

SEVEN REASONS WHY

You should lay the groundwork for your exit 5 to 10 years before you plan to transfer ownership or retire

1. More Money

You're more likely to receive "top dollar" for your business. Owners who have exit plans receive 50% to 70% more for their businesses than those without plans. Putting a plan in place early will also enable you to take advantage of the time value of money, financial strategies that utilize pretax dollars, and pre-funding solutions that can protect and enhance your equity position.

2. More Options

Waiting until you are just a few years from retirement will greatly limit your exit options, and may force you to select the least desirable or profitable exit path—and receive only a fraction of what your business might have been worth had you implemented a plan sooner.

3. More Time to Build Value

Knowing that you have five or more years to prepare your firm for ownership transition will give you ample time to focus on the key factors that drive up business value, including a steady track record of profit margins of 20% or more (the number one factor), and ensuring you have the right succession team in place (which is critical, whether you are selling to an employee, partner or third party), and perhaps acquire and absorb another firm to further drive up value. It will also give you the time to train and nurture your senior managers—and, if necessary, recruit additional management, professional or creative talent to round out your management team.

4. Protect Equity

There is no guarantee that you will receive full value for your equity position five or more years down the road—unless you take steps now to secure the equity you have built up in your business to date, and protect it from unforeseen contingencies or a business downturn.

5. More Affordable and Feasible for the Buyer(s)

Whether you plan on selling to an employee(s), partner(s), family member(s), or even to a third party, a long-term horizon provides the buyers with more options for compensating you for your equity position, and enables you to be paid out over a longer time period—making the deal more feasible and affordable for them—resulting in a higher total payout..

6. Employee and Client Loyalty

Knowing that you have a solid plan in place to ensure the smooth and orderly transition of ownership will give employees a greater sense of loyalty and job security, and communicate to clients that the business will continue after your departure.

7. Peace of Mind

Having a well-structured exit plan in place will give you peace of mind—knowing that you will be able to leave your business when you want to, on your own terms—that your family's financial future is secure, and your estate and legacy desires are taken care of.

