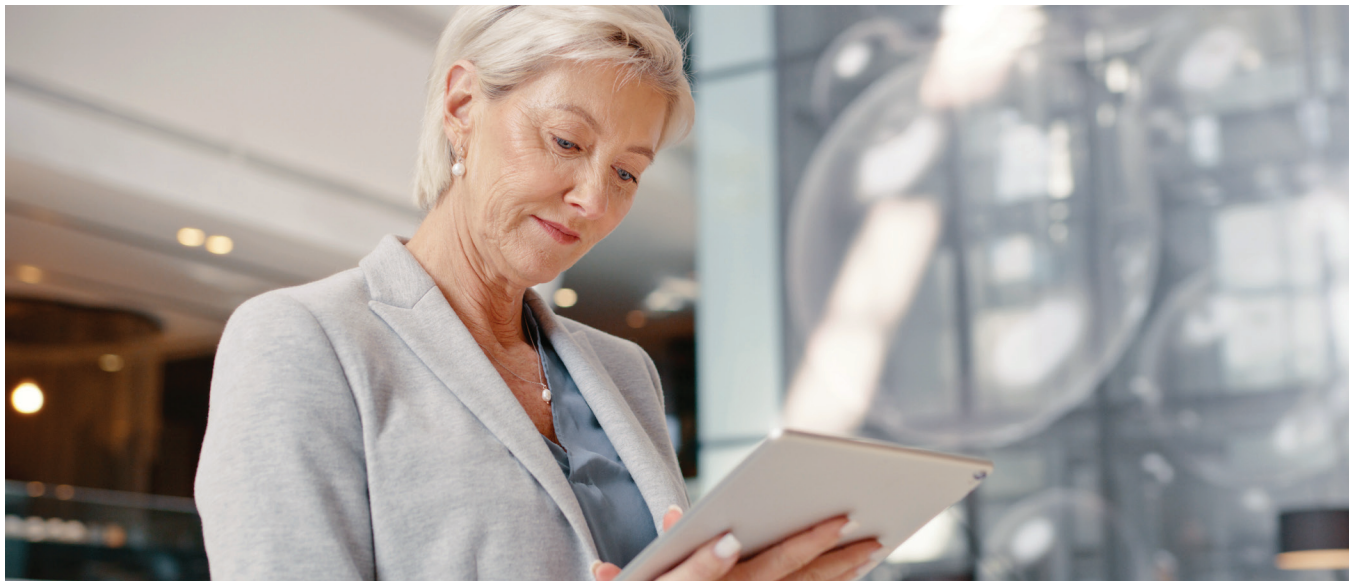


Key Family Wealth - Business Advisory Services (BAS)

## Top Excuses Owners Use to Avoid Transition Planning: Part Two

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In the prior issue of this newsletter, we attempted to take the air out of the most common argument owners make for ignoring the planning necessary to successfully transition their companies: They believe that their businesses aren't worth enough to meet their financial needs. "When it is," they claim, "that's when I'll think about leaving."

Three other common arguments are:

1. I will be required to work years for a new owner.
2. I don't need to plan. When the business is ready, a buyer will find me.
3. This business is my life! I can't imagine my life without it.

Today, let's see if we can dispel these last three objections so you can move forward with planning to leave your business when you want, for the amount of cash you want, and to the successor you choose.

### **1 I will be required to work years for a new owner.**

If one of your transition objectives is to leave your business as soon as possible, tell your transition planning advisor to make that a prerequisite of any sale. Some buyers require sellers to stay on after closing, but, if the management team is strong, most require the former owner to remain only for a short transition period — usually no more than a year. If your management team consists only of you, and you want to leave as soon as possible, plan on working for the new owner for a couple of years. If your transition is still several years away, you've got work to do. We'll talk about how to create and motivate a management team that will stay beyond your departure in future issues of this newsletter. The best way to be sure that you don't become an employee of a new owner is to make yourself an unnecessary expense. You do that by creating a management team that has proven its ability to make the company profitable and is motivated to do so.

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## ② I don't need to plan.

When the business is ready, a buyer will find me. According to a Deloitte study, 18% of owners share this “transition plan.” One of the hard lessons of The Great Recession of 2008 – 2011, however, is that the timing of a transition depends on a vibrant economy with an active M&A market, a company with strong cash flow, and an owner ready to sell. These factors seldom exist in equal measure at the same time. We suspect that some owners believe that waiting for a future economic tide to bring back well-financed buyers involves little to no risk. But this type of passivity is fraught with danger:

- What if a qualified buyer doesn't show up?
- What happens if, when you are ready to sell:
  - the M&A market is dormant?
  - your industry niche has fallen out of favor?
  - a national competitor moves into your territory?
  - your business and/or the economy is in decline or worse?
  - your health (or personal circumstances) unexpectedly deteriorates?
- What happens if the economic tide doesn't turn at all, or at least not for many years?

## ③ This business is my life! I can't imagine my life without it.

We all know business owners whose belly fires are long cold and whose animating goals have grown stale. Yet, they hang on in their businesses because they can't imagine their post-transition lives. We also know owners who remain energized and involved with their companies. Both types will leave their businesses.

If you are still passionately engaged with your business and happily making a difference in your life and the lives of others, don't transition just to transition. But if the passion that once burned brightly has turned to cold ash, it's time to act while you have time. To start transition planning only when the end is near fails to exploit the majority of its benefits. Transition planning involves building business value, cash flow, and resiliency so that it prospers regardless of who owns it or what that owner's transition objectives are. Transition planning involves protecting value and minimizing taxes — both valuable endeavors regardless of an owner's specific transition objectives. When departure day dawns, owners who have planned their transitions are better positioned to achieve all their business and financial objectives.

### Final thoughts

Certainly, the decision to sell the business you created and nurtured is an intensely personal one. No one can tell you when to transition your business or what to do with the rest of your life. Having worked with other owners, we can help guide you through the process of preparing for the biggest financial event of your life. We can help you consider all of the factors associated with transitioning your business and help you to reach your transition objectives.

Please reach out to your Relationship Manager for more information.

The Key Family Wealth BAS team is dedicated to providing guidance and support to privately held business owners like you. Specifically, the BAS team helps owners prepare for an eventual business transition with strategies and advice on how to maximize the after-tax value of a business transition.

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