FUSION WEALTH
MANAGEMENT

The Off-Ramp: Why Comprehensive Exit Planning Is So Important

KEY TAKEAWAYS:

- Selling a business isn't just about the sale price—it's about how much you walk away with in your wallet.
- Asset protection strategies can be vital when business owners sell their firms.
- An exit plan should be revisited and revised, as needed, after the sale of the business.

Many entrepreneurs looking to sell their companies focus most, if not all, of their attention on getting the best price—maximizing the sale value. Most professionals who help business owners sell their firms do exactly the same.

They all could be making a big mistake.

The fact is, selling a business is typically not simply about getting the best price. It's as much about how much money the entrepreneurs (and their families) pocket coming out of the sale—and what to do with all that wealth. (Often, there are other concerns that transcend money, such as ensuring that senior management keep their jobs.)

These and other issues fall under the broad umbrella of *comprehensive exit planning*—a type of advanced-level planning that a growing number of successful entrepreneurs are engaging in when it comes time to sell their businesses.

Let's take a closer look at this important step in the process of selling a company.

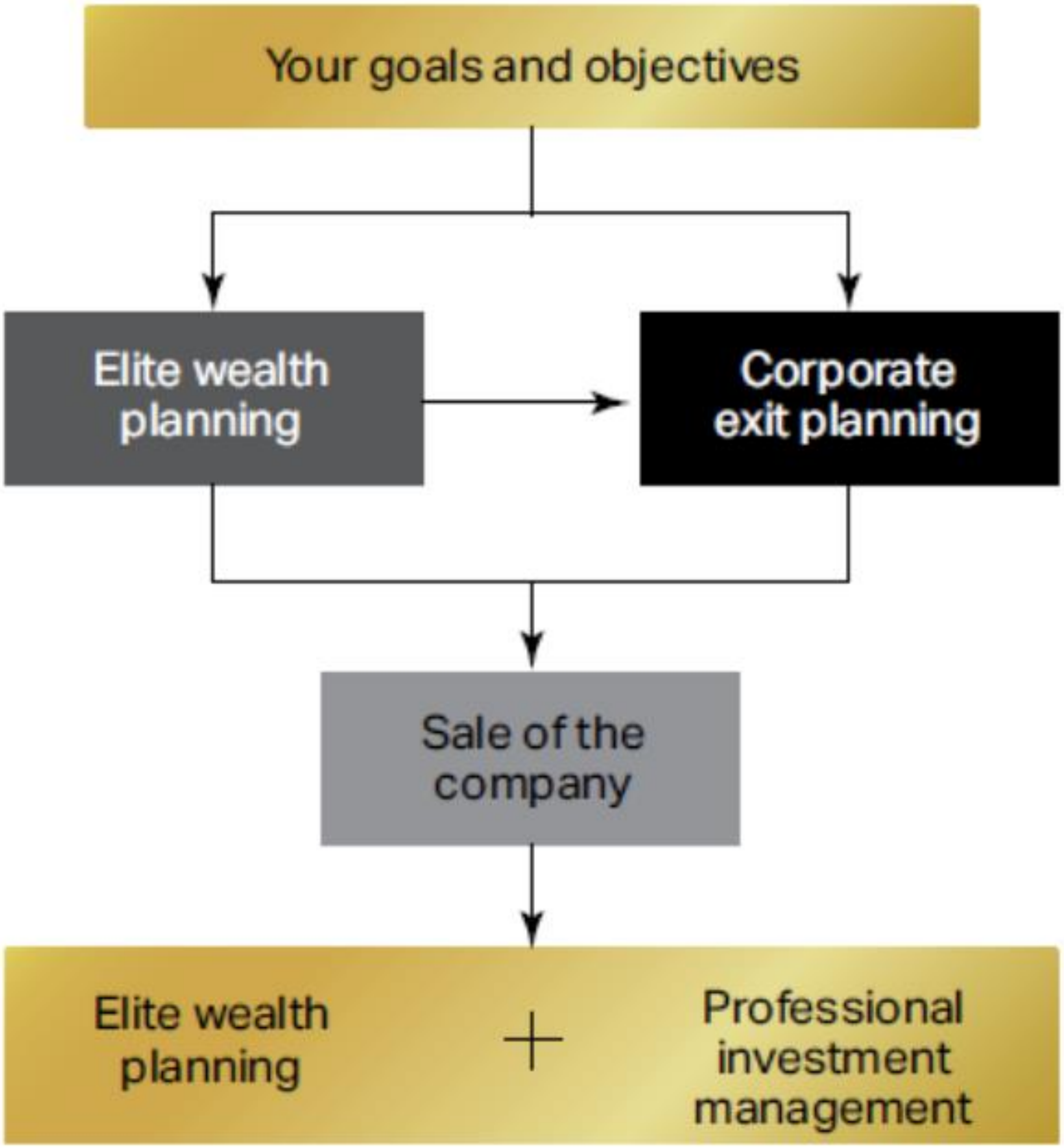
The need to be comprehensive

Selling a business is usually one of the most significant—if not the most important—transactions in an entrepreneur's career. The owner has created value in his or her company and is now about to harvest a great deal of that value!

Comprehensive exit planning takes corporate exit planning—the sale of the business itself—and adds in strategies and solutions involving both personal wealth maximization and family wealth protection to get a broader range of results the owner desires (see Exhibit 3).

EXHIBIT 3

Comprehensive Exit Planning



If you are a business owner, the starting point of the comprehensive exit planning process is identifying your goals and objectives. Your expectations—from what you want to happen to your business to what the next stage of your life is going to look like—are instrumental in determining how you approach comprehensive exit planning. This is where going through a discovery process with a financial professional can be extremely helpful.

Once your agenda is set—keeping in mind you will likely refine it over time—you can move on to elite wealth planning and corporate exit planning.

Elite wealth planning

Elite wealth planning is typically focused on the personal side of wealth. It is a comprehensive planning process that brings together state-of-the-art technical expertise, legal strategies, financial products and *the human element* in a synergistic manner.

Definition: The human element is the personal and emotional component that includes everything and everyone that is important to you—as well as everything and everyone that could be affected by the wealth planning.

For many entrepreneurs, elite wealth planning seeks to achieve two goals:

1. **Structure the ownership of a company to minimize taxes.** There are different possible strategies that you can use, depending on your particular situation, to lower (and in some cases eliminate) the taxes you would otherwise have to pay on the sale of your company.

2. **Protect assets (including your company) from unfounded and frivolous lawsuits.** Many entrepreneurs do a substandard job of ensuring their personal wealth is protected from people who would try to take it unjustly. It is possible to legally insulate your wealth (depending on the situation).

Corporate exit planning

Many business owners sell for less than they potentially can get. While they may be great at running their companies, they tend to know little to nothing about selling businesses for maximum value. As a result, they make mistakes and shortchange themselves.

Corporate exit planning is a strategic guide for selling your business. It addresses the sale process—taking into consideration your overall goals and the concerns you might have.

It makes sense to start this planning well in advance of a sale; depending on the nature of your company, it might take months or even years to make sure all the pieces are in place to generate maximum sale value.

Example: Many privately held businesses are dependent on the founders to continue making the company successful. Therefore, they need to be made redundant. That can mean putting highly capable people in place who can essentially replace the founders and who will stay with the company when it’s sold—a process that could take years.

There are a number of steps to creating a strong corporate exit plan, including:

- **Valuing your company.** There are a number of ways to determine a company's worth. Valuation is part science and part art.
- **Identifying drivers of business value.** These are the aspects of your company that are attractive to potential buyers. They become important in marketing the company and negotiating with the prospective buyer.
- **Leveraging value enhancement possibilities.** You should take actions that enhance the company's valuation, from fixing management problems to locking in customers to eliminating any personal expenses that are being run through the company.
- **Analyzing the exit options.** There may be many types of potential buyers. Examples include family, senior management, competitors and private equity firms. The possibilities and implications of each exit option should be evaluated.
- **Strategically deciding when to sell.** Macroeconomic factors and business cycle factors play roles in deciding the optimal time to sell, as do personal matters. Being ready when circumstances align is valuable.

Effectively marketing the company. Marketing can play a major role in selling a company. The ability to identify a larger number of interested buyers, for example, can create a competitive environment that can prove very beneficial to you.

Revisiting your plan post-sale

After the sale of your business, your personal world will change—usually quite significantly. It's then that elite wealth planning comes roaring back into the picture. For example, you may very well need to upgrade your estate plan. You might also benefit from restructuring your asset protection plan.

Of course, there's also that large pool of liquid assets that the sale probably created—assets that you need to decide how to manage. If you lack the expertise, it is critical to identify high-caliber professionals who can invest your wealth in alignment with your goals and objectives.

We see other issues that also become important post-sale. For example, families often embrace philanthropy in a bigger way after selling their companies—as they suddenly find they have the time and money to donate to the causes that are deeply meaningful to them. This can open up the need for charitable planning and the formation of private foundations, donor-advised funds and other philanthropic vehicles.

Take action

Ultimately, a comprehensive exit plan will accomplish four things:

- Provide focus on what is important to you—your goals and objectives.
- Ensure you can get the best price for your company based on the parameters you set.
- Make sure you walk away from the sale of your business with the most after-tax money possible, taking into account your overarching agenda.
- Position you to best manage the proceeds and protect your wealth after the sale.

If you're a business owner and have such a plan in place, congratulations! You may very well be set up for success.

Contact your financial professional to discuss any issues or concerns you might have around selling your company or preparing to sell it down the road. Some advanced planning now might be valuable to you when the time comes to exit.

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By Russ Alan Prince and John J. Bowen Jr.

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