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 versus top dollar decision
- Emotional Issues – What’s next after I leave the business?

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.

COUNTRY CLUB LIFESTYLE

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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 worst 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

**Business Owner Goals**
- Sell ASAP?
- Top Dollar?
- Legacy?
- Healthier Business

**Know Value**
- Get current valuation
- Understand
- % of Net Worth
- Protect Value

**Grow Value**
- Increase Internal Cash Flow
- Reduce Business
- Increase CAGR

**Realize Value**
- Sale
- ESOP
- Succession Transfer
- Increased Cash Flow and Owner's Compensation

HOW TO GROW YOUR VALUE

- Study the various exit strategies and understand the advantages and disadvantages of each strategy
- Estimate the net after-tax proceeds that will you will 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.

UNDERSTANDING YOUR OPTIONS

- 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

"A coronary? - let me see, I could just about fit one in around September, next year."
LEAVING ON YOUR TERMS
Exit Strategies

- Sell
  - Outside Investors
  - ESOP, Employees or Family

- Gift
  - Family Members
  - Charity

- Retain
  - Hire Professional Managers
  - Obtain dividends

- Liquidate
  - Planned over time
  - Die at your desk

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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