



Purposeful Exit Planning:

Plan Now for a Successful Sale

Business owners should begin early to develop working answers to big questions. Why do you want to sell your business? What do you need and want from the sale? Taking time to develop clarity now not only helps you achieve your goals for an eventual sale, but also can help you enjoy running your business more today and remain satisfied long after the sale.

Profits are down and it's just not as much fun anymore. Unfortunately, selling your business in a tough market or as sales dip rarely yields the kind of returns business owners want. The smart alternative is to step back, examine your market, competitors, customers, and staffing, and develop a strategy to reverse the slide and grow your revenues and profits before you market your business.

I'm rich – now what? Some business owners become victims of their own success. Perhaps you have achieved all the goals you set and can run your business in your sleep. You are bored, but have no idea what to do next. Before marketing your business, thoughtfully consider what matters most to you and write down a detailed vision for the next phase of your life. Having a clear vision of the future you want can help determine what you need and want from the sale of your business and help you steer clear of the void that often arises after the sale.

I am starting to lose sleep. Business owners shoulder an enormous amount of risk. When you were younger with little to lose and time to recover, you lived with those risks. As you age and accumulate wealth, you may want to take some of your chips off the table. If you find you can no longer sleep at night, you may want to sell your business to relieve your anxiety and lower your risk. But you first need to know how much independent wealth you need to sleep soundly. You may find you can sell just a part of your business to an outsider or key employees, pull some cash out of the business, or start an ESOP or an aggressive savings program for the future.

I want to try something new. Perhaps you want to devote your energies to developing a new business. Maybe you want to spend more time working for charity, teaching, mentoring the next generation, reviving your passion for watercolors, or working on your golf swing. You may not need to sell your business. You may find it more satisfying to restructure the business. You can fill out your management team, recapitalize the business, or retrain key employees. These changes could enhance the value of your business while giving you the freedom to pursue some of your other interests.

My children or key employees are ready for me to go. Your children may be eager to assume the mantle of leadership, or you might have key employees who are ready to buy in. You may not want to leave just yet, but you do not want to stand in their way. Many conflicts arise because of misunderstandings over values and goals. Begin by prioritizing your own values. Communicate your values and vision to all the key players and seek to understand their values and expectations. Frank discussions may lead to creative solutions that work well for all.

Up or out? Every successful business reaches a crossroads where you must decide whether to invest additional capital or purchase equipment needed to take the business to the next level or sell. If you choose to invest more money and then find yourself faced with an opportunity to sell soon thereafter, you may not recoup your investment. Seeing the threshold point approaching long before it arrives gives you time to thoughtfully consider all your options.

My succession strategy isn't likely to succeed. Many people start their business with the notion that it might someday be passed on to future generations. If you realize that there are no family members who are ready, willing or perhaps able to succeed you, you may feel you have to wait for the perfect opportunity to sell your business for the highest price possible. Often, the worst course of action is to try to be the "perfect timer." By starting earlier rather than later, you have an opportunity to find a buyer for your business and you can use part of the proceeds to give your children an opportunity to pursue their own passions. With careful planning, owners can often find a way to create wealth while preserving family relationships.

The market is evolving. To every business, there is a season. The American textile industry, for instance, has largely given way to foreign producers who can make products more cheaply. When business owners see industry dynamics changing, it may be time to take action to preserve, reposition or sell your business. If it is time to sell, it is usually better to be the first business to exit the industry rather than the last. Once the handwriting is on the wall, the remaining businesses can lose value quickly.

I am ready to retire. You may be ready to retire and enjoy yourself. The amount of money you need to sustain the lifestyle you choose is a finite, discernable number. Knowing how much money you actually need to remain financially independent allows you to develop realistic sales goals and helps ease your anxieties before and after the sale.

I need to sell my business now. No one can predict the future or guarantee that they will be healthy enough tomorrow to continue managing their business. Your health may prevent you from running the business as you once did, or your spouse or another family member may need your care. You never want to sell your business under duress, and it may be impossible to sell your business as quickly as you might hope. If you are faced with a sudden health crisis or have an unexpected need for cash, you may feel pressured to sell your business now. The forced sale of your business can be devastating, both personally and financially. In most cases, however, there is no need to panic. You can often develop a short-term plan to meet your immediate cash needs while you assemble a team to market your business.

If you are like most business owners, your business probably represents the vast majority of your net worth. As such, you must manage that asset carefully. Many of the things you can do to enhance the value of your business simply cannot be accomplished overnight. Prospective buyers want to see a historical record of success, clean accounting records, and proper sales figures, not quick fixes. The key to selling your business for good value and being happy long after the thrill of the deal fades is to plan today, not just for a sale in the distant future, but for the unexpected sale tomorrow.

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