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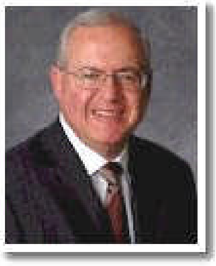
Successful Exit Planning & Your Advisory Team

by Raymond C.Pucci, CBI



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While every business owner must face the day when they exit their business, our human DNA contains a delay-and-hold gene that often causes us to put off the inevitable. However, much like death and taxes, all businesses will some day be either transferred—or closed.

Having a strategic exit plan and a professional advisory team enables the business owner to benefit through:

- Increased financial proceeds from the business transfer
- Decreased chances of a business transfer failure
- Minimized tax obligations

Business owners who have done some advance planning and have taken the time to think about their options usually find that they maximize business value and enhance their wealth. Here are key steps to take:

1) Outline—in advance—your goals and objectives.

CenterPoint suggests these **basic questions** that help focus a business owner on their future exit strategy:

When do I want to exit my business?
Factors such as current business valuation, market conditions, personal & family situation, plus retirement objectives help to answer this question.

To whom do I want to transfer control and/or ownership?
Options here are family member(s), business partner, employees/managers, or a 3rd party.

What is my business worth?
Very few business owners know the most probable selling price of their business. All owners should look to an experienced business valuation advisor who will assist them in understanding and maximizing the value of their business. *(This will help to answer the above question--When to exit my business?)*

How much annual after-tax income will I need after transferring my business in order to meet my lifestyle, retirement, estate, and charitable goals?
A trusted financial advisor/wealth planner is a necessary resource to help with this question, especially to determine how long a given amount of money will last, once the business has been transferred.

2) Assemble an Advisory Team to assist you with what is a detailed and complex process.

Small business owners learn to wear many hats across a variety of functional disciplines in running their companies. However, for most owners, the business represents their single largest asset, and the exit is something they do only once. These are prime reasons to seek specialized advice from a team of advisors with highly focused skills and tools.

The professional advisory team that assists a business owner in exit planning typically consists of:

- **Financial advisor/wealth planner**
- **Attorney**
- **Tax accountant**
- **Business broker/intermediary**
- **Insurance specialist**

This core advisory group handles the detailed and complex tasks of exit planning and transfer, and allows the business owner to focus on running the business. Maintaining the health of the business is crucial and the owner should not be distracted by a process that can take up to a few years of planning and implementation.

We believe that an exit planning framework enhances the value of a business, provides for a successful transfer, and ensures that the retired business owner is not left in dire straits due to their money running out. **The cold reality of running out of money in months or years after selling one's business is a convincing reason to start your exit planning a few years in advance.**

Once an Advisory Team has been selected, then communication and coordination among them and their business owner client become of utmost importance. One of these advisors must serve as the facilitator to lead the process to ensure that the business owner's needs and interests come first, and are clearly understood and carried out.

The client/team communication process should be outlined when the team is first assembled and has an opening meeting with the business owner. Mutual trust, operating styles, and communication protocols are all paramount to establishing the agenda and objectives of the exit plan.

3) Work with your Advisory Team to Execute Your Exit Plan

Once the Advisory Team has been assembled and brought together for an opening meeting, a lead advisor is selected to coordinate the exit plan objectives into a manageable program plan. Through this program plan tasks are assigned, a timeline agreed upon, and a communication process decided.

The Advisory Team meets as a group with the owner client in strategic review sessions, the frequency of which is determined by what best fits the client needs. Many Advisory Teams meet annually, then the strategic review schedule can be accelerated as the exit plan dictates.

A typical exit plan annual meeting will include these agenda items:

- Update of owner goals/objectives & exit plan framework
- Current and year-to-date business performance and market conditions
- Financial, tax, and legal issues
- Business valuation update
- Estimate of proceeds from future business sale
- Achievability of owner's lifestyle and/or retirement objectives based on business transfer and valuation probability
- Exit plan options and team recommendations
- Strategic action plan on future action for business exit

The key to a successful exit plan for a business owner is to first formulate your future personal and financial objectives. Then working in concert with your advisors will ensure that you achieve long-term financial stability and security upon the inevitable exit from your business.