

THE EXIT PLANNING REVIEW™

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The Avoidable Failure to Act

"I never worry about action, but only about inaction." Winston Churchill

"I haven't decided what I ultimately want to do with my business, or when I want to exit, or how much money I'll need, or whom to sell to, so how can I plan my exit? Besides, I don't want to exit right now."

If you've said this, or thought it, you are not alone. Many business owners are either overwhelmed with the thought of exiting or are so busy fighting daily business fires that *they assume* they cannot plan their exits.

If you aren't sure about what you want, or when you want to leave, why is it so important to decide to act today?

First, recognize that when you take a passive attitude toward the irrefutable fact that you will—one way or another—leave your business, you are settling for less than the most profitable exit for yourself and for your family.

Second, understand that preparing and transferring a company for top dollar takes time—on average five-ten years. Most of those years will be spent preparing your business for the transfer and, if you decide to sell to employees or children (two groups who rarely have any money), giving them time to earn the money to pay you for your interest.

The more time you have to design and implement income tax-saving strategies, build value, strengthen your management team, and begin a gradual transfer of ownership (not control) to key employees or children, the more likely you are to reach your goals.

Third, if you decide to sell to a third party, remember that the market does not operate on your schedule and may not be paying peak prices when you are ready to sell.

If the prospect of leaving your company with little to show for it is unacceptable to you, let's look at your three options.

Wait for a buyer. According to Deloitte's Entrepreneurship UK: 2008 survey, 35 percent of business owners said they will wait for a third-party offer for their businesses. Owners in this group believe that one day a buyer will contact them, negotiate a fair price, and that will be that. Well, this is a course of action—but one that flies in the face of reality. There is a pent up supply of businesses owned by Baby Boomers who, as soon as the M&A market recovers, will be clamoring to sell their companies. The simple law of Supply and Demand tells us what kind of market that will be for sellers.

In a buyer's market, only the best-prepared businesses sell for top dollar. And the owners of those well-prepared businesses will be those who made the decision to prepare their company years ahead of the actual sale.

Liquidate. Liquidation is a common exit path for owners of companies whose cash flow is declining and has little probability of improving—absent the design and execution of a business/exit plan. If this description fits your company, we recommend that you meet with your tax and other advisors to do the planning necessary to create the

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most tax-efficient liquidation possible.

Decide to exit and plan accordingly. Start today and take the following steps:

1. Fix a departure date.
2. Determine your financial needs.
3. Decide whom you want to succeed you.
4. Have your business valued to see if: a) you should sell today; and/or b) it has the value necessary to meet your financial and other exit objectives.
5. Based on your objectives and the realities of your business, use a skilled Exit Planning Professional to forge a plan with accountability/decision deadlines.

Acting *today* to create your best possible exit path is not difficult. Simply, pick up the phone and call the exit planning advisor who sends you this newsletter.

Your failure to act, however, can potentially be fatal to your successful exit. You and your family depend on the success of your business exit. Can you afford to fail to act?

Subsequent issues of The Exit Planning Review™ provide balanced and advertising-free information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.

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