



Key Family Wealth – Business Advisory Services (BAS)

Six Key Metrics to Help You Plan Your Transition

The Key Wealth Institute is a team of highly experienced professionals with expertise in practice areas across wealth management. Dedicated to delivering commentary and financial advice, the Key Wealth Institute explores wealth management strategies and the latest political and industry news to bring you proactive, actionable research and insights.

There is an old saying that "you cannot manage what you cannot measure." Therefore, most businesses run on metrics. As business owners, we want to know how much, how soon, how efficient, how productive, how intelligent, and how to measure all the aspects of our businesses. Business owners should focus on six transition metrics as you make plans for yourself and your business. Over time, by thinking about these six key transition metrics, your path towards a successful transition will become more clear.

Transition Metric #1

How is my relationship with my future owner?

In order to answer this question, one must first know who that future owner is likely to be. If you have no idea who your future owner will be, then this is the first metric on which you need to focus (assuming, of course, that you want your business to continue on after your active involvement in the business). Let's begin with a simple question — who would want to own your business after you? If several companies and/or people jump to mind, that is a good thing. If you are considering members of your family, do they know and are they ready to step in to your role? Are there current employees that you have considered or have expressed interest to be your successor? Are there steps you should take together to make sure they are prepared? Without knowing who would want to own your business after you, it is difficult to design your business with any kind of intention as to who will own and run it after you.

Transition Metric #2

Do I know the range of values for my business, and can I afford my desired transition?

Most privately held business owners are dependent on their business to fund their lifestyles. This includes not only W-2, salaried income, and distributions, but also perks that owners take for being the boss. If you do not know whether the after-tax value of your business — once sold to your future owner — will be enough to fund your continued lifestyle, it is very difficult to plan your transition



because you are stuck in your business (at least from a financial perspective). This situation is made more complex by the notion that a privately held business has a number of potential transition values depending upon who will own your business after you. Knowing these numbers is a key metric to a successful transition.

Of course, there is also the option of continuing to work and generate income after your business transitions. But many owners spend a lifetime creating their businesses — they don't feel that needing to work is a solid outcome after their business transition.

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Transition Metric #3

Have I prepared my key people for the transition?

Let's face it, you are where you are because you found, hired, trained, and retained good people. No one is an island — and this is true for your transition. In the event that key people are not interested or able to take on company ownership, many owners fear the consequences of telling their key people that a change in ownership is occurring. However, there are two reasons and ways to have this conversation. First, recognize and discuss the fact that you are getting older and won't be around forever and that your key people's careers are tied to your decisions. Second, recognize and discuss the fact that some new energy (and perhaps some new capital and management) may help the business reach its potential. Both conversation starters help open the discussion about a future transition (note that you do not need to be specific about the timing to begin the conversation). What you want to avoid is losing your key people as a result of your transition. On this point note carefully that money alone (i.e., retention bonuses) is usually not enough to keep good people with your company after your transition. It is far better to have honest, open-ended conversations so that your future owner will be in a trusting position to retain these key folks.

Transition Metric #4

Are my personal, company, and market timing aligned?

This is not an easy thing to do, but ideally you want to have three points of interest aligned: (1) your company's performance, (2) your personal timeline, and (3) the proper external market conditions that support your transition. Alignment of these three key areas will provide the optimal transition value and transaction timing (irrespective of who your future owner will be). A key to making this timing work is to understand when market cycles occur, as well as to have enough time to plan, both personally and within your business. Knowing and monitoring this metric on a regular basis will give you greater confidence and traction with your transition planning. While you fight the day-to-day battles that are required to run your business effectively, it is important to look ahead to find answers to your timing issues.

Transition Metric #5

Do I know what I'm going to do next?

This metric is about avoiding seller remorse. If you do not have an answer to this question, you are overlooking a major part of all transition planning and assuming that you will feel happy and fulfilled once you no longer own your business. Do not underestimate what your business means to you by keeping you active and productive. Try this: create a blank calendar and begin filling in what you would be doing all day with the free time that you have achieved with the transition from your business. Once you can get past the recreational activities that you enjoy and into some meaningful pursuits that you look forward to engaging in, you will be well on your way towards knowing what you are going to do next. Build on this metric by returning to this exercise every few months. Find meaning and purpose in productive activities outside of work. Monitor this closely so that you enjoy the fruits of your transition without the pain and remorse of letting go.

Transition Metric #6

Have I assembled a team to help me through my transition?

Going it alone can be hazardous to your wealth and mental health. There is so much complexity involved with any transition plan that even the experienced professionals (i.e., those who have bought and sold many, many businesses) never try to do it by themselves. A team of trusted, trained, and competent advisors is key to your success. Begin assembling that team today. And remember that the time and money that you spend on your planning today is nothing more than an investment in the protection of your wealth for you and future generations. Executing on a long-term plan with a team of professional advisors is the essence of accomplishing your transition and personal goals — begin finding those who can help you today.



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Concluding thoughts

By following these six transition metrics, you will track your progress and begin to focus on the key aspects of your transition as well as to the achievement of your personal goals. Like all types of goal setting and metrics, get these in writing and refer to them often. Over time, you will see that measuring and managing these transition metrics empowers you with a process that produces transition thinking, leading to successful outcomes for your unique needs and goals.

For more information, [please contact your advisor.](#)



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