

Business owner exit planning: Start with the end in mind

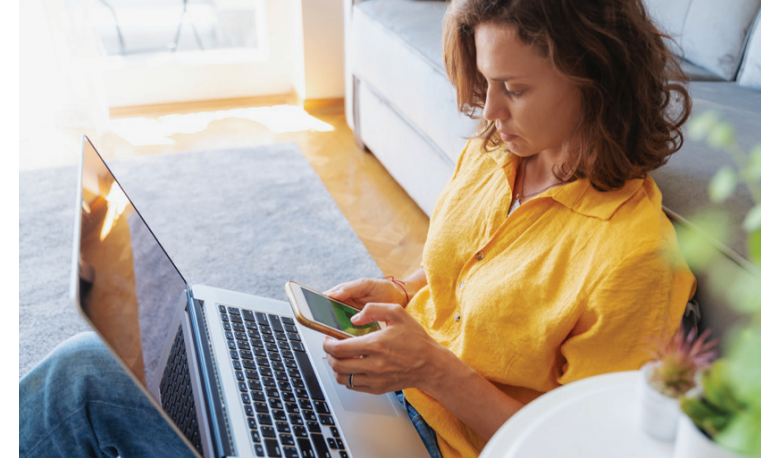




What is
exit planning?



Why start exit
planning now?



5 steps to
get started

What is exit planning?





A proactive process

Identifies and addresses needs:

- Personal
- Financial
- Business

Helps an owner confidently exit a privately held company how and when they want.

Advantages of a comprehensive and effective strategy

An effective plan will:

- Articulate your goals for the transaction — and life after the sale
- Identify personal financial needs
- Identify and prepare a successor
- Highlight ways to increase the value and marketability of the business
- Address tax and legal considerations for a transfer of ownership, or sale of business.
- Provide contingency plans should the owner be forced to step away

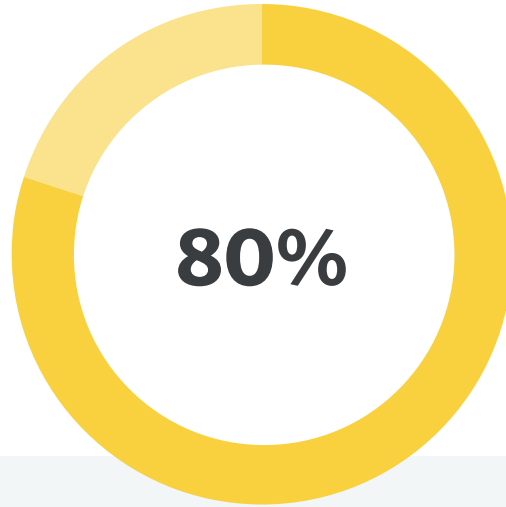


A man and a woman are sitting at a table, looking at a laptop screen. The woman is on the left, wearing a blue top, and the man is on the right, wearing a light blue shirt. They are both smiling. In the foreground, another person's hands are visible, pointing at the laptop screen. The background shows a modern office with large windows and a brick wall.

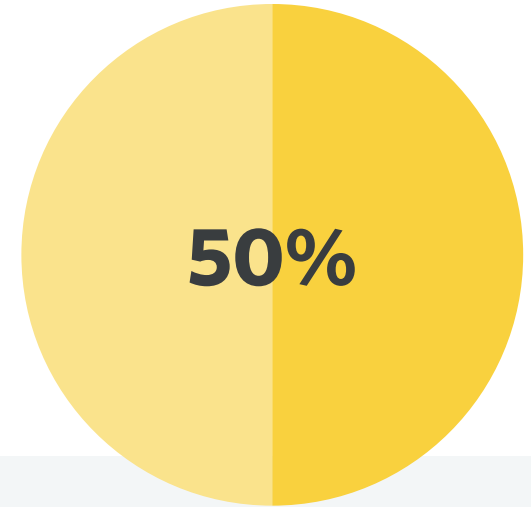
**Why start
exit planning
now?**



of business owners' net worth is in their business¹



of businesses put on the market don't sell²



of exits are involuntary due to unforeseen circumstances¹

¹The 2021 New York "State of Owner Readiness" by Exit Planning Institute.

²Snider, C., Walking to Destiny, 2016.



Decisions made today could impact your ability to exit the business on your terms

Exit planning can:

- Inform business strategy
- Provide context for decision-making
- Provide the opportunity to improve the valuation of the business

Decisions made today could impact your ability to exit the business on your terms (cont.)

Your exit plan may have implications for:

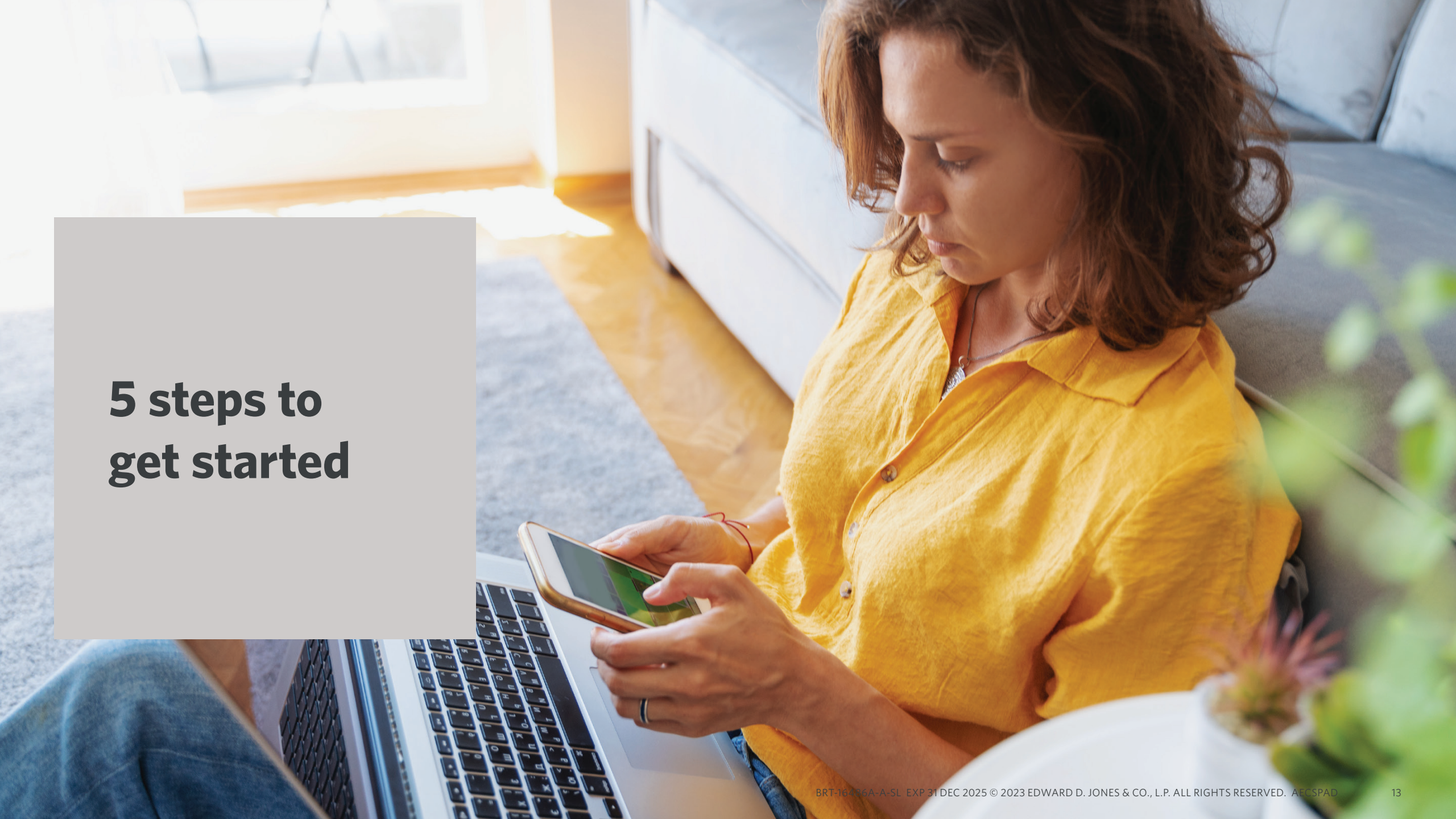
- Whom you hire
- How you invest in the business
- How you finance operations





Having an exit plan can help prepare you for the unexpected

- Death, disability, disaster, divorce, disagreement
- Help you confidently evaluate an unsolicited offer

A woman with curly brown hair, wearing a bright yellow button-down shirt, is sitting on a grey couch. She is looking down at a smartphone in her hands. A laptop is open on her lap. In the background, there is a window with bright light coming through, and a small potted plant is visible in the foreground on the right.

5 steps to get started

Step 1



Build a professional team with your financial advisor in a coordination role

Many business owners benefit by coordinating their needs among a core group of professionals.



You can rely on the support of a financial advisor from start to finish

A financial advisor is with you during the planning, transaction, execution and postsale and can:

- **Help** you quantify and articulate goals
- **Communicate** goals across your professional team
- **Address** a wide breadth of financial needs

Enlist additional experts with specific knowledge and skills

As you get closer to a transaction, you may consider adding more specialized advisors depending on the specifics of the transfer:

- Business broker or investment banker
- Specialty legal professionals
- ESOP advisor
- Family business advisor
- Valuation or other specialized advisor



Step 2



Determine your individual wealth gap

Think about the lifestyle you aspire to have

Consider what you want life to look like:

- Traveling, golfing, fishing
- Consulting, working in the business, buying or starting another business

A strong picture of life
after the business can
help ensure you are
personally **ready to step away**

Step 3



Understand what your business is worth

Get a clear idea of the valuation of your business

A calculation of value:

- Provides a range of reasonable valuations
- Is completed by a valuation expert
- Can be used to understand any gap between what you need (financially) from a transaction and what your business is currently worth
- Highlights opportunities to enhance the value of the business

Understand what your business is worth (cont.)

There may be benefits to conducting a calculation early, and also after the business has gone through material changes.



A calculation of value does not meet the IRS standard for substantiating the value of a business when conducting certain transfers such as gifting, selling to a family member or for estate tax purposes. For these transfers, you need a Qualified Business Appraisal. These are more costly and time-consuming.



Step 4



Develop a strategy to close the gap between steps 2 and 3

There are many options and ways to get there

Consider what you want life to look like:

- Working longer
- Reassessing your spending needs
- Saving more outside of the business
- Looking for ways to increase the value of the business

Improve profitability by:

1

Increasing
market share

2

Introducing new
product lines

3

Increasing
prices

4

Reducing
costs



Improve the company's intangible value by strengthening:

- Depth and expertise of your personnel
- Systems, tools and processes that enable operations
- Relationship with your customers

Step 5: Consider which of the following exit options best meet your goals

1. Internal transfer

A sale/transfer to someone affiliated with the company, such as a family member, business partner or employees

2. External transfer

A sale/transfer to an unrelated third party

3. Liquidation

An unwinding of the business by selling individual assets to the highest bidder

Option tends to:

- Net lower sales proceeds
- Incur lower transaction costs because of buyer's familiarity with the business
- Provide greater control over timing of your exit
- Provide greater continuity for employees, clients and suppliers

- Net higher sales proceeds
- Require longer and potentially more costly due diligence process
- Provide less control over timing of your exit
- Have greater potential for changes to business operations and culture

- Net significantly lower sales proceeds but raise cash quickly
- Be most disruptive for employees, clients and suppliers given the dissolution of the business

Any questions?

