



## The Exit Strategies Newsletter

*IS YOUR FRIEND'S ADVICE WORTH LISTENING TO FOR YOUR BUSINESS EXIT?*

When a business owner begins to think about a life-changing event, such as an exit from their business, it is not uncommon for that owner to seek the advice and counsel of others who they trust. The scenario is one where the owner approaches a trusted friend – likely one who does not own a business – and mentions that he is thinking about leaving the business behind and wonders what the friend thinks about that idea. The friend, being well-intentioned but without any of the important information needed to truly make an informed decision or render an informed opinion, gives the best advice that he can. The friend will tell the owner, ‘well, it appears that the business has been very good to you and for that reason I would not leave?’

Again, that advice is often well-intentioned but totally devoid of any basis upon which such a large decision should be made.

So, who will provide you with advice and guidance regarding the largest

financial and [likely] emotional decision of your life?

### **An Exit Is Both A Personal and a Business Decision**

You might not ask a friend about your latest marketing decisions at your company or whether who to hire for your operations role. However, the reason that a friend may seem like an ideal person to confide in for this decision is because a business exit is both a business and personal decision for any owner who owns and runs their business. Therefore, when the exit decision is perceived as more personal in nature, owners seek that counsel of friends. Further, an inherent benefit exists in this conversation with the owner because a friend is not linked to business decisions so the ‘exit decision’ seems to be kept confidential and will not confuse or interrupt any of the daily business decisions that need to be made if an owner was to go to their CFO or COO with the same question.

## **An Exit Decision Needs to be Made in the Proper Context**

Despite the fact that an exit is both personal and business decision, it needs to be made in the proper context. And here is the challenge. Today's information age and explosion of readily available data to review has actually made the exit process more difficult for owners. Although this may seem illogical because more information should lead to a better result, it is more likely the case that when it comes to an exit, more information is simply more confusing to an owner if that information is not put in the proper context.

An exit decision requires a framework within which an owner can compare and contrast the pros and cons of the different exit options and alternatives. Without such a framework, owners can spend countless hours accumulating information online and through other sources (such as asking friends) without being able to properly use that information to make a decision.

## **An Exit Decision Needs to be Made with the Proper Content and Information**

Further, once a context has been established for organizing information, it is also important to have the right information. For better or for worse, most providers of information relating to a specific service are also purveyors of that service. Therefore, the features and benefits of each different type of service or exit option seem of paramount importance and the proper – perhaps the only – way to go. For example, someone who sells businesses for a living will extol the virtues of selling your business. Whereas an advisor who does estate planning will focus the conversation on the importance of beginning with their form of planning.

Now, knowing about business sales and how your assets (including your business) and estate will pass in a tax-efficient manner are critically important pieces of information. But again, the amount of information that you get is important and, harkening back to the last point, that information needs to be organized in the proper context.

## **An Exit Decision is a Process, Not an Event**

Therefore, it cannot be said enough times that an exit planning decision is a process, not an event. You do not simply wake up one morning and decide to have a business exit. Or,

more appropriately, you should not simply ask a friend what to do about your exit and then blindly follow the advice of someone who is not qualified with the information that you need and unable to put it in the proper context for you.

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### **What is a ‘Professional Advisor?’**

One definition of a ‘professional’ is someone who has been paid to render advice and/or a service to another. However, advice and services can also be easily found for free. The question, therefore, when seeking the advice and counsel of others, is whether or not the person offering the information has ever been paid by anyone to provide advice and guidance on the topic being addressed.

### **Concluding Thoughts**

For all of these reasons, your friend is likely not the best person to be advising you on your business exit decision. Rather, making this type of decision should be seen as a process of gathering the right information, putting it in the proper context, and then determining what type of customized exit plan would help you in achieving your goals.