

## Leaving Your Business on Your Terms - Know your Options

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## Family Business FACTS

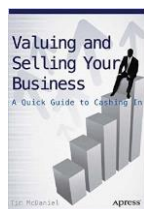
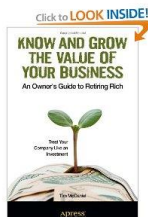
- Over 60% of business owners are 55 years or older and less than 15% have a written succession plan.
- Surveys show that business owners have over 60% of their total net worth tied up in business and limited income diversification outside of the business.
- According to Inc. magazine, 65 percent to 75 percent of the small companies in the U.S. – some 10 million – will hang up a "for sale" sign during the next 10 years.
- 100% of you will transfer your business - **eventually**

## Why Is Succession Planning Hard?

- You don't know how or where to begin
- You spend your time "putting out fires"
- Family dynamics and involvement
- The process seems too daunting
  - ESOPs - Business Sale Process – Tax Law
  - Legacy verse top dollar decision
- Emotional Issues – What's next after I leave the business?



## COUNTRY CLUB LIFESTYLE



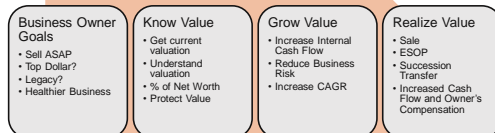
## What is Really Important?

- Treat Your Company Like an Investment
- Fully Understand Your Exit Options
- Select Your Best Strategy
- Execute the Plan with regular and intentional time devoted to the plan.

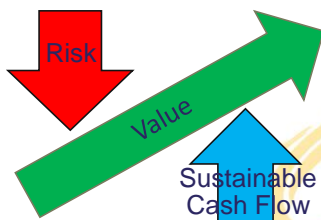
## Why Treat Your Business Like an Investment?

- 50 to 80% of your net worth is in your business
- Increase value and selling price
- Know the best and worse timing to sell your investment (exit the business)
  - You want to sell when
    - Your Sustainable Cash Flow is at its highest level
    - Your perceived risks are at the lowest level
    - Your future estimated growth rate is at its highest level.

## Treating Company Like an Investment



## HOW TO GROW YOUR VALUE



## UNDERSTANDING YOUR OPTIONS

- Study the various exit strategies and understand the advantages and disadvantages of each strategy
- Estimate the net after-tax proceeds that will you obtain from each exit strategy.
- Spend time reflecting on how your decision will impact the future of your family and the employees.
- Develop plans on how you will spend your time once you leave your business.
- Have a dialog with family members, key employees, and advisors about your preferred exit strategy.

"A coronary? - let me see, I could just about fit one in around September, next year."



## But Unfortunately... not everyone leaves on their terms

- You're human! You will exit your business sooner or later
- You face issues you have limited control over
  - Health
  - Family Issues
  - Death
  - Burnout
  - Loss of key employee or customer
- Economic Conditions
  - 2008 Recession impact on exit plans
  - Black Swans

## LEAVING ON YOUR TERMS

### Exit Strategies

Sell	<ul style="list-style-type: none"> <li>•Outside Investors</li> <li>•ESOP, Employees or Family</li> </ul>
Gift	<ul style="list-style-type: none"> <li>•Family Members</li> <li>•Charity</li> </ul>
Retain	<ul style="list-style-type: none"> <li>•Hire Professional Managers</li> <li>•Obtain dividends</li> </ul>
Liquidate	<ul style="list-style-type: none"> <li>•Planned over time</li> <li>•Die at your desk</li> </ul>

## Succession Planning Building Blocks



## Are you on the path to a successful exit?

- Do you know the **actual** value of your business and how much of your personal net worth is tied up in your business?
- Do you have a **plan** to grow the value of your business?
- Do you know all the ways you can exit your business and which one **is the best** for your situation?
- Do you know the **after-tax** proceeds you need to meet your retirement goals?
- Are you **prepared** to address important issues relating to what you will do after you leave your business? Can you survive? Will your business survive?

## Tim McDaniel, CPA/ABV, ASA, CBA

- 🕒 27 years of experience in valuations
- 🕒 Over 2,500 engagements
- 🕒 Expert witness in over 20 cases
- 🕒 Investment banking experience
- 🕒 Facilitate succession strategies for business owners

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