

# THE EXIT PLANNING REVIEW™

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## Top Excuses Owners Use To Avoid Exit Planning: Part Two

*This issue brought to you by:*

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In the prior issue of this newsletter, we attempted to take the air out of the most common argument owners make for ignoring the planning necessary to successfully exit their companies: They believe that their businesses aren't worth enough to meet their financial needs. "When it is," they claim, "that's when I'll think about leaving."

Three other common arguments are:

- I will be required to work years for a new owner.
- I don't need to plan. When the business is ready a buyer will find me.
- This business is my life! I can't imagine my life without it!

Today, let's see if we can dispel these last three objections so you can move forward with planning to leave your business when you want, for the amount of cash you want and to the successor you choose.

### **I Will Be Required To Work Years For A New Owner**

If one of your Exit Objectives is to leave your business as soon as possible, tell your Exit Planning Advisor to make that a prerequisite of any sale. Some buyers require sellers to stay on after closing, but, *if the management team is strong*, most require the former owner to remain only for short transition period--usually no more than a few months.

If your management team consists only of you, and you want to leave as soon as possible, plan on working for the new owner for a couple of years. If your exit is still several years away, you've got work to do. We'll talk about how to create and motivate a management team that will stay beyond your departure in future issues of this newsletter.

The best way to be sure that you don't become an employee of a new owner is to make yourself an unnecessary expense. You do that by creating a management team that has proven its ability to make the company profitable, and is motivated to do so.

### **I don't need to plan. When the business is ready a buyer will find me.**

According to a 2010 Deloitte study, 18 percent of owners share this "exit plan" (Deloitte, "Entrepreneurship UK: 2009/10: On Your Marks," page 21). One of the hard lessons of The Great Recession of 2008-2011, however, is that the timing of an exit depends on a vibrant economy with an active M&A market and a company with strong cash flow and an owner ready to sell. These factors seldom exist in equal measure at the same time.

We suspect that some owners believe that waiting for a future economic tide to bring back well-financed buyers involves little to no risk. But this type of passivity is fraught with danger:

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- What if a qualified buyer doesn't show up?
- What happens if, when you are ready to sell:
  - the M&A market is dormant; or
  - your industry niche has fallen out of favor;
  - a national competitor moves into your territory; or
  - your business and/or the economy is in decline or worse?
  - Your health (or personal circumstances) unexpectedly deteriorates?
- What happens if the economic tide doesn't return at all, or at least not for many years?

**This Business Is My Life! I Can't Imagine My Life Without It.**

We all know business owners whose belly fires are long cold and whose animating goals have grown stale. Yet, they hang on in their businesses because they can't imagine their post-exit lives. We also know owners who remain energized and involved with their companies. *Both types* will leave their businesses.

If you are still passionately engaged with your business and happily making a difference in your life and the lives of others, don't exit just to exit. But if the passion that once burned brightly has turned to cold ash, it's time to act while you have time.

To start exit planning only when the end is near fails to exploit the majority of its benefits. Exit planning involves building business value, its cash flow, and its resiliency so that it prospers regardless of who owns it or what that owner's exit objectives are. Exit Planning involves protecting value and minimizing taxes--both valuable endeavors regardless of an owner's specific exit objectives. When departure day dawns, owners who have planned their exits are better positioned to achieve all their business and financial objectives.

**Final Thoughts**

Certainly, the decision to sell the business you created and nurtured is an intensely personal one. No one can tell you when to exit your business or what to do with the rest of your life. Having worked with other owners, we can help guide you through the process of preparing for the biggest financial event of your life. We can help you consider all of the factors associated with exiting your business and help you to reach your exit objectives.

*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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