

DON'T ARMCHAIR QUARTERBACK YOUR EXIT

“How hard can planning my exit really be? I already made it valuable, so all I need to do is find someone to buy it for what I want, right?”

If you've ever watched a professional football game, you might be familiar with the armchair quarterback—someone who says “How did he miss that throw? I could do that!” Of course, if that person were thrown into a high-pressure situation among the absolute best of the best, they'd likely . . . not succeed, to put it kindly.

In many ways, a business owner who believes they can plan their own business exit all by themselves because they've read a couple books about it is similar to an armchair quarterback believing they'd be able to complete a single professional football pass because they watched a few YouTube how-to's.

Let's look at a fictional but representative business owner's situation to highlight some of the less obvious challenges of planning.

How Hard Could It Be?

At a recent business conference, Marty Faison attended a work-

shop on Exit Planning. He wanted to give the speaker a (polite) piece of his mind.

After the workshop ended, he approached the Certified Exit Planner, Cindy. He introduced himself and immediately shared his experiences with Exit Planning.

“You know, I hired an Exit Planner, and he really messed up parts of my business. After listening to what you talked about, I'm pretty sure I could do this myself.”

“We're pretty close to lunch here,” Cindy replied. “I'd love to sit down and hear what happened.”

Over lunch, Marty explained that the “Exit Planner” he hired was an old friend who worked in business consulting who had no Exit Planning certification.

“Marty, would you feel comfortable working with an uncertified financial planner or an uncertified public accountant?” Cindy asked. Marty said he wouldn't be. “So, why were you comfortable working with an uncertified Exit Planner?”

“Well, I didn't know there was a certification” Marty replied sheepishly.

“Let me ask you a few questions,” Cindy said, writing the questions

down. “How much do you need to be financially secure after you leave your business? What is your business's current value? And who do you think you'd sell your business to?”

Marty thought for a second. “I think something like \$5 million would be nice. And I'd guess my business was worth about \$5 million right now!”

“How do you know that?” Cindy asked.

“I mean, how does anyone know that?” Marty asked.

Cindy explained the various methods Certified Exit Planners used to determine the amount needed for financial independence, how to close Asset Gaps, and the importance of not “tainting the marketplace” (i.e., pulling the business off the market because the owner doesn't receive an offer they like, which is often a result of incorrect or non-existent business valuations).

“Okay, but I'm thinking about selling the business to my kids,” Marty countered.

“How would they pay you for your share?” Cindy asked.

“With the profits from the business,” Marty replied confidently.

“Are your kids currently making big decisions and effectively run-

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Business Owner Newsletter

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ning the business?” Cindy asked.

Marty chuckled. “Not even close. But someday . . .”

“Is that a risk you’d be willing to take with your financial future?” Cindy asked. “And if things didn’t go well, would you want to come out of retirement, go back to work, and maybe even have more cleaning up to do?”

“I wouldn’t,” Marty replied. “You’re asking me a lot of tough questions.”

“That’s what Exit Planners do,” Cindy said. “We also help you gather the specialists to pursue the tough answers.”

Look for Certified Exit Planners

A good first step when planning for a successful future is to consider a certified Exit Planner. Certified Exit Planners undergo training and education to help business owners create and implement Exit Plans. They often have networks of advisors who can provide specific knowledge in their fields as well.

Be Wary of Guarantees

Planning for a successful future can position you to achieve your goals. However, be skeptical of anyone who guarantees outcomes.

Much like other kinds of planning (business, financial, tax, etc.), changes may occur. Planning can help you adjust to unexpected changes, but it’s impossible (and irresponsible) to guarantee specific performances.

In other words, if someone says they’re an Exit Planner and guarantees anything other than their best efforts to help you pursue success, take caution.

Understand the Process

Exit Planning often requires collaboration among various advisors, such as financial planners, tax specialists, and lawyers. Sometimes, your current advisors are a great fit for the Advisor Team. Other times, the Exit Planner can seek out specialists you may need but do not have.

While the Exit Planner coordinates and executes on the strategies and tactics, you are the one who determines what success looks like. The goal of an Exit Plan is to position you to achieve your goals—starting with financial independence. This can keep you in control of what’s most important to you while your Advisor Team uses its experience to make your goals come to life.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. If you have questions on this topic, we can help with more information or a referral to another experienced professional.