

Navigating the ‘silver tsunami’: how search funds are redefining succession planning in the Canadian SME market



JANUARY 13, 2026 5 MIN READ

Related Expertise

- [Mergers and Acquisitions](#)
- [Private Equity](#)
- [Venture Capital](#)

Authors: [Raphaël Amram](#), [Pierre Fitzgibbon](#)

Key Takeaways

- Canada's SME market faces a significant succession gap as over 75% of owners plan to transition out of their businesses in the next 10 years.
- Traditional succession routes often fail due to impractical family transfers and misaligned private equity strategies.
- Search funds and the ETA model provide continuity-focused solutions, pairing long-term capital with dedicated owner-operators.

Canada's founder-led SME market is approaching a demographic inflection point. Across the country, many of these businesses built over the past three to four decades are facing the reality of owner retirement without a clear succession plan. This wave of aging founders, often referred to as the "silver tsunami", represents one of the most significant wealth transfers in Canadian history.

As many owners plan to retire without designated successors, trillions of dollars in enterprise value are at stake. The question is not only how these businesses will be transferred, but whether they will continue to operate, and in what form. Against this backdrop, search funds and the broader Entrepreneurship Through Acquisition (ETA) model offer a continuity-focused path that pairs long-term capital with a dedicated owner-operator.

The scale of the succession gap

Demographic indicators point to a clear and growing challenge. According to a report by the [Canadian Federation of Independent Business \(CFIB\)](#), more than 75% of Canadian small business owners plan to transition out of their businesses within the next decade, representing more than \$2 trillion in assets changing hands. Yet fewer than 9% of these owners have a formal succession plan.

The resulting gap is particularly acute in the lower mid-market range of \$5 million to \$50 million in enterprise value. These businesses are often profitable and defensible but heavily dependent on a single founder's leadership and relationships. The risk is most visible in

industrial services, specialized manufacturing, distribution, essential B2B services and regional infrastructure. Without a credible succession pathway, otherwise-viable businesses face heightened key-person risk, rushed exits, or, in the worst case, closure.

Why traditional succession paths often fall short

Conventional succession routes frequently fail to deliver for founder-led SMEs.

- Family transfers are often preferred but increasingly impractical. Next-generation family members may lack interest, readiness or access to capital. As a result, many founders cannot execute a viable intra-family transition.
- Strategic transactions and traditional private equity investments can be misaligned with founder objectives. Strategic buyers often prioritize integration and synergies, which may lead to consolidation, cultural change or relocation of decision-making functions. Traditional private equity remains well-suited for many companies, but scale, growth velocity and portfolio construction priorities can leave stable, community-rooted businesses underserved.
- Management buyouts face financing and execution constraints. Existing management teams may lack capital or the transaction experience required, particularly in a relatively higher-rate environment. Minority recapitalizations and passive continuity solutions often leave the core leadership transition unresolved.

This creates a market mismatch: companies in the \$5 million to \$50 million enterprise value range are often too large for most individual buyers yet too small or bespoke for many traditional sponsors.

The search fund and ETA proposition

Search funds invert the typical M&A script by pairing investor-backed capital with an identified operator (often a solo or partnered searcher) who will acquire and lead a single company. Instead of being integrated into a larger platform, the target becomes the platform under that operator's leadership. In a typical structure, a searcher raises capital from experienced investors (often former founders and operators) in two phases: a search phase to fund sourcing and diligence, followed by an acquisition phase to fund the purchase once a suitable target is identified.

Following completion of the acquisition, the searcher transitions into an operational role, typically as chief executive officer, to manage and grow the business. Investors actively support and mentor the entrepreneur while seeking attractive financial returns. They back the individual as much as the asset. The model prioritizes continuity: it preserves identity, supports employee retention and customer relationships and enables bespoke transition plans with calibrated post-closing involvement by the seller as an advisor, director and/or minority shareholder.

Legal and transactional considerations for sellers

- **Alignment.** Search fund deals require the same rigour as any sophisticated M&A process, tailored to a founder transition. Buyer diligence and alignment are critical. Sellers should

assess not only the searcher but also the investor base, governance structure and access to follow-on capital. Alignment on time horizon, growth objectives and culture often matters as much as valuation.

- **Structure.** Balance certainty with shared upside. While cash at close is often paramount, a mix of vendor take-back notes, clearly defined earn-outs and equity rollovers can align interests and bridge valuation gaps. Clarity around operational authority, reserved matters, information rights and performance expectations is essential. Post-closing founder involvement should be clearly defined, including decision rights and the path to a clean handoff.
- **Financing certainty.** Capital stacks often combine investor equity, senior debt and seller financing. Letters of intent and financing commitments should be reviewed closely to reduce execution risk, especially where proceeds are expected to fund retirement.

A practical path forward

The silver tsunami is already reshaping Canada's SME market. Without credible succession options, too many durable businesses risk value erosion or avoidable closure. Search funds and ETA are not a replacement for private equity or strategic acquirers; they are a powerful complement that aligns capital, leadership and continuity in a way that resonates with founder interests and the priorities of the Canadian economy.

For founders, a sale need not be an ending. Done well, it can be a passage, preserving a life's work while enabling the next generation of leaders to invest, innovate and grow. In the context of Canada's demographic transition, effective succession planning is not merely a private transaction issue. It is a quiet but essential contributor to long-term economic resilience.