value can exceed transferable value. A valuation based on normalized earnings may not fully survive the loss of the owner's relationships or leadership.

Total liquidity can exceed usable liquidity. Cash may be required for operations, held in the wrong entity, subject to tax or unavailable during administration.

Documented intent can exceed executable capacity. A will may divide shares equally even though only one child works in the business and no funding exists to equalize the others.

The purpose of the structural balance sheet is not to replace accounting. It is to identify what accounting alone cannot show.

The Ownership-Control Gap in Practice

The distinction between recorded ownership and effective control has become especially visible in land law. The 2025 Supreme Court of British Columbia decision in Cowichan Tribes v. Canada (Attorney General) provides a current Canadian example. The case does not convert this white paper into a legal opinion. It illustrates why a structural balance sheet must examine the hierarchy surrounding an asset, not only the value recorded for it.

The court found that the Cowichan Tribes had established Aboriginal title over a defined portion of Lulu Island in Richmond, British Columbia. It held that certain Crown grants and interests unjustifiably infringed that title, declared specified fee-simple titles held by Canada and Richmond defective and invalid, and required good-faith reconciliation of affected interests (Cowichan Tribes, 2025 BCSC 1490). The judgment did not abolish private property across British Columbia or invalidate every private title.

The constitutional framework rests on section 35 of the Constitution Act, 1982 and Supreme Court of Canada authorities including Delgamuukw and Tsilhqot'in. British Columbia's Declaration on the Rights of Indigenous Peoples Act also creates mechanisms for aligning provincial laws with the United Nations Declaration and for agreements with Indigenous governing bodies. These sources show that decision-making authority can be layered even when registered ownership remains visible and unchanged.

All parties, including the plaintiffs, filed appeals in early September 2025. As of August 12, 2026, the appeals remained unresolved. The trial court suspended for 18 months its declaration that specified fee-simple titles and interests held by Canada and Richmond were defective and invalid; that suspension did not extend to every order. The judgment should therefore be treated as an important but unsettled development, not as a final statement of how Aboriginal title and privately held fee-simple interests will interact across Canada.

On July 14, 2026, the court issued reasons settling the terms of the final order in Cowichan Tribes v. Canada (Attorney General), 2026 BCSC 1306. Those reasons give operative expression to the 2025 judgment, including the descriptions of the lands and fishing area addressed by the order. They do not resolve the pending appeals or establish a final national rule for the interaction between Aboriginal title and private fee-simple interests.

What the case adds to the structural balance sheet

For a business or farm family, the lesson is due diligence rather than panic. A land value on the visible balance sheet may be accurate and still incomplete. The structural balance sheet should also record title assurance, priority, permitted use, financing dependencies, insurability, transferability, active claims and the jurisdictional rules that govern the asset.

If an asset's use, enforceability, financing or transferability is exposed to an unresolved right or authority, that dependency should be documented, assigned to qualified legal review and incorporated into liquidity and succession scenarios.

A North American Transfer Underway

The need is not abstract. In 2023, the Canadian Federation of Independent Business reported that 76% of Canadian small business owners intended to exit within ten years, placing more than C$2 trillion in business assets in play. Only 9% had a formal succession plan.

In the United States, the Small Business Administration’s Office of Advocacy reported 36.2 million small businesses in 2026, representing 99.9% of U.S. businesses and employing 62.3 million people, or 45.9% of private-sector workers. The scale makes business continuity a community issue as well as a family one.

The farm data sharpens the concern. Statistics Canada reported that only 12% of farms had a written succession plan in the 2021 Census of Agriculture. The census definition requires an orderly transfer of assets and ownership, management and decision-making, and labour. A will alone would not ordinarily address all of those elements.

At the same time, Cerulli projects that US$124 trillion will transfer in the United States through 2048. The financial value is historic. The structural preparedness around that value is uneven.

These statistics describe different populations and should not be combined into one estimate. Together, however, they support a common conclusion: North America is entering a period in which large amounts of private wealth, authority and responsibility will move between generations. A visible balance sheet cannot manage that movement by itself.

What The King of Main Street Saw Early

The King of Main Street is business fiction rooted in Peter's lived history and in patterns he observed among clients over decades. Its characters raise capital, use debt, insure key people, value companies, prepare successors, negotiate sales and decide what life should mean after ownership.

Michael Stevens builds a valuable seniors' residence company. He understands growth and operations. The story nevertheless keeps asking whether the company can finance itself, serve its residents and transfer value without him.

That is a structural balance sheet question.

Harold Bloom, the mentor in the book, reaches a different conclusion about wealth. The most important use of his capital is not another store or a monument bearing his name. It is a chain of mentorship, responsibility and philanthropy that can continue without him.

That is also a structural balance sheet question. It asks whether purpose can survive the owner, not merely whether assets can be counted.

Peter wrote the story partly for his children and the younger version of himself. The book later helped reopen a relationship with his son after more than twelve years of estrangement. That experience deepened our understanding of legacy: the structural balance sheet includes conversations held, wisdom transferred and relationships repaired while there is still time.

Two Composite Cases

The following cases combine recurring client patterns and are deliberately generalized. They are not descriptions of a single family.

A Canadian farm family. The family owns valuable land, modern equipment and a profitable operating company. One child works full time in the farm. Two do not. The parents intend to divide the estate equally but have not separated ownership, operating control or equalization funding. Most cash is required for operations, and the lender relies on the father's guarantee.

The visible balance sheet is strong. The structural balance sheet shows concentrated authority, an unfunded fairness problem, refinancing dependence and no clear route for management transfer. A higher appraisal does not correct those weaknesses. In fact, a higher land value may increase the amount that must be equalized or financed.

A U.S. service company. The founder owns a profitable company with recurring clients and a capable management team. The founder, however, approves pricing, holds the largest relationships and is the only person who can explain several informal arrangements. The shareholder agreement is old, key-person insurance has not been reviewed and the spouse's retirement plan assumes a third-party sale at the top end of the valuation range.

The visible balance sheet suggests substantial wealth. The structural balance sheet reveals owner dependence, uncertain sale readiness and no independent financial floor for the family. A buyer may still purchase the company, but timing pressure would improve the buyer's negotiating position.

In both cases, the problem is not a lack of assets. It is a lack of coordination around those assets.

The Four Tests

Owning Assets in Order of Asset Security™ applies four tests to ownership. They provide a practical way to read the structural balance sheet.

Control. Who can make decisions if the owner cannot? Are voting rights, signing authority, management duties, dispute rules and any superior legal or contractual constraints understood?

Access. Is capital available when tax, payroll, debt, buyouts or family equalization must be funded? Can the right person reach it without waiting for a sale or new loan?

Independence. How many favourable assumptions must hold? Does continuity depend on one bank, buyer, child, customer, advisor or market valuation?

Continuity. Can the business keep serving customers, employing people and producing income through the transition?

These tests do not produce a single numerical score. They create a common language for the owner, family and professional team.

A Structural Balance Sheet Review

A useful review begins with evidence rather than optimism. The owner and advisors should identify the documents, people, capital and decisions supporting each answer.

1. If the owner were unavailable for 90 days, who would exercise operating and financial authority?
2. Which customers, suppliers, employees and technical processes depend materially on the owner?
3. What personal guarantees, covenants or lender relationships could be reassessed after a change in control?
4. How is business value determined, and how much of that value is transferable without the founder?
5. If a lender, buyer or successor began due diligence today, could the family produce reliable financial records, material contracts, compliance records, customer-concentration information and evidence that management and earnings can transfer?
6. What tax, debt, payroll, redemption, buyout and equalization obligations could arise?
7. Which liquid resources are independent of the operating company and new borrowing?

8. If the owner or another key person dies, becomes disabled or withdraws, what capital will be available, when will it arrive, who will control it and which obligations will it fund?
9. Does the intended successor want the role, and has competence been tested through real responsibility? Does the successor have genuine freedom to accept, reshape or decline the plan?
10. Do the will, powers of attorney, trust documents, shareholder agreement, beneficiary designations and account registrations agree?
11. Which constitutional, statutory, regulatory, contractual, security, land-title or judicially recognized interests could qualify control, use, financing or transfer of a critical asset?
12. How much income and capital must exist outside the company for the owner and spouse to be financially independent?
13. Is the owner personally ready to release operating authority, and what role, identity, income and purpose will remain after the transition?
14. What outcome is the family actually trying to preserve: the company, the productive assets, family harmony, employee continuity, wealth, purpose or some combination?

Any answer that begins with “we assume” belongs on the structural balance sheet as a dependency to be tested.

From Diagnosis to Action

The structural balance sheet becomes useful when it changes the sequence of decisions.

First, identify critical dependencies. Map authority, guarantees, key relationships, essential knowledge, liquidity and governing documents.

Second, verify legal authority around critical assets. Confirm title, registrations, security interests, permits, use restrictions, jurisdiction, active claims and any superior rights with qualified counsel.

Third, quantify the Liquidity Gap™. Estimate obligations under more than one scenario, including incapacity, death, an internal transfer and a third-party sale. Match those obligations to capital available at the required time.

Fourth, reduce Succession Compression™. The Succession Compression Thesis™ explains why time, capacity and choice narrow when succession decisions are deferred. Succession Compression™ is the companion framework for reducing that pressure before a crisis imposes the sequence. Decisions made while the owner has health, leverage and alternatives are usually easier to coordinate than decisions imposed by a crisis.

Fifth, align governance with capital. Clarify control, valuation, buy-sell terms, dispute processes and equalization, then fund the promises those documents create.

Sixth, build independent layers. Strengthen management, maintain appropriate liquid reserves, review insurance, reduce unnecessary refinancing dependence and hold part of family wealth outside the operating enterprise.

Finally, coordinate the professional team. The lawyer, accountant, insurance specialist, banker, valuator, M&A professional and portfolio manager may each be correct within their field. The owner still needs one integrated sequence of assumptions, decisions and documents.

This completed structure is what we call Integrated Succession Architecture™.

The Business Is Not Automatically the Legacy

A business is an asset, an achievement and often an identity. It is not automatically the legacy.

The legacy is whether the people and purposes around the business retain meaningful choices. It is whether employees receive leadership, heirs receive clarity, the operating successor receives authority, non-operating children receive a fair process, and the owner's wisdom reaches another generation.

The visible balance sheet tells us what was built.

The structural balance sheet tells us whether it can survive the transfer.

Owners do not need to know the exact date or form of succession to begin. They need to examine both balance sheets while choice still exists.

About the Authors

Peter J. Merrick, TEP®. Peter is an international speaker, educator and estate-planning specialist with more than three decades of experience advising business owners, professionals and family enterprises across Canada and the United States. His work now spans Toronto and San Diego. He is the author of The King of Main Street and co-author of It Starts With Gold™.

Adrian C. Spitters, CFP®, FCSI®, CEA. Adrian is a Canadian private wealth advisor with nearly 40 years in business. Raised on a dairy farm in British Columbia's Fraser Valley, he focuses on Asset Security, wealth preservation and coordinating specialized professionals around one complete family plan. He is co-author of It Starts With Gold™.

Research Note

This paper develops a proprietary educational framework from The Merrick Spitters Reset Report™ and from the lived histories and client patterns described above. Composite examples are generalized to protect privacy. Canadian and U.S. tax, estate, insurance, business and securities rules differ and change over time. No framework can determine suitability without current facts and jurisdiction-specific professional advice. The Cowichan case is included as an educational example of the distinction between registered ownership and effective authority. This discussion reflects the 2025 merits reasons and the 2026 reasons settling the final order; the appellate outcome and property-specific implications remain unresolved.

Disclosure

This material is for educational and informational purposes only. It is not legal, tax, accounting, insurance, investment or estate-planning advice, and it is not an offer or recommendation to buy or sell any security, investment, insurance product or financial instrument. Strategies involving private investments, precious metals, insurance, trusts, corporations, leverage and cross-border structures involve costs, risks, eligibility requirements and jurisdiction-specific rules. Past decisions and market experiences do not guarantee future results. Readers should consult appropriately licensed legal, tax, accounting, insurance and investment professionals before acting.

Peter J. Merrick and Adrian C. Spitters contribute to this publication in separate professional capacities. Their joint authorship does not create a partnership, regulated advisory entity, client relationship or professional engagement with the reader.

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