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Top Excuses Owners Use to Avoid Exit Planning

Like every owner, you will one day exit your business, voluntarily or involuntarily. On that day, you will want to attain certain business and personal objectives: The first (and usually prerequisite to all others) is financial security.

Believe it or not, most owners do absolutely nothing to consciously plan and systematically move toward the all-important goal of financial security. Anecdotally, the four most common excuses owners use to justify delaying and eventually ignoring Exit Planning are as follows:

1. The business isn't worth enough to meet my financial needs. When it is, I'll think about leaving.
2. I will be required to work for a new owner for years.
3. I don't need to plan. When the business is ready, a buyer will find me.
4. This business is my life! I can't imagine my life without it!

Today, let's look at the first hurdle that prevents most owners from making the necessary plans to cash out of their businesses and move on to the next stage of their lives.

Excuse 1: The Business Isn't Worth Enough to Meet My Financial Needs. When It Is, I'll Think About Leaving.

This is a common and relatively reasonable assumption: Why spend time, effort, and money to plan to leave your business when you cannot do so today? Why not wait until it

is at least theoretically possible to leave to begin the Exit Planning Process? Consider the following example:

At age 45, Jerry Rowling dreamed of the day he could leave his company. The past five

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kept his nose to the grindstone, fully confident that if he worked hard enough, the exit he dreamed of would take care of itself.

Fast forward five more years: Jerry has remained stagnant, dreaming more frequently but doing nothing to bring about the day he could walk out the door. What had changed was that Jerry had reached his 50th birthday, a benchmark he had set years earlier as the day he'd leave the business behind.

During the five years Jerry spent working in rather than on his business, he missed the opportunity to do the following:

- Clearly establish his personal Exit Objectives and goals.
- Create an Exit Plan (based on his goals) that would identify the most productive actions he could take to create and protect value, and to do so in the most tax-efficient way possible.
- Drive up business value to the point where he could sell, pay taxes, and exit with the amount of cash necessary to achieve financial security.

What owners know to be true but often fail to act on is that growing value usually does not occur unless owners focus their efforts on deliberate actions that move their companies measurably toward their goals. In failing to act on what they know, owners don't create or implement Exit Plans and thus are never able to exit on their terms.

Do You Have a Plan?

Avoiding planning not only puts your future financial security at risk but also overlooks your company's need to grow in value efficiently and quickly in carefully targeted areas. Growing and protecting value is at the core of Exit Planning. To identify where and how to spend precious company resources (i.e., your time and money) to make the greatest impact is a key Exit Planning task. It is just as important as identifying and implementing strategies to minimize both current taxes and the tax bill when you transfer your company.

It makes sense to start planning for your eventual exit now, because you have to plan (and consistently take purposeful actions to implement your plan) regardless of the state of the economy. The simple reality is that most owners don't plan; therefore, most owners are never able to leave their businesses in style.

Excuse 2: I Will Be Required to Work for a New Owner for Years.

If one of an owner's Exit Objectives is to leave the business as soon as possible, he or she needs to direct the 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 the company's management team consists only of an owner who wants to leave as

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The best way for owners to assure that they don't become employees for a new owner is to make themselves an unnecessary expense by creating a management team that has proven its ability and motivation to make the company profitable.

Excuse 3: I Don't Need to Plan. When the Business Is Ready, a Buyer Will Find Me.

One of the hard lessons of the Great Recession of 2008–2011 is that the timing of an exit depends on a vibrant economy with active buyers, 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. However, this type of passivity is fraught with danger:

- What if a qualified buyer doesn't show up?
- What happens if, when the owner is ready to sell,
 - the mergers and acquisitions market is dormant?
 - the owner's industry niche has fallen out of favor?
 - a national competitor moves into the owner's territory?
 - the business and/or the economy is in decline or worse?
 - the owner's health and/or personal circumstances unexpectedly deteriorate?
- What happens if the economic tide doesn't return at all or at least not for many years?

Excuse 4: This Business Is My Life! I Can't Imagine My Life Without It!

We all know business owners whose belly fires have gone cold and whose animating goals have grown stale. Nonetheless, they hang on to their businesses because they can't imagine their post-exit lives without them. We also know owners who remain energized and involved with their companies until they die. Both types will leave their businesses eventually.

If owners still are passionately engaged with their businesses and happily making a difference in their lives and the lives of others, they should not exit just to exit. However, if the passion that once burned brightly has turned to cold ash, it's time to act while there's still time.

To start Exit Planning only when the end is near fails to exploit the majority of Exit Planning's benefits. Exit Planning involves building business value, cash flow, and

resiliency so that the business prospers regardless of who owns it or what that owner's Exit Objectives are. Exit Planning involves protecting value and minimizing taxes, both of which are valuable endeavors regardless of an owner's specific Exit Objectives. When departure day dawns, owners who have planned their exits are better positioned to

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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 complete your Exit Objectives.

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