

Issue 1

Why Exit Planning?

Are you like many business owners?

- A majority of closely held and family owned businesses will change hands within the next five years¹; but
- Many Business Owners may not have taken active steps to transition out of ownership.

Again, if you are like many of our readers, the reasons for failing to plan may be:

- You may have simply been too busy working in your business to be working on it — at least until now.
- You may be unsure of how to begin Exit Planning, who to use or even where to begin. Those uncertainties can be addressed today.

This issue of **The Exit Planning Review™** and every subsequent issue will encourage you to work on — not in — your business. Your education about the Exit Planning process begins now. Proper knowledge and preparation can possibly mean millions of dollars to you when you ultimately leave your company. Start Exit Planning today and you can help to avoid the sad (but too common) fate of the hypothetical business owners of T J Construction.

Years ago, I met with Jim and Tim McCoy, two owners of a thriving construction company. What I assumed would be a business planning meeting, turned out to be a "We're getting out of business, how do we do it?" meeting. As successful as they were, they were tired of the government regulations, changing tax codes and day-to-day grind of running a multi-million dollar company.

A sale to a third party was not an option because Tim and Jim were not willing to stay on after a sale — and they had failed to develop a strong management team, which any savvy purchaser would require as a condition of purchasing the company. Transferring ownership to a group of key employees was also out of the question. None had been groomed to take on this type of responsibility and nothing had been done to fund this type of buy out.

Both owners were too young to have business active children so their only option was to liquidate.

Jim and Tim's highly profitable company had little worth beyond the value of its tangible assets. After the sale of those assets, dozens of the employees lost jobs, the business disappeared, and Jim and Tim left millions of dollars on the table.

How can you help to avoid Jim and Tim's fate? By engaging in an Exit Planning process that you control. An Exit Planning process begins by asking yourself the questions that follow. Your Exit Plan will begin to be created as you answer each of the following questions affirmatively:

1. Do you know your retirement goals and what it will take — in cash — to reach them?
2. Do you know how much your business is worth today, in cash?
3. Do you know the best way to increase the income stream generated by your ownership interest?
4. Do you know how to sell your business to a third party and possibly lower your taxes?
5. Do you know how to transfer your business to family members, co-owners, or employees while lowering taxes and potentially enjoying financial gain?
6. Do you have a continuity plan for your business if the unexpected happens to you?
7. Do you have a plan to help secure finances for your family if the unexpected happens to you?

These questions are almost misleadingly simple to ask, but to answer them affirmatively requires thought and action on your part.

Creating and implementing your Exit Plan may be the most important business and financial event of your life.

*Subsequent issues of **The Exit Planning Review**[™] discuss all aspects of Exit Planning. The provider of this Newsletter ([Robert Heffner](#)) offers you unbiased information about what you may need to know — *How To Run Your Business So You Can Leave It In Style*[™].*

¹Winsby, Roger. Axiom Valuation, 2003.

DISCLAIMER: The information contained in this article is general in nature and is not legal advice. For information regarding your particular situation, contact an attorney or tax advisor. This newsletter is believed to provide accurate and authoritative information related to the subject matter. The accuracy of the information is not guaranteed and is provided with the understanding that none of the providers of this newsletter, including Business Enterprise Institute, Inc., is rendering legal, accounting or tax advice. In specific cases, clients should consult their legal, accounting or tax advisors.

The example provided is hypothetical and for illustrative purposes only. It includes fictitious names and does not represent any particular person or entity.