

BUSINESS CONTINUITY

A Component of

The Seven Step Exit Planning Process™

The Seven Step Exit Planning Process™ is comprehensive enough to address all of the key elements required to create a successful Exit Plan, and flexible enough to work with each business owner's planning style. Although some business owners prefer to develop their Exit Plan as part of one multi-faceted process, others prefer to work through the Exit Planning process in stages.



For those who want a staged approach, the owner and his or her advisors can prioritize the elements of the Exit Plan and complete each component sequentially, rather than all at once. In these situations the owner and advisors identify each Component of the Exit Plan to be addressed and create a schedule for addressing and completing that Component before moving on to the next.

For owners who are focused on Business Continuity, the Exit Planning Process can be modified as follows:

STEP 1

IDENTIFY OWNER OBJECTIVES

The most common objective in this Component is that an owner wants to be sure that he or she will receive full value for his or her ownership interest if certain events occur (such as death, disability or retirement). At the same time, each owner also wants to pay fair value if he or she is required to purchase the ownership of a co-owner. Another objective might be that the business will stand on its own, be financially independent from the owner and continue to thrive after he or she is gone.

STEP 2

IDENTIFY BUSINESS AND PERSONAL FINANCIAL RESOURCES

Following the identification of objectives, it is critical to determine: current business value, a method for calculating future business value, projected future cash flow from the business and the business owner's non-business financial resources. Owner objectives are considered in light of this financial information to set expectations in business continuity planning and to verify that a plan is reasonable.

BUSINESS CONTINUITY

Business continuity planning encompasses a wide range of consequences that may follow the departure of a majority owner or a member of a controlling owner group (because of death, disability, retirement or termination). This Component frequently keeps business owners awake at night wondering what will happen to their ownership interest and to the business itself. Business continuity planning protects an owner's right to receive payment for his or her interest, provides certainty about what he or she may be required to pay for the interest of a co-owner and supports the business after a departure so that it can continue to thrive.

POSSIBLE COMPONENT RECOMMENDATIONS:

- Business Insurance for Continuity Planning
- Stay Bonus Plan
- Business Continuity Guidelines
- Buy-Sell (Shareholder) Agreement
- Wage (Salary) Continuation Plan
- Retaining Key Employees After Death or Disability
- Plan for Financial Independence of the Company

IMPLEMENTATION AND FOLLOW THROUGH

The business owner and his or her advisors work together to design and finalize the Recommendations that will drive the owner toward reaching his or her objectives. Once Recommendation details and decisions are complete, an organized and systematic implementation of each Recommendation follows. Finally, they focus their attention on the next Component that will fit into the owner's comprehensive Exit Plan.

Business owners who can benefit from this Component typically say to themselves...

"My partner and I have always had an understanding about what we would do if one of us dies, but I'm not comfortable with that anymore."

"My spouse doesn't even know where I keep the keys to the building, much less what to do with the business if I die or am incapacitated."

"My family and I rely on the business for a significant part of our income, so I need to protect that income stream if something happens to me."

