



Key Family Wealth – Business Advisory Services (BAS)

The Avoidable Failure to Act

The Key Wealth Institute is a team of highly experienced professionals from across wealth management, dedicated to delivering commentary and financial advice. From strategies to manage your wealth to the latest political and industry news, the Key Wealth Institute provides proactive insights to help grow your wealth.



“ I never worry about action, but only about inaction. – Winston Churchill

“I haven’t decided what I ultimately want to do with my business, or when I want to transition, or how much money I’ll need, or whom to sell to, so how can I plan my transition? Besides, I don’t want to transition right now.”

If you’ve said this, or thought it, you are not alone. Many business owners are either overwhelmed with the thought of transitioning or are so busy fighting daily fires that they assume they cannot plan their transitions.

If you aren’t sure about what you want, or when you want to leave, why is it so important to decide to act today?

First, recognize that when you take a passive attitude toward the fact that you will – one way or another – leave your business, you are settling for less than the most profitable transition for yourself and your family.

Second, understand that preparing and transferring a company for top dollar takes time – on average five to 10 years. Most of those years will be spent preparing your business for the transfer and, if you decide to sell to employees or children (two groups who rarely have any money), giving them time to amass enough capital to pay you for your interest.

The more time you have to design and implement income tax-saving strategies, build value, strengthen your management team, and begin a gradual transfer of ownership (but not control) to key employees or children, the more likely you are to reach your goals.

Third, if you decide to sell to a third party, remember that the market does not operate on your schedule and may not be paying peak prices when you are ready to sell.

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If the prospect of leaving your company with little to show for it is unacceptable to you, let's look at your three options:

1. Wait for a buyer

Many business owners plan to wait for a third-party offer for their businesses. Owners in this group believe that one day a buyer will contact them, negotiate a fair price, and that will be that. This course of action flies in the face of reality. There is a pent-up supply of businesses owned by baby boomers who, as soon as the mergers and acquisitions market recovers, will be clamoring to sell. Supply and demand tells us what kind of market that will be for sellers.

In a buyer's market, the owners who prepared their companies years ahead of the actual sale are the most likely to receive top dollar.

2. Liquidate

Liquidation is a common transition path for owners of companies whose cash flow is declining and has little probability of improving – absent the design and execution of a business/transition plan. If this description fits your company, we recommend that you meet with your tax and other advisors to do the planning necessary to create the most tax-efficient liquidation possible. Another point to consider: Do the net proceeds from a forced or orderly liquidation meet your lifestyle/spending requirements? Talk to your wealth advisors about this point.

3. Decide to transition and plan accordingly

Start today and take the following steps:

- Based on your objectives and the realities of your business, hire a skilled and experienced business advisor to forge a plan with accountability/decision deadlines.
- Fix a rough departure date.
- Determine your financial needs.
- Decide whom you want to succeed you.
- Have your business valued to see if:
 - a. you should sell today.
 - b. it has the value necessary to meet your financial and other transition objectives.

Acting today to create your best possible transition path is not difficult. Simply pick up the phone and call your Relationship Manager.

Your failure to act, however, can potentially be fatal to your successful transition. You and your family depend on the success of your business transition. Can you afford to fail to act?

Offering the best advice to business owners is rarely generic. Almost every situation will require some specialized area or areas of expertise. For more information, please contact your Relationship Manager.



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