Preparing for the Unknown

Why an Exit Plan is Critical when the Time Comes to Sell

Peter C. King, VR Business Brokers/Mergers & Acquisitions, CEO

Peter C. King, CEO

Every business owner should have an exit plan in place. If you currently own a business, you know as every other successful entrepreneur knows that you won't be doing this forever. You want the value of the business to stay high so you can attract qualified buyers to take over ownership and expand whenever you decide it's time to sell. In order to ensure this happens, have an exit plan in place so you will be able to sell your business for the price you desire.

Understanding an Exit Plan

An exit plan is a series of continually evolving and interrelated plans to help ensure your business will continue to sustain and grow.

When you are first putting together your exit plan, you must answer at least the following questions:

What are your preferred options and timing for exiting the business? For example, sale to outsider, sale or gift to family or employees, merger with competitor, buyout by a partner, etc.

1. What family members are involved in the business and what are their objectives?
2. What are your financial objectives and retirement plans?
3. What is the value of your business now?
4. What key actions are necessary to increase business value and position it for sale?
5. What actions are necessary to manage estate, trust and tax issues you will face through retirement and beyond?
6. What changes in the business and your role are needed now to preserve your quality of life and your passion for the business?

Taking the Appropriate Measures

As a business owner, you need to take your exit plan seriously. It has to be regularly updated to reflect any change in your life. This includes:

- Family;
- Health;
- Goals;
- Finances; and
- The Business.

An exit plan should be action oriented with implemented realistic measures. You must take a long-term approach when putting together an exit plan for your business, continually updating it and assessing the progress of implementation against the planned time table. Depending on the complexity of the business, developing a comprehensive exit plan is a demanding task that generally takes 3 to 6 months to complete and as long as 2 to 4 years to implement. It will address a wide variety of intricate strategic, operational, financial, tax, human resource and legal issues. Input should be gathered from key advisors, including your CPA, wealth planner, estate planner, business consultant, insurance broker, appraisers and mergers and acquisitions advisor.