



Unlock The Exit Doors to Your Business and Uncover Its Hidden Value

A brief and informative white paper on [Business Exit Strategies and Planning](#)

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Of the 28 million businesses¹ in America—90 percent of which are closely held—experts predict roughly **10 million owners** plan to sell or close their businesses over the next 10-15 years², the majority because they need to fund their retirement.

That statistic is worth a second read.

Surprisingly, 78 percent of these business owners plan to fund anywhere from 60 to 100 percent of their retirement needs by selling their business. However, a dark cloud looms.

The vast majority of small business owners, 72 percent, have no exit plan.³ Of the remaining 28 percent, only half have a formal exit strategy in place; the other half are working on a plan, but haven't completed it yet.

Further, the majority of these Baby Boomer owners will sell or bequeath **\$10 trillion worth of assets** over the next two decades, according to the California Business Brokers Association.⁴ This action represents the largest intergenerational wealth transfer in history, and destined to have a major impact on the American economy.

Develop a Sense of Urgency

This major business shift leaves no room for complacency: 29 percent of owners expect to leave within five years, and 54 percent in 10 years.³ While business owners stay impossibly busy running their businesses with little time off, without exit planning now, you risk your largest asset to an unknown fate.

Defining Closely Held

The Internal Revenue Service (IRS) defines a “closely held corporation as one that, in general has “more than 50 percent of the value of its outstanding stock owned (directly or indirectly) by five or fewer individuals at any time during the last half of the tax year” and “is not a personal service corporation.”

While these corporations make up the majority of companies in the U.S., many are small businesses, although large operations such as Koch Industries can also be closely held.

When evaluating the size of a business, the federal government takes into account the average of annual receipts or the average number of employees. Large businesses employing 500 or more individuals or those that do not manufacture goods and have an average of \$7 million in annual receipts fit this category. You will find exceptions to these standards in some industries. Interestingly, only 18,500 corporations in the United States employ more than 500 individuals.

The collective decisions to sell businesses ultimately affects tens of millions of people because small business employs more than 80 percent of all U.S. workers.

For these reasons, and because we champion small, mid-size closely held businesses, we want to contribute to the conversation on business exit strategies. This paper explores how best to prepare to sell your business, identify options not to sell, and shares a case study with near-perfect outcomes. And, hopefully, should you be ready for this critical transition, you find an idea or point to help you on your journey to the next stage in your life.

Inside the Closely Held Corporation

Let's spend a few moments on the inner structure of a closely held corporation.

Shareholders of the corporation own a closely held business. The board of directors manages the corporation, and the directors shoulder duties of loyalty and disclosure to the shareholders.

The board of directors delegates the day-to-day running of the corporation to the corporation's officers. Officers follow the policies of the board. Shareholders, in turn, can elect and remove the directors, and can approve (or disapprove) those actions of the board that affect the fundamental character of the corporation or of the securities held by the shareholders. The board, the officers, and the shareholders all have rights and duties as set out in state laws.

Closely held corporations have certain attributes or characteristics:

- A small number of stockholders
- No ready market for the corporate stock
- Substantial majority stockholder participation in the management, direction and operations of the corporation

Shareholders invest in small corporations with the expectation that they will actively participate in the operations of the business. They often use a substantial amount of their personal assets to acquire stock and a seat on the board of directors or employment as a corporate officer.

Advantages to having a closely held corporation include:

- **Limited liability.** If your corporation is properly set up, you can limit your liability for debts of the corporation to the extent of the assets owned by the corporation. You can avoid personal liability for corporate debts by not personally guaranteeing any loans.
- **Longevity.** A small corporation does not end with the death of the owners. When the shareholders die, their shares are distributed as provided in the corporation's by-laws and by the shareholders' last wills. The business continues after the death of the original owners.

A word here about family-owned businesses.

More than 85 percent of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief.

According to The Family Firm Institute⁴, only about 30 percent of family-owned businesses survive into the second generation, 12 percent are still viable into the third generation, and only about 3 percent of all family businesses operate into the fourth generation or beyond.

The disconnect between the family owner's optimism and the reality that family companies don't survive through generations is a sad challenge. Research indicates that business failures occur from one preventable deficit— **the absence of family business succession planning, supported by an exit strategy plan.**

In a recent article in Forbes⁵, contributing writer Brent Beshore sums up the wake-up call this way:

“We are in the beginning of a transition within the American economy where more than half of all businesses with employees will need to sell, restructure, or close their doors. The numbers are finite and inescapable. Mortality is a real thing. Liquidity issues and estate taxes don't take care of themselves. Without a plan, the likely result is a legacy of chaos and confusion.

Whether begrudgingly or willingly, every Baby Boomer owner must confront this question: What will my company look like without me involved, and what process needs to take place to ensure my family's financial health and the company's prosperous future?”

Business Exit Planning Process

We'd like to kick off this section of the paper with a quote that captures the spirit of exit planning—first line of which is by Mr. Thomas Edison. The second line is ours.

“Genius is one percent inspiration and ninety-nine percent perspiration.”

“An exit strategy is one percent implementation and ninety-nine percent preparation.”

Exit planning creates and executes on a strategy that allows owners to exit their business interests in their own time and on their terms. This strategy comes to reality through an established process that delivers a written roadmap, involving a team of professionals to facilitate and, ideally, led by an exit planning advisor who oversees the path to results.

Most entrepreneurs go into business with the intent to build, sell, and move on. Some spend decades building and running their businesses. One day, they reach a point when they're done. They want something different out of life, something less stressful and more meaningful. They want to stop pushing the boulder up the hill.

Regardless of your intentions to start or run a business, or where you are in that venture, you must develop a strategic exit plan, and here are some of the reasons why:

Business Exit Inevitable

Even if selling your business seems remote at this time, you will not run the business forever. At some point, every business owner steps down from the helm. This move can be due to any of the following reasons:

- Retirement
- Ready to pass it on to children or other family members
- Ready to sell
- Faced with health issues limiting the ability to run the business
- Premature death of owner or business partner

How well you plan your transition and its possible outcomes dictates the success of business exiting.



Plan to Achieve Your Goal

An exit strategy is a road map outlining steps to achieve your personal goals and to get the **maximum value** for your business. Business owners do or should have several different long-term exit goals for their businesses. Common business goals based on personal objectives that we see regularly are to:

- Use the sale of the business to fund retirement
- Create a business that succeeds for future generations
- Desire to enjoy more free time and time with the family
- Wish to travel and see the world
- Reduce stress and focusing on healthy living

The pre-planning process allows you to maximize the value of your business, but it doesn't happen overnight. Too many business owners wake up one day wondering where the time went and what to do with the rest of their lives. They've missed a golden opportunity to achieve their goals because they **did not plan far enough ahead**.

By some estimates, it can take as little as six months to as many as five years to fully plan and implement an exit strategy, with the average time invested at two years.



Exit at the Right Time

An unprepared exit seldom goes smoothly. From our experience, we see this happen more often because of life changing circumstances, such as failing health, the death of a business partner or business owners just deciding that they have had enough. One owner was beset with aggressive cancer and passed before he could maximize the value of his business and sell it for an optimal price. That's a tragedy that doesn't have to happen.

You have to make sure the business is ready, too. It's crucial to have the right people and systems in place for a smooth transition. Certain value drivers need to be established to meet your ideal selling price. Obviously, to attract any buyer, the business needs to be in solid financial health, too.

A good exit strategy will allow you to exit the business for the right reasons at the right time and the right price.

Simply Planning Doesn't Mean Exit Readiness

You need to design your business with your end goal in mind. Just because you have a plan doesn't mean you have to exit today. Make it a living document that you review regularly.

You should measure your one, three and five-year plans against the eventual exit plan. That way you are always ready. As we will discuss later, having financial controls and metrics in place will help you manage your business' growth.

Exiting One of Your Largest Assets

For most of us, our business is one of the largest assets in our estate; it's quite common for business owners to count on the sale of the business to fund retirement; in fact, some 80 percent do.

Unfortunately, many business owners, because of all the blood, sweat and tears of growing their business, hold different expectations of its value. Many complex factors go into a business sale price.

For example, how involved is the owner? If the owner is integral to the success of the business, someone buying the business will essentially be buying a job. In these situations, we often see the purchase price based on an earn-out formula requiring the owner to stay on for a few years. On the other hand, if the business runs itself independent of the owner, that business will be more valuable to a buyer.

Business owners should have a strong understanding of the market value of their business. That way, they can take strategic measures to increase the market value, if necessary.



Craft an Exit Plan Vision

You need a plan of action to serve as a roadmap for management to answer three critical questions:

1. *“Where are we going?”*
2. *“How will we get there?”*
3. *“Why will we be successful?”*

The process of answering these questions includes both internal and external assessments geared towards analyzing the enablers, constraints, threats, and opportunities. The level of detail built into this plan will be valuable to any and all future investors with proof that you're thinking as a major corporation, whatever your size and stature. With goals and objectives defined and the exit plan vision planned and documented, you can begin to unlock the hidden value in your business.

Key Questions to Ask Yourself⁶

Step 1—Exit Objectives

Have you determined your primary planning objectives in leaving the business, such as:

- Is the business ready to sell? Is it the right time? Is the market right?*
- Your desired departure date?*
- The income you need to achieve financial security?*
- To whom do you sell or leave the business?*
- The value you are seeking? How is a buyer going to value my business?*
- How you plan to treat valued employees once you exit?*

Step 2—Valuation and Cash Flow

It's important to understand how businesses in your industry value themselves and determine price.

- Do you know what your business is worth?*
- Do you know what the business's future cash flow is likely to be after you leave it?*
- How do buyers determine price in your industry?*

Step 3—Making the Business More Valuable

Increase value by knowing how to find hidden value and account for it in your in planning.

- Do you know how to increase the value of your ownership interest?*
- Do you know where the hidden value is in your company?*
- Do you know how to pull value out of the business before the sale?*

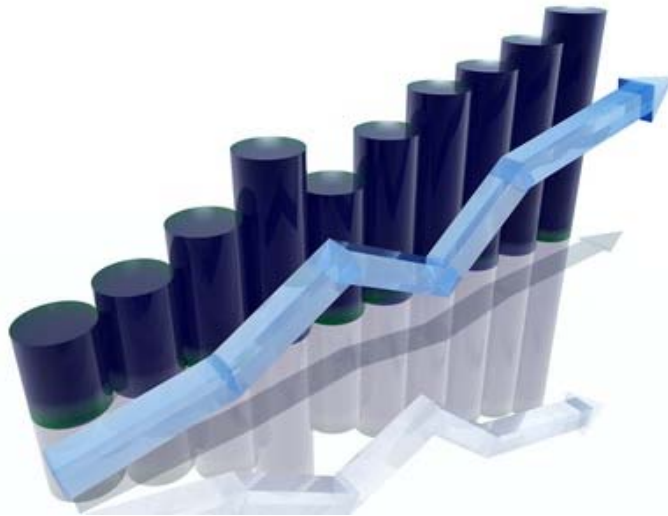
Step 4—Sale or Transfer to Third Parties

- Who should be on your team when you sell?*
- Is your buyer a strategic or financial buyer? Employees or family members?*
- Can your business survive without you or a key customer?*
- Are you willing to stay on?*
- What are the deal breakers?*
- Would you consider alternatives to an outright sale?*

Assessment: Unlock the Value

When you're doing your exit planning, every dollar of value within your business counts. Most M&A experts will tell you the simple ways to improve value are to boost sales and cut costs. But in reality, there are important strategic options that can truly develop a valuable business. Some tools and strategies exist to find and extrapolate hidden value between the numbers.

To be sure, finding this hidden value in your business could be the difference between 5X and 7X selling price. You need to define your goals and objectives to properly align your overall strategy and ultimately drive value. This effort includes assessing your priorities: sale, merger, recapitalization, capital fundraising, growth, and retention, or any combination of the above.



This effort also includes thinking about the timeline of events, as most priorities vary in the length of commitment and resources. And finally, it includes an important analysis of your overall considerations: the risk/reward balance of near-term liquidity and long-term upside.

Once the personal goals are established or are at least in the forefront of your daily mindset, you can begin to set the strategic growth vision and look to unlock the company's hidden value.

Whether you're hoping to exit the business or not, **your growth plan becomes the exit plan**, so this planning exercise is valuable for all participants.

Improve the Financials

First, look at your balance sheet and income statement and unlock the hidden value in these financials. In a nutshell, you need to clean up your books and get more granular with the data. Wrap your head around the financial statements, dive deeper, and dare greatly to fully understand what's happening in your business. Don't ignore what you find.

You should be able to quickly and easily tell someone the exact cost of each component of your product or service; the cost of acquisition for a new customer/client; the rationale behind the pricing strategy; and the onboarding costs for new hires, particularly if you launch a new product or business line or ramp up the customer base.

Income Statement	
For the Year Ended December 31	
Revenue:	
Net sales	
Interest earned	
Total revenue	
Less: Costs and expenses:	
Cost of goods sold	
Selling expenses	
General & administrative expenses	
Interest expense	
Purchase discounts	
Income taxes	
Total cost of goods and services	
Total cost of sales	
Net income	
per share	

When the sale moves into a negotiation, you need to identify one-time expense items, as well as personal expenses that will not be part of the purchaser's company. As an example, cars, country clubs, aircraft, pension contributions, and contributions to captive insurance companies owned by the owner or family can dangerously affect the bottom line when applying the multiple.

On the revenue side, the customer concentration and retention statistics are powerful messages that can tell a good or bad story. *Who is driving revenue? Is it a specific industry, a certain geographical region, a major customer or maybe a single star sales rep? Is the revenue recurring, is it packaged or bundled, are the product lines generating significantly different margins?*

These types of questions can only be answered by understanding the full economics of your business; the answers will allow you to unlock value in the company. Put simply, sales drives successful businesses.

If you're exit planning, consider ways to consistently increase sales and revenue, with special attention to recurring revenue sources that generate gross income for a new owner right out of the gate. Building recurring revenue streams and shoring up any pending customer/client or vendor contracts will give buyers comfort that they will have a consistent revenue flow while they get acclimated to the new business.

Analyze Your Market

After the financials have been assessed and understood, take a step back to the overall strategy of the business. Characterize your market by evaluating the external trends impacting the strengths and weaknesses of your business, such as market size and competition.

This evaluation includes not only your core market but also the surrounding adjacencies across geographies, products/services, and channels/segments. Investment bankers specialized in your field can often provide great assistance in this process, given their intimate knowledge of the market and its transactions.

Another hard question to ask yourself: *Can you cope with changes on the near or long-term horizon?* That means the onslaught of rapid technology, globalization or hard-edged business trends can crush you if you're not honest, resilient, and pay attention to what's going on around you. Obviously, it is best to sell your business before you're drained by the weight of time.

What's Your Business Worth?

We have spent time discussing how to improve the value of your business knowing that the valuation is obviously a key issue for you seeking to exit your business.

Establishing a fair value for a company isn't easy, but the sales price you come up with will be an important focal point of your exit plan.

Many sellers have an unrealistic idea of how much their company is worth. That's not surprising since research shows that people almost invariably attach a higher value to things they own than to things that aren't theirs, cites an article in the Harvard Business Review. Advisedly, spend quality time with your team to determine a realistic price.

Value in IP or Other Intangibles

Find other strategic value in the intangibles of business such as IP (intellectual property), which can often become a negotiating lever that propels the company's price by itself. You should perform the analysis to determine the cost/time to buy vs. the cost/time to build, so you can realize what a strategic buyer might be contemplating.



While IP value flourishes in the software sector, other companies can achieve this intangible boost with well-documented product management or launch processes, unique methods or procedures, and a reputable brand with strong market goodwill. These factors are important and can provide significant hidden value to a financial buyer and especially to a strategic buyer.

Value in Distribution Strategy

How you bring your product to market is important to potential buyers. They want to know your distribution strategy and what value it brings to the market. I sold a financial services company to a NYSE firm; it was our sales force and [sales process](#) that stood out as our competitive advantage.

The buyer knew we were tough competition but didn't fully understand how we were able to win so many key accounts. Once the buyer signed the NDA and began the due-diligence process, he soon discovered that the quality of our formal sales process, sales rep hiring, and onboarding techniques gave us a clear competitive edge.

In negotiations, we included a post-sale incentive for the buyer: I stayed on with the company for a given time to add continuity. Ultimately, the acquiring company adopted our sales process because it saw (hidden) value in our sales force and its approach to bringing products and services to market.

Value in Key Employees

Key employee retention is pivotal to the success of your exit strategy. The last thing a new buyer wants to go through is employee turnover or unhappy employees who remain behind to possibly scuttle the transition.

Skilled, motivated employees bring stability to business and generate real dollars for the company. By actively cultivating a high-quality workforce, you can increase your company's worth, especially if employees are committed to remaining with the company after you exit.

The key employees who help you grow the business, those with customer contact, and who bring unique value to the company, must be retained both during your ramp up to a maximum value and after the sale. You must make sure they're aligned with the owners and share long-term objectives.

Exquisite Reality of Phantom Stock

Many companies use [phantom stock](#) as “glue in the seat” to retain these valuable human assets and to help them think like shareholders. Phantom stock works well because you are retaining all of the shares (and control) and only giving them the value.

It's critical to get your key people aligned with your growth strategy early. As an example, one of our clients with current EBITDA (earnings before interest, taxes, depreciation and amortization) had a five-year plan to grow from \$8 million to \$20 million. The client set aside a pool of [phantom stock](#) based on this valuation growth. It cliff vested the plan with a five-year payout. However, if he sold the company, the employees would vest immediately.

Phantom stock is only one excellent tool of many available. Others to consider are:

- Cash/Bonus
- Equity plans
 - Stock bonus/purchase
 - Stock options
- Alternate equity
 - Phantom stock
 - Stock appreciation rights (SAR)
- Nonqualified Deferred Compensation
- Non-solicitation agreements
- Non-competition agreements

Whatever you decide to do, hold onto your key employees.

What You Can Do Right Now

Add Value by Improving Operations

The final piece to unlocking hidden value rests in the operations of the business. It's important to take a look at this area after tackling numbers and high-level strategy, so you have the proper perspective when you get your hands dirty in business operations.

To grow, you need to manage and measure. Savvy buyers understand that in some businesses, the most valuable asset is the seller. As the seller, your job is to convince buyers that they can continue to successfully operate the business after you leave the scene. The way to do that is by developing airtight, repeatable processes and routines that enable the company to function effectively and efficiently without your direct involvement. Make sure to document these processes, so the new owner essentially opens a guidebook and runs the business without headaches.

Your first step should focus on the management function which involves developing an excellent leadership team, assigning accountability, and aligning incentives to drive goals for success. Then, zero in on the measurement function, which involves documenting systems, processes, procedures, and reporting metrics to ensure financial discipline.

When you communicate this information across the team, and it's consistently understood, the result will be growth with improved margins, increased revenues and a larger share of the market. And even if you don't exit until far in the future, you've created prime value in your business.

Spruce Up Facilities

Finally, don't forget that buyer's first impression of your business is the physical structure and facilities. Well-groomed, well-organized facilities speak to buyers. Before listing your business, make sure your facilities look their best. If you've been considering renovations, new furniture purchases or even a fresh coat of paint, make sure it is all complete before any buyers step foot in the door. You'd do this for the sale of your home. By all means, don't shortchange your business.

Selling the Business Through an ESOP

If you choose not to sell your business to an outside buyer, consider selling to your employees through an employee stock ownership plan (ESOP). Or if you need a liquidity event. If your children hold no interest in running the business, as is often the case, you could sell to management.

“While ESOP won't save your company, it will make it a better company due to the requirements: A history of profitability; stable employee population; succession management in place or in the wings; available corporate credit; and, the owner must be comfortable with employee ownership and not just be looking for a check only to check out of the business for good.”⁸



ESOPs are attractive because they provide for a seamless and smooth transition, and the business lives on. Of course, ESOPS represent a specialty field and merit expanded explanation, so note this brief description doesn't do justice to the power of these ownership vehicles.

Between eight to ten thousand ESOP companies exist in the country, employing over 14 million employees. Of those companies, 57 percent have fewer than 100 participants. The current value of assets held by ESOP companies total 1.3 trillion dollars.⁷

With an ESOP, your employees can continue to work with little disruption to their work lives. What's more, they'll likely build on what they already own, and take a greater interest in the future success of the business. ESOPs grow gradually as ownership share rises slowly and steadily unlike an outright sale of the business.

Tax advantages accrue to the seller with ESOP sales. You can defer tax liability from the sale for several years. The company benefits from making a tax-deductible contribution into the ESOP. And you would owe capital gains tax on your profit. You can also eliminate some tax by investing the proceeds in qualified investments. A company that is 100 percent owned by an ESOP and an S corporation pay no federal income taxes, thus using pre-tax dollars to fund the liquidity of the transaction.

While some disadvantages are inherent in ESOP sales, they may be quite manageable for you. So work closely with an ESOP expert and spend time weighing the pros and cons.

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Once you assess your personal goals and objectives and craft the vision for the business, you'll be in an advantaged position to unlock the hidden value in your financials, your strategy, your distribution channels and your overall operations. Then, you can make an informed decision.

The shorthand process we've outlined in this paper represents in of itself a thoughtful exercise that brings more value to your business, **whether you're looking to sell or not**. Planning for your exit is a smart way to grow the business because as you plan to exit you're cultivating the hidden value in the company and growing at the same time.

Take a few minutes to read carefully the case study on the next page, as a near-ideal example of one company owner making the right exit decisions in the right way and at the right time.

As the business owner, you will lead this endeavor, along with an exit planner who can help structure, manage and quarterback your project. Before you know it, you'll be on the path to unlocking the exit doors to your business and uncovering its hidden value.

The most important part of the process? **Begin now.**



Engineering the Near-Perfect Exit Strategy

Every year in the U.S., entrepreneurs launch thousands of new businesses to address an unserved or underserved need in the marketplace.

Ultimately, these businesses will face a decision on how and when to transition the business from the founders to new owners. Unfortunately, many business owners focus too much on the day-to-day activity of their business to address this important need.

What follows is a near-ideal case study which illustrates that exiting a business is best handled via a thoughtful process well in advance of the desired date of transition.

Background

Joe Sample is the 56-year old owner of Sample Mechanical Engineering, Inc. (SME). After earning an engineering degree at a prestigious university, Joe accepted a position with ABC Engineering Inc. Joe received several promotions and enjoyed the work, but decided to start his own firm at age 40. SME now employs 100 people in two offices with annual revenues approaching \$50 million.

Joe founded SME with the goal of providing high-quality engineering services at a reasonable cost to a customer base overlooked by bigger engineering firms, including his former employer. Along the way, he learned classic lessons of an entrepreneur: leadership, talent-building, fiscal responsibility and market strategies.

Recently, Joe witnessed a good friend fail multiple times to exit from his business. He knew it was time for him to begin planning for what to do with his business in the long run. With that decision arose a litany of concerns for which he felt unprepared to handle.

What about his retirement? What about his key employees? What if an unexpected event (death, disability) occurs before his targeted exit?

Fortunately, Joe was referred to an exit planning professional for expert help on how to address his concerns.

Identify Owner Objectives

At the time Joe started his business, he hoped that one or both of his two children would have an interest in joining the business and take over from him. While both of Joe's children have become successful professionals, neither of them has any interest in working in the business.

Working closely with his Exit Planner, Joe set out the following objectives for transitioning out of his business:

- Exit by age 62, net \$10 million from the sale, spend more time with family and charitable pursuits. Joe also wants to be young enough to have an active lifestyle after he leaves his business.
- See an existing key employer group (KEG) take over the business. He believes the KEG would adhere to the principles SME was founded on, and grew by.
- Serve as a consultant to SME for a few years after he leaves with no involvement in the day-to-day activity of the business.
- Transfer the business in a way that minimizes Joe's income and estate tax liability.
- Put in place financial and legal instruments to protect his family in the event of an unexpected occurrence such as death or disability.
- Protect the futures of the key employees responsible for the growth of the enterprise.

Quantify Business and Personal Resources

After quantifying his objectives, Joe recognized the importance of taking stock of the existing business and personal resources to help him achieve his goals. The Exit Planner counseled Joe to account for both financial and non-financial resources during the process.

From a financial perspective, Joe made it a point over the past few years of keeping both personal and business debt at manageable levels in anticipation of a future transition. Joe built up his retirement accounts in case he's unable to get the business sale price he wants and needs to supplement his future income.

One important non-financial resource comprises the key employees currently at SME. Joe considered the experience, age, leadership ability, and skill set for each member of the management team; he determined that with some training and mentoring in the coming years, this group had the capabilities to carry on his legacy.

In the event the current management group was not interested in purchasing the company, Joe analyzed what he was looking for in an outside buyer.

Maximize and Protect Business Value

Working with his Exit Planner, Joe took several steps to maximize and protect the value of his business going forward. First, he communicated his transition plan to his key employees to gauge interest. Then he implemented key man disability and life insurance programs to protect the futures of the senior management team. Next, he engaged a professional to conduct a valuation of the business. He discontinued less profitable service offerings. And, finally, set into place a plan to payoff term debt arrangements in advance of the target date of the sale of the business.

Sale of Ownership

All but one of the six senior managers expressed interest in buying the business from Joe. After a lengthy negotiation, the two parties reached an agreement with which both sides were comfortable. Joe agreed to take a lesser value for the business (he ended up netting out \$7 million) in exchange for a higher down payment and shorter-term note from the buying group than originally sought.

Joe agreed to consult for two years and act as board chairman during that time after which his note will be low enough where he feels comfortable ending his formal relationship with the company.

Business Continuity: Lifetime and at Death

With the proceeds from the business sale representing a significant portion of Joe's future net worth, it was critical to put the right protections in place. The Exit Planner guided Joe to take the following steps:

- An agreement was structured to allow the future buying group the right of first purchase in the event Joe passed away, or became permanently disabled, before the sale date of the business.
- In the years leading up to the transition, the company purchased additional disability and life insurance on Joe, in the event he died or became disabled before the business sale.
- The new owners agreed to continue the life insurance coverage for the term of the note.
- Joe will have the option to purchase the life insurance policy when the note is paid to assist him in future estate planning.

Personal Wealth and Estate Planning

Until meeting with the Exit Planner, Joe had done minimal wealth and estate planning, not unlike most business owners. Joe engaged an estate planning attorney that devised a plan to incorporate the use of trusts, gifting strategies, and charitable planning to help him accomplish his goal of passing on his estate in the way he wanted with minimal tax impact.

Summary

Before starting the exit planning process, Joe had a successful business but was concerned about the future of both SME and his family. The process allowed him to lay out clear goals and afforded him enough time to make adjustments, as needed.

In the end, Joe accomplished nearly all of his objectives, with the exception of his desired business sale price, but he was able to intelligently resolve the future of his business and life ahead for his family.

RESOURCES

¹U.S. Small Business Administration, <https://www.sba.gov/content/small-business-trends-impact>

²CNBC.com, April 13, 2015, “Small Biz Owners Ignoring Succession Advice” by Lori Ioannou, senior editor <http://www.cnbc.com/2015/04/13/ew-small-biz-have-an-exit-plan.html>

³Securian Financial Group survey, February 18, 2014, “Small Business Owners Plan to Exit Soon, But Have No Exit Plans,” and 2015 Small Business Owner Life Stage Study.

⁴Family Business Institute, website
<https://www.familybusinessinstitute.com/consulting/succession-planning/>

⁵Forbes, October 11, 2015, “Why Small Businesses Are Feeling An Economic Crunch,”
<http://www.forbes.com/sites/brentbeshore/2015/10/11/the-small-business-crunch/#2648f5bb5dc7>

⁶Some questions drawn from *Entrepreneur Magazine*, March 6, 2013, “10 Questions to Ask Before Selling Your Business,” by Lisa Girard.

⁷[National Center for Employee Ownership](#) website.

⁸Steve R. Allison, SES Advisors, webinar presentation on ESOPs at LionStreet Advisor-Owners

To learn more about business exit strategies or ESOPs, please contact one of our advisors near you:

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