



Exit Planning Excuses: Part I

Like every owner, you will one day exit your business—voluntarily or involuntarily. On that day you will want to attain certain business and personal objectives: the first (and usually prerequisite to all others) is financial security.

Believe it or not, most owners do absolutely nothing to consciously plan and systematically move toward that all-important goal. Anecdotally, the four most common excuses owners use to justify delaying and eventually ignoring Exit Planning are:

1. The business isn't worth enough to meet my financial needs. When it is, that's when I'll think about leaving.
2. I will be required to work years for a new owner.
3. I don't need to plan. When the business is ready a buyer will find me.
4. This business is my life! I can't imagine my life without it!

Today, let's look at the first hurdle that prevents most owners from making the necessary plans to cash out of their businesses and move on to the next stage of their lives.

Excuse #1: It makes no sense to start planning when my business isn't worth enough to meet my financial needs. When it is, that's when I'll think about leaving.

This is a common, and not unreasonable, assumption: Why spend time, effort and money to plan to leave your business when, today, you can't? Why not wait until it is at least theoretically possible to leave to begin the exiting process?

At age 45, Jerome Rowling was dreaming of the day he could leave his company. The past five years that Jerry had spent trimming fat, watching every dime and developing new marketing strategies on a shoestring had taken their toll. Like the trooper he was, Jerry kept his nose to the grindstone fully confident that if he worked hard enough, the exit he dreamed of would take care of itself.

Fast forward five more years and we find Jerry pretty much where we left him—dreaming more frequently, but doing nothing, about the day he will walk out the door. What had changed was that Jerry had reached his 50th birthday—a benchmark he had set years earlier—for the day he'd leave the business behind.

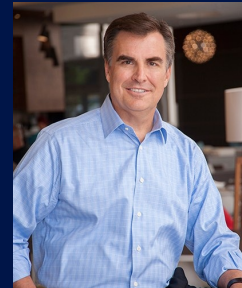
During the five years Jerry spent working in (rather than on) his business, he missed the opportunity to:

- Clearly establish his personal exit goals and objectives.
- Create an exit plan (based on his goals) that would identify the most productive actions he could take to create and protect value, and to do so in the most tax-efficient way possible.
- Drive up business value to the point where he could sell, pay taxes and exit with the amount of cash necessary to achieve financial security.

What owners know to be true, but often fail to act upon, is that growing value usually does not occur unless owners focus their efforts on deliberate actions that move the company measurably toward their goals. In failing to act on what they know, owners don't create or implement exit plans and so are never able to exit on their terms.

Do you have a plan?

To avoid planning not only puts your future financial security at risk, it overlooks your company's need to grow in value—efficiently and quickly—in carefully targeted areas. Growing and protecting value is at the core of Exit Planning. To identify where and how to spend precious company resources (your time and money) to make the greatest impact is a key exit planning task. It is just as important as identifying and



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Your business, whether large or small, is something you've worked hard to build. Why not seek out a trusted advisor to help you preserve your Legacy? Bill McQueen uses his experience and talents acquired as an attorney-at-law, CPA, family business owner, and management consultant to counsel business owners on methods to create and implement a successful business succession plan. Bill will work with the owner's existing business and personal advisors (attorney, accountant, financial planner and banker) in a collaborative effort to ensure that all options are explored and the best actionable plan is prepared with deadlines and accountable parties. Bill has counseled many business owners in designing effective plans for transfer of their businesses to other family members, key employees and third party purchasers.

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implementing strategies to minimize current taxes and the tax bill when you transfer your company.

It makes sense to start planning for your eventual exit because you have to plan (and consistently take purposeful actions to implement your plan) if you ever want to exit in today's (and likely tomorrow's) economy. The simple reality is that most owners don't plan and therefore most owners are never able to leave their businesses in style.

In our next issue we'll talk about the other three most common reasons owners avoid planning their exits.

The examples provided are hypothetical and for illustrative purposes only and do not represent actual client experiences. Subsequent issues of The Exit Planning Review™ provide balanced and advertising-free information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.

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