

Getting Started In The Exit Planning Process

Nora Chapman's story was typical of most business owners. At age 54, she was ready to leave her 25-employee advertising business. She was thinking of selling to one or two of her key employees and when we met her, her first question to us was: "Is this the right exit choice?"

Many of you find yourself in the same predicament. You are beginning to think of a time beyond business ownership. But you don't have a clear vision of how to "leave your business in style." So what do you and the Nora Chapmans of the world do? Here is what we told Nora.

First, understand that leaving your company is a process. If you're already taking action to leave your business, ask yourself if you are approaching your exit in a methodical, logical, rational manner. Most owners do not undertake the necessary thought and planning that underpins good ownership transitions because they don't know how to begin or exactly what to consider and analyze.

Most owners, and their advisors for that matter, are unaware that there is a planning and an implementation process that can provide that underpinning. It is *The Exit Planning Process*. This Process begins with understanding your exit objectives and the value of your business. Based upon what you want and what you have, you then determine a proper path for you, be it a sale to a third party, a transfer to children, a sale to an ESOP, a sale to a co-owner, or an orderly liquidation. As part of this Process, you must consider what would happen to the business and to your family in the event your death or disability precedes your planned exit.

Simply knowing the process and proceeding down the Exit Planning path, however, is insufficient. According to the Small Business Administration (SBA), most business owners who begin the planning process fail because they fail to plan. To succeed, you need a **written** plan that:

- sets out your exit objectives, the financial and other factors that need to be considered; and
- documents how you are going to achieve those objectives.

Along with this written plan you must have a checklist that:

- assigns responsibility for each task to be completed throughout the Exit Planning process;
- sets a date for the task to be completed; and
- designates the person responsible for completing that task.

How do you begin?

"Let us, therefore, decide upon the goal and upon the way and not fail to find some experienced guide who has explored the region towards which we are advancing; for the conditions of this journey are different from those most travel."

— Seneca, *"On the Happy Life"* (AD 58)

As skilled and as successful as most business owners are, they cannot, working alone, create and execute their Exit Plans. Rarely have owners made a career of exiting businesses. Those owners who do attempt to craft their own Exit Plans usually fail and, at best, they leave a lot on the table: a lot of their money, their time or their own happiness.

And, as skilled as your attorney, CPA or financial and insurance representative is, each is unable to craft a successful Exit Plan--when acting alone. Successful Exit Planning is a multi-disciplinary effort that requires you and your advisors working together. No one profession possesses the breadth of knowledge necessary to advise a business owner on the wide variety of Exit Planning issues.

For your Exit Plan to succeed, you need legal input, financial input, tax input, financial advisory input, and, often consulting input. You may need, at some point, the services of a Business Broker or Investment Banker. No one advisor can be up-to-date on all of the intricacies of each discipline.

What does it take to create an Exit Plan?

- Understand that there is a proven Exit Planning process. Learn as much as you can before you make final decisions.
- Commit to see the process through.
- Document your decisions and create a written plan (and checklist).
- Hire an experienced team of professionals — Attorney, CPA and financial or insurance representative (at a minimum) to help see you through this process. These professionals should more than pay for themselves by putting money in your pocket. If they cannot, you have the wrong team.

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