

## The Exit Strategies Newsletter

*What Does the Term 'Exit Planning' Mean to You?*

There are millions of Baby Boomers heading into retirement age that own privately-held businesses. The emerging industry called 'exit planning' is actually a combination of services that deliver solutions to owners such as yourself as we all look to transition to the next phase of life. This newsletter is written to help explain what 'exit planning' is and, more importantly, what it may mean to you and your plans for exiting your own business.

### **The Concept of Learning Through Association**

One of the most challenging aspects of learning about something new is that typically we don't have anything to associate with the new concept. In the world of 'exit planning' one of the largest problems for business owners is that they do not understand what the words 'exit planning' mean because, most often, they have not gone through a business sale or transition in the past so they have nothing to associate with the term. It is likely that this is true for you and your business.

Simply put, an 'exit plan' and the 'exit planning process' are long-term, strategic approaches to the eventual transition of your business to someone else. The process is different for every business owner and every business because it takes into account the unique combination of personal and business issues that you will face.

### **Three (3) Areas of Wealth Solutions**

To help understand the process, it is best to break it down to three (3) common areas of focus that are covered by exit planning;

Exit: First, business owners want to be able to turn the illiquid equity (or value) of their business into cash that they can use to pay for their retirement expenses. This first phase is known as the 'exit'.

Business Transition: Second – most business owners have spent years working tirelessly to build their business. Many of these owners wonder how they can remove themselves from the day-to-day running of their businesses. This second phase is called transition or succession planning.

Legacy Planning: Third – most owners are founders of their enterprises and, therefore, are the wealthiest person in the history of their family bloodline. These owners want to know how this new wealth will impact their personal lives, their children's lives, as well as how they can make an impact on their community. This final phase is called legacy planning.

So, the general term "Exit Planning" is an umbrella term that encompasses all three areas of "exit", "succession" and "legacy".

## **It's Not all About 'Cashing In' and Selling to the Highest Bidder**

Too many owners simply equate the term 'exit planning' with an outright sale of their business to the highest bidder. When an owner tries to associate with this type of transaction, they often see themselves looking into a very uncertain future for themselves, their company, their employees and their business legacy. 'Exit Planning' is not all about selling to an outside buyer at the highest price. In fact, an exit planning exercise includes the process of evaluating *all* of your options for the transfer of your business, including succession to your management team, succession to family, even gifting and employee stock ownership plans (ESOPs) just to name a few options. By exploring each and every option available to you, you'll be that much more reassured that you've made the right choice when you do make the decision on which route to take your business.

## **Exiting and Protecting Your Wealth**

So an 'exit plan' and an 'exit planning process' is not a single transaction or an event. In fact, it is a long-term, strategic approach to you eventually cashing in, transitioning the business to others while also giving consideration to your personal wealth and legacy. Think of the planning process that you employ in your business. For most owners moving ahead with their business without a plan is a recipe for disaster because there is no focus or goals to strive for. It would be appropriate to associate 'exit planning' with the same type of activity. Only in this case you are working your way out of the business, over time. Along the way, you are accounting for the protection of your overall wealth that is trapped inside the illiquid business.

## **Why Owners Do Not Plan Their 'Exits'**

Most owners are not planning for their exits because the 'silent association' that one would naturally have for an 'exit' is the thoughts and feelings that something rewarding is coming to an end. Why plan for that? A common mistake that many business owners make as they transition to the next stage of their life, post-business owner, is that they don't take any time to plan how they will personally transition.

Well, the answer is that 'exit planning' does not need to be 'the end' for you. Many owners who plan for their exits design a life that they want to be living rather than one that forces them back into the business every day. They give thought and build a plan around where they will spend their time and energy post-business, especially in a way that they find just as rewarding as they did running their business. This is an important part of planning for an exit.

## **Concluding thoughts**

Now that you have a better understanding of what an 'exit plan' is you can associate this term with positive thoughts and be able to more clearly articulate what this means to you, your business, your family, and your community – it's all a part of the planning process. And, now that you are thinking more clearly about your exit, it would be a good time to reach out to professionals who have training in this area to start a plan for you. As a new and emerging field, there are forward thinking, professional advisors who are well suited to assist with this process. And remember, regardless of when you are considering exiting your business, it is never too soon to start planning, preparing and aligning your business with the eventual direction you'd like to lead it.

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