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## EXIT PLANNING

There are many reasons to go into business: independence, financial security, or the pursuit of a dream. But have you thought about how you are going to get out? Exit Planning is a customized process designed to help business owners understand their options, and chart a course toward their desired outcome. Whether you plan to sell your firm, transfer to management, or pass to children, Exit Planning provides a road map for one of the most challenging aspects of business ownership.

### The 6 Step Exit Planning Process:

#### Step One – Establishing Owner Objectives

What would you like to achieve with your exit? When? For many owners, it isn't simply one thing. Often, it is financial security or diversification. It could be a desire to involve children or to reward key employees. Perhaps it's to achieve the freedom to enter the next chapter of life. Whatever it is for you, it's important that you spell out your goals.

#### Step Two – Financial and Mental Readiness

Do you know what it would take to be financially independent outside of your company? A thorough analysis will determine the financial resources necessary to sustain your lifestyle after exit. The results define the Value Gap between your projected assets and what's needed to meet your goals. Additionally, you must assess your mental readiness for exit. What will you do after exit? How do you feel about being identified as someone other than the owner of your firm? The mental game is often more challenging than owners think.

#### Step Three – Discover Which Type of Owner You Are

Business owners typically fall into four categories based on their financial/mental readiness. Your exit options become clearer once you recognize your owner type, and the corresponding transfer methods. Who do you resemble?

- *Rich and Ready To Go* - Financial readiness is high, and mentally you can't wait to start life's next chapter.
- *Wealthy But Enjoy Work* - You are financially set, but you like working and don't want to retire.
- *Stay and Grow* - You're not financially ready, and are happy to work to build net worth and company value.
- *Get Me Out Now* - Your needs require much from the business, but mentally you are headed for the exits.

#### Step Four – Learn Your Exit Options

If you are like most owners, you know very little about ESOPs, Private Equity Recaps, Management Buyouts, Gifting Strategies or the myriad ways to structure a Third Party Sale. An education is helpful, even if to merely discard the options that won't apply. Given your goals and financial needs, the most likely exit paths begin to take shape in this step.

#### Step Five – Understand the Value of Each Option

It's not what you make, it's what you keep! You must run the numbers for each of the applicable exit options. You'll learn about the range of values associated with private companies, the impact of taxes and fees on any transaction, and the cash flow results for both you and the business throughout the exit. You'll want to know this well before executing the plan.

#### Step Six – Execute Your Strategy - Protect Your Wealth

You've chosen your option, made your plan, and now it's time to execute. Assemble your team, plan for contingencies, and take action. You'll learn how to protect your wealth from estate taxes, and provide for plan completion in the event of an untimely death or disability. This final step provides the written action plan for your advisory team to use as the road map for making your goals a reality.

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