



The Exit Strategies Newsletter

WHAT'S GOING TO HAPPEN?

When looking back at why you built the business that you did, it is important to consider the benefits that you wanted to receive. What you may not have forecasted in your initial aspirations were the burdens that would accompany your success.

Business owners carry with them many burdens. One of the most interesting of these burdens is the one that arises out of the success of the business that was created and those closest to you who often times ask the question about the future of your company and 'what's going to happen?'. For better or for worse, the burden to answer this question lies squarely on your shoulders and making a plan for your exit will help you and those you care about understand the answer to this important question.

Do your family members have an answer to the question, 'what's going to happen'?

Do you have an answer to this is the important question?

Too many owners think that they have completed their 'exit planning' because they think of an 'exit' as death (meaning that their business equals their life – something to think about) and because they put a buy-sell agreement in place and funded it with life insurance. These owners are under the false impression that they can answer the question of 'what's going to happen' by saying that it's all taken care of with my insurance.

In fact, what has been accomplished is that you have established a contingency plan. This contingency plan deals with your untimely demise and helps to answer the limited question of 'what's going to happen' if you die. And, in fact, many contingency plans only answer that question as to who will purchase the business and where the money will come from (and/or how will the insurance proceeds assist with tax payments or transition planning without you).

Therefore, too many owners translate the word 'exit' into 'death' and

believe that they have answered the question of ‘what’s going to happen’.

In fact, contingency planning is not exit planning. An exit plan is a process that is followed and which is accompanied by a comprehensive and complete document that describes many different options for a business turning into cash during an owner’s lifetime. An exit plan will include parts of contingency planning but is primarily focused on how the owner’s illiquid stock will be purchased and/or transferred to someone else so the owner can enjoy the benefits of their business success during their lifetime.

An exit plan answers the question ‘what’s going to happen’ by analyzing all of the options that an owner has for selling or gifting the ownership in their business and what the likely tax, deal structuring, legal agreements and overall outcome will be.

An exit plan is a comprehensive document that can be read by others and illustrate to them what the alternatives are for the business to be purchased or subsequently owned by someone else. And, the exit planning process is one whereby you, the owner, and an exit planner take what you have in your head as to what you think could happen with the sale and succession of your business and analyze the transfer options in writing.

An exit plan, therefore, answers the ‘what’s going to happen’ question in a different way. It is a proactive process accompanied by a comprehensive document. Done properly, an exit planning process educates an owner on what the exit alternatives are and which ones are best for meeting their specific and customized goals.

For example, an owner who has sixty (60) employees, has been running and growing their business for twenty (20) years, has some family members working in the business, and has a number of ideas about who they would like to see running and owning the business in the future can have a hard time, answering the question ‘what’s going to happen’ because they don’t know. The purchase of insurance to avoid a disaster in the business operations is a good solution for bringing cash into the business in a time of need but who is going to run the business? How will the business be run? What can you do during your lifetime to begin selling and/or transferring the business? How will your transfers in the next few years, accompanied by a written exit plan, benefit your personal situation and your family’s overall wealth protection? And, most importantly, can the proactive exit planning

process answer the question that those closest to you have so that they know ‘what’s going to happen’?

Actually, that’s exactly what an exit plan does. An exit plan is a roadmap. It’s a guide for understanding your exit options and working towards pursuing them so that you can benefit from your success and your family has answers to the questions of ‘what is going to happen’. When you engage in the exit planning process you meet the burdens that come with the responsibility of being a successful business owner. An exit planning process not only gets you where you want to be but is also a benefit to your heirs and those who helped you grow your business and contribute to the overall success of your enterprise.

Do some research on what an exit plan is and begin the process today. After you are done, you and your family will be able to better answer the question ‘what’s going to happen’ because you will be in control of the destiny of your business and your wealth

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