

# THE EXIT PLANNING REVIEW™

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## Preparing for Your Exit: Planning for Your Inevitable Business Exit

With over half of today's 9.5 million owners of established businesses reaching the retirement age of 50 years old or older it is likely that many of you will be ready to leave your business within the next decade or so<sup>1</sup>. What have you done to plan for that day?

What are you waiting for? How could planning for the biggest financial event of your life not be worth your time and effort?

Given that most retirees live on 95 percent or more of their pre-retirement income there's good reason to get busy creating an Exit Plan that enables you to help achieve your financial and lifestyle objectives after you leave your business<sup>2</sup>.

If you aren't sure how to begin preparing for your voluntary – and inevitable exit – because you don't understand the process or even know whom to turn to for help, you are not alone. There is a methodical, adaptable and customized Exit Planning Process that business owners and their advisors have used for years that is designed to help owners leave their businesses on their own terms and on their schedules.

Exit Planning is not mysterious, time-consuming, nor just a clever way to sell you another product. It is, however, a means to help you achieve your financial and lifestyle objectives:

- Leaving on the date you choose.
- Receiving the amount of cash you want.
- Choosing your successor.

What exactly is the Exit Plan that will allow you to leave your business in style? How do you create yours? Just as there is an almost infinite variety of businesses and business owners, so too are there many different Exit Plans.

Yet all plans contain several common elements. Let's begin with the basic seven issues that most owners understand best when we phrase them as questions.

1. Do you know your primary planning objectives for leaving the business, such as:
  - Departure date?
  - Income needed to achieve financial goals?
  - To whom you want to leave the business?
2. Do you know how much your business is worth?
3. Do you know how to increase the value of your ownership interest through enhancing the most valuable asset of the company – the employees?
4. Do you know the best way to sell your business to a third party, with the goal of increasing your cash,



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decreasing your tax liability and reducing your risk?

5. Do you know how to transfer your business to family members, co-owners or employees, while paying lower taxes and achieving your financial goals?
6. Have you implemented all necessary steps to ensure that the business continues if you don't?
7. Have you provided for your family's security and continuity if you die or become incapacitated?

If you can answer "yes" to all of the questions, then you are well on your way to developing a successful Exit Plan. If you are like the vast majority of business owners; however, your answers highlight areas where you need to focus your Exit Planning efforts. As you work through your Exit Plan, however, you will be able to say, "Yes" to each and every one of the questions listed above.

Future issues of this newsletter will discuss the advantages and disadvantages of various exit paths (transferring ownership to children, selling to key employees and selling to an outside third party). Understanding the pros and cons of each path will help you to formulate the timing and details of your unique Exit Plan.

If you want more information about how to answer the questions necessary to create your Exit Plan, please contact us.

<sup>1</sup> *Feldman, Dr. Stanley J. and Winsby, Roger, "Financial Service Needs of Established Business Owners: The Size and Demographics of a Wealthy Underserved Market," Axiom Valuation Solutions, formerly bizownerHQ.*

<sup>2</sup> *The Wall Street Journal, "The Retirement Lies We Tell Ourselves," December 11, 2006.*

*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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