CLAYTON CAPITAL PARTNERS

Exit Planning NAVIGATOR

Exit Planning Strategies for the Entrepreneur

Issue 38

# How Much Is All This Exit Planning Going To Cost?

In the previous issue of **The Exit Planning Navigator®**, fictional owner, Dennis Bradenton, had called his accountant to ask her to help him transfer his company to his management team. No stranger to Exit Planning, his accountant assembled all of Dennis's advisors and launched a complete Exit Planning process. She began, not with an examination of how a transfer to Dennis's desired successor might work, but by having Dennis answer the first three Exit Planning Questions:

- When do you want to leave your business?
- How much money do you need when you leave your company?
- To whom do you want to transfer your company?

At the end of that article, it was suggested that Dennis's Advisor Team (if properly trained and experienced in Exit Planning) should save him time, money, and grief. A typical Advisor Team usually consists of: an accountant, lawyer, financial advisor or insurance professional, and oftentimes, a business consultant, valuation specialist and some sort of transaction specialist (business broker or investment banker). Given this extensive list of professionals, how can assembling and using such a team save an owner either money or time? A natural question most owners ask is, "How much is all of this going to cost me?"

The answer is very simple. A well-trained Advisor Team should *make* you money, not *cost* you money. This is not to suggest that your attorney or accountant, for example, is going to pay you money or that you aren't going to end up paying for their services. But, compared to little or no planning, a carefully planned and implemented Exit Plan will usually result in substantial income, gift and estate tax savings as well as a significant reduction in the risk of non-payment from the buyer.

**Tax Savings**

A correctly-designed Exit Plan yields the owner substantial income, gift and estate tax savings. Finding those savings opportunities, however, is the work of more than one advisor. If Dennis wants to exploit the available tax savings, each of his advisors must contribute expertise from his or her particular discipline. Working together in a coordinated fashion not only saves everyone time, prevents the chances of duplication and the possibility of overlooking important elements, it is the most efficient way to locate and exploit various tax saving opportunities.

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(continued)

**Reduction of Risk**

In addition to reducing your taxes, an experienced Exit Planning Advisor Team can help minimize the tax impact on the buyer. Why does an owner care about a prospective buyer's tax savings? Remember that the more money a buyer saves in taxes, the more money he has to pay you your purchase price. Minimizing taxes, drafting airtight contracts (or promissory notes) and negotiating favorable deal terms all serve to reduce the risk of not receiving full payment.

**Cost Efficient**

As noted above, when professionals work together as a team, everyone saves time and there is less chance for unnecessary (and expensive) duplication. In addition, many owners designate the professional who can perform most cost-effectively to coordinate the activities of the various advisors. Today's financial, legal and tax complexities demand that owners use multiple professionals to get the best and surest result.

**Additional Benefits**

Some Exit Planning Advisor Teams include a business consultant when there is a need to grow the value of a business. These consultants not only add value to companies, they also can do so in ways that attract cash-rich third parties. Similarly, well-trained transaction intermediaries may orchestrate a negotiation process that increases the money an owner receives at closing.

**Your choice: Soloists or an Ensemble?**

Will advisors perform better for you when they act alone, or when working together as a team dedicated to ensuring that you attain all of your exit objectives? I hope the answer is obvious.

What might not be as obvious is how these different advisors (most of whom are quite independent-minded and even jealous of their "turf") can be persuaded to work together. What holds them together? The answer is the creation of a written Exit Plan, founded on your exit objectives, to which each advisor must adhere. The Plan lays out the roadmap to an owner's chosen destination. This roadmap also clearly states the role of each advisor. All advisors know what is expected of them and the date by which each task must be performed. With this Plan in hand you, the business owner, control the tempo and the cost of your exit.

*Subsequent issues of* **The Exit Planning Navigator®** *discuss all aspects of Exit Planning.*

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