

Your Business 2.0

A Guide to Succession and Exit Planning



Business Transition Advisors

Welcome

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Show of Hands

- How many are business owners?
- How many are senior managers?
- More than one owner?
- Family members working in the business?
- Offspring working in the business?
- Key employee(s) that could be successors?
- Succession/Exit plan in place?

FACT

- Every business owner will transition out of his or her business some day.

Why Start Early?

- The earlier the planning process is begun the greater the number of options that will be available for the business owner.



Succession Plan or Exit Plan

Same or Different?

Succession Plan



Process of identifying successors within a business and providing them with an opportunity to develop their skills and experience in order to replace existing leaders of your business at a future date.

Needed for business continuity & is a significant part of an Exit Plan.

Exit Plan

A comprehensive analysis of a business owner's goals and objectives related to Business, Family & Community based on current & projected resources.

Goal: *Identify the specific strategies & steps that will most likely allow the business owner to reach his or her goals.*

Benefits of Exit & Succession Planning

- Understanding ALL of your options
- Having control over timing and strategy
- Knowing the real value of your business
- Having the opportunity to enhance the value if necessary
- Ability to minimize income and estate taxation
- Creating certainty for all stakeholders

Possible Outcomes

- Close the doors
- Sell to an outsider or employee
- Retain ownership, hire outside management
- Transfer ownership & management to family

Generational Competition

January 1, 2011

78,000,000

7,000,000

Generational Challenges

- Skilled labor drain
- Fewer buyers
- Easy transactions

Of the 7 Million...

- 80% need to sell their business to fund their retirement
- Overall 65% to 85% of net worth is the business
- 40% to 48% have no retirement savings
- 54% don't have enough retirement savings

Some good news...

In a recent survey...

Business needs an exit plan? YES 96%

... but, then some BAD news...

Have a written exit plan? NO 87%

Have any exit plan? NO 75%

Worse news...

Generational transactions:

- ✓ Only 1/3 survive 1st generation to second generation
- ✓ Of those, <50% survive 2nd generation to 3rd generation

Ok, UNCLE!...

75% - 90%

FAILURE RATE

25-30% Eventually Sell



**KEEP
CALM
NOBODY ELSE
KNOWS WHAT
THEY'RE DOING
EITHER**

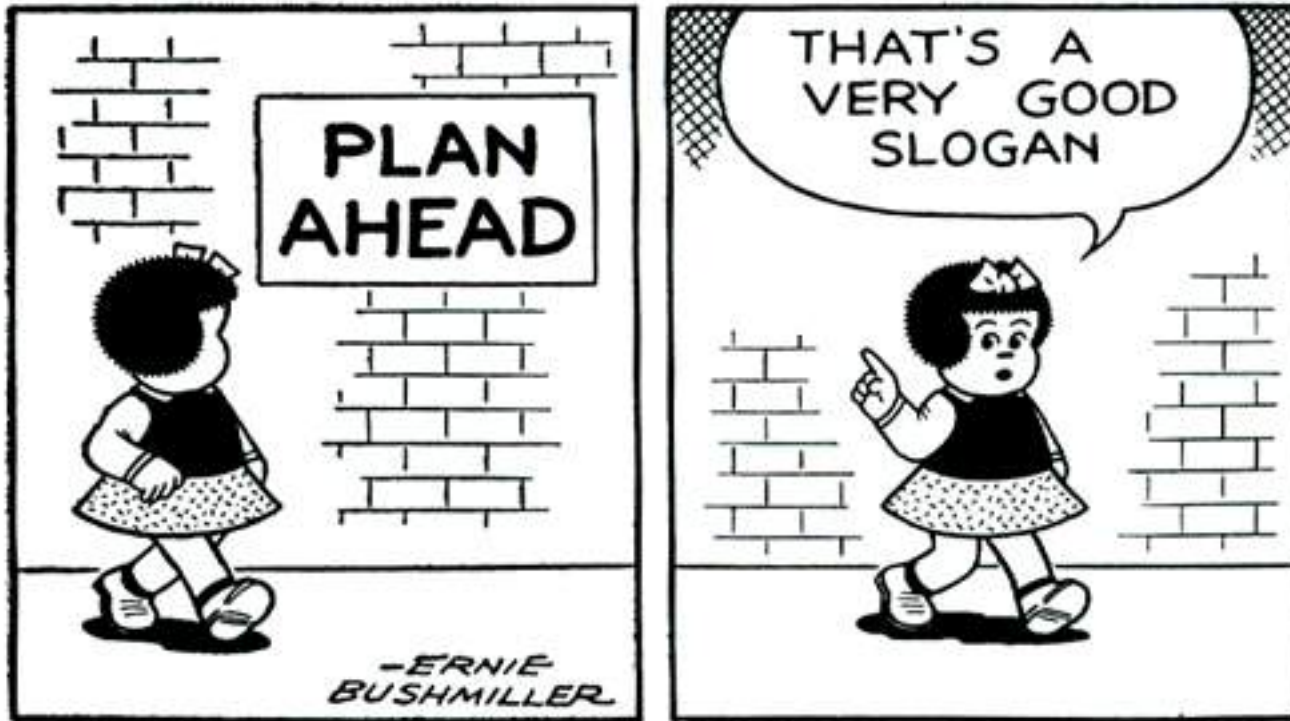
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Made in USA

With good reason...

1. Lack of Business Viability
2. Lack of Planning
3. Life Happens
4. Generational Reluctance
5. For Sale by Owner
6. Unreasonable Valuation
7. Inflexible Deal Structure
8. Seller Burn Out
9. Wrong Advisors

Plan...



...Ahead



Thank you Ernie Bushmiller!

When Should You Start?



Life Happens

*“What’s the worst thing
that could happen?”*

Plan to:

- Maximize business value
- Minimize tax impact
- Develop & retain key employees
- Reduce risk
- Reduce legal issues & disputes
- Maximize estate planning
- Maximize charitable goals
- Create an effective exit event

Value Drivers

- Management Team
- Infrastructure
- Size
- Profitability
- Growth
- Business Backlog
- Customers & Capabilities
- Reputation

Who Should Be Involved?

- Owners
- Senior management team
- Key employees
- Family members
- External advisors

Process

- Determine personal & business goals
- Understand the value of your business
- Promote, protect and preserve business value
- Ensure business continuity
- Personal financial plan
- Estate plan

Advisors & Their Roles

Accountant(s)

Audit/Review, Business Tax Planning, Personal Tax Planning

Lawyers

Equity Protection, Estate Planning, Deal Structure, Assets & IP, Key Employee Agreements

Financial/Insurance

Wealth Preservation & Enhancement

Business/Exit

Strategic Plan, Business Plan, Succession Plan, Exit Plan

Investment Banker/Broker

Transaction process

How Long Does It Take?

Close down	1 year
Sell to a 3 rd Party	2-3 years
Sell to employees	3-5 years
Sell to family in the business	3-5 years
Sell to family outside the business	5-7 years

Questions & Answers



"He who fails to plan is
planning to fail"

- Sir Winston Churchill

Thank You!

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