

Business Owner Newsletter

WHAT ARE YOU DOING AFTER WORK?

Many business owners have a fuzzy idea of what life looks like after they're done working. But fewer business owners have a plan for how they'll reach the life they want after they're done working.

Running a successful business is time consuming, so business owners often feel like they don't have time to plan for something that doesn't benefit the company. However, one of the best times to plan for a successful future is before it becomes necessary.

Let's look at some of the common elements of a successful Exit Plan and how incorporating them into your business can help you in the short and long term.

1. Know Your Financial Independence Number

When you know how much money you must have to never have to work again, it sets your plans for a successful future in motion. But figuring out what this number is isn't as easy as it seems.

Many business owners make assumptions about what they need to achieve financial independence. Here are some of the most common assumptions:

- They'll need less money in retirement than they currently need as a business owner.
- They'll die before they run out of money.
- Their business is more valuable than it actually is.

Between leisure, health care, and personal financial goals like leaving an inheritance, the costs of enjoying life after retirement are often much higher than business owners anticipate, which causes them to underestimate what they need for financial independence.

Similarly, when business owners assume that they won't live long enough to run out of money, it can position them to undershoot the amount they need. This can create insurmountable obstacles to retiring on their terms.

Obtaining an accurate measure of what you'll need to be truly in-

dependent financially can determine whether you retire on your terms or someone else's. Your Advisor Team can help you establish this number by analyzing your current spending, your lifestyle, and your post-retirement goals.

2. Close the Value Gap

The Value Gap is the difference between the money you have now and the money you must have to achieve financial independence. Understanding this number is another common roadblock for business owners for two reasons:

- They underestimate how much they need post-retirement (see above).
- They overestimate how much their business is worth.

It's likely that the sale or transfer of your business will make up a large portion of your retirement funds. So, overestimating its value could create problems for your overall retirement plan. An accurate valuation can help you not only avoid this common pitfall but also take steps to build its value while you're still at the helm.

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3. Become Dispensable

After years of running your business, the idea of becoming dispensable or unneeded can seem counterintuitive. But generally, the most valuable businesses are those that can run well without the owner.

If your business relies on you for its success, then a buyer will likely expect you to stay with the business to justify paying top dollar for it. This could mean that to achieve financial independence, you need to be willing to work for someone else. Few business owners find this path appealing.

On the other hand, becoming dispensable to your business can open you to several opportunities.

Focusing only on the parts of ownership you enjoy while key employees handle the parts you're less enthusiastic about

Chances to dip your toes in what life away from the business is like while next-level managers run it while you're away

New growth opportunities created by your next-level managers that could accelerate your exit timeline if you choose

4. Create Business Continuity Instructions

In an ideal situation, you get to leave your business on your terms. But unforeseen events, such as sudden death or an incapacitating illness, can force you out of your business before you're ready. Even worse, these events could affect the lifestyles of those you support and irreparably harm your business.

To protect yourself against these challenges, it's prudent to create a set of business continuity instructions that provide guidance for what should happen if you are forced to leave your business unexpectedly. Business continuity instructions can help keep your post-retirement plans on track and support the people who rely on you when you are unable to support them.

5. Remain Flexible

Planning for life after work sometimes takes unexpected twists and turns. Having a plan to reduce the effects of those twists and turns can go a long way toward keeping you on a path to post-business success.

A powerful aspect of a formal Exit Plan is that it offers flexibility in addition to being a road map to success. If your ideal path becomes flooded, your Exit Plan and Advisor Team can reroute you and find detours that still allow you to exit your business on your terms.

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.