

THE 5 VITAL KEYS TO A WINNING BUSINESS SUCCESSION PLAN

There are few guarantees in life. But for you, the business owner, there is one:

You will exit your business... Someday! One way or another...

The questions are - How? Will you "Win the Endgame"? Will you achieve the goals you set when you started the business? This transition will likely be the biggest financial deal of your life. A good plan will make all the difference between winning and coming in someplace way below first place when you exit your business.

So, let's start by reviewing the 5 Keys to a Winning Exit (or Succession) Plan.

01

Know Financial Needs and Resources. Get clear on your financial goals and needs to maintain your lifestyle after you exit. Your business has been supporting your life for years, but if you're like many owners, you lack a clear picture of what life will cost after you exit. You'll need to consider your spending, investment options, future health and insurance needs as well as a bit of cash for the fun times. Putting this financial plan together is a key part of the overall exit plan.

02

Pick the Right Exit Option. There are a lot of possibilities besides the obvious choice – sell to a third party. Some of the other options may even be better for you financially. These options include transfer/sale to family members, sale to management, sale to employees through an ESOP, even holding and liquidating the business. Even sale to a third party can include a variety of options, such as sale to another company, an individual or an investor group. Understanding what these different buyers are looking for and which options fit you and your business is critical to making good decisions for your future.

03

Maximize and Protect Business Value. Often the decisions made while running a business fail to optimize or even hurt the marketability of the business. It is important to understand the key value drivers that an acquirer will evaluate and how salable the business is as it stands today. Some key questions include: Who will replace you and the role(s) you play in the business? What about key employees – how will they react? The same question can apply to key customers and suppliers, too. Most businesses are like houses – you could sell them as they stand, but some clean up and staging will have a dramatically positive impact on the price you get.

04

Address Estate Planning and Wealth Preservation. It is important to set up your ownership structure and estate planning so that your exit is well protected from excess taxes, disputes, legal challenges or even the death of an invested party. Are the terms of your will, trust, financial plan, insurance policies and corporate documents drafted in a way that is consistent with each other? Even an otherwise successful exit can be jeopardized or end up failing if these considerations are not addressed.

05

Include Contingency Planning. The best laid plans can be turned upside down by the unexpected – accidental death, disability, natural disasters, fires and so forth. Plans that will enable the business to continue operations, insurance policies that buffer such scenarios, intellectual property protections and key employee agreements will help you deal with the unexpected. The tendency is to think these things happen to other people – but experience shows we can be caught off guard when they happen to us.

06

Bonus – 6th Key. This is perhaps the most important of all: Do you know what you will do after you exit your business? Golf is not the answer! Failing to sort out a plan is common, leads to regrets and even health issues or worse. Owners that have exciting next steps planned for their lives reap the rewards of successful succession plans and winning exits. The key is planning the next phase of your life.

As said above, exiting your business is likely to be the biggest financial transaction of your life. The next step is to take the simple Exit Readiness Assessment [here](#) so you have an idea how ready you and your business are right now.

Alternatively you can call (775) 737-0077 or email peter@sierrasuccessionadvisors.com or click [here](#) to book a free 30 minute consultation.