



## *Exit Planning*

# NAVIGATOR

*Exit Planning Strategies for the Entrepreneur*



Issue 46

### What Your Advisors Must Know

At some point, you want to transition out of (exit) your business. You know you can't do it alone and suspect that you need the assistance of others. Who, exactly, are those "others?" What professional advisors have the qualities, experience and training necessary to help you make that transition successfully?

Past issues of this newsletter have described the function of the Advisor Team (usually, at minimum, a CPA, attorney, financial planner, and insurance professional) that you will assemble to help you orchestrate a successful exit. This issue provides a suggested list of the nine most important characteristics that you should look for in members of your Advisor Team.

1. **Understanding of Exit Planning Process.** Each member must have an understanding of the Exit Planning process as described in previous issues of this newsletter.
2. **Access to Other Professionals.** Since it's unlikely you know all of the necessary professionals today, the advisor you do rely on should have access to experienced professionals outside of her profession. "Experience" here means experience not only in one's own field, but also experience integrating and working well with the others professionals.
3. **Financial Expertise.** Someone on your Advisor Team must be able to determine:
  - your income retirement needs as of your anticipated departure date
  - to what extent those needs are likely to be met by non-business assets and,
  - what amount you must receive from the transfer of your business to make up any shortfall.

All of this analysis should take into account various assumptions about inflation, rate of investment return, your life expectancy, etc.

4. **Valuation Expertise.** Your Team must include a "credentialed" valuation expert (therefore acceptable to the IRS and others).
5. **Key Employee Retention.** At least one member of your Team must understand how critical finding, training, motivating and keeping key employees is to the success of your exit. This advisor should be able to design an incentive plan, (either ownership- or cash-based) which increases the value of the business as it "handcuffs" your key people (on a long-term basis) to the business. Specific incentive planning tools are Non-Qualified Deferred Compensation Plans, and stock bonus or purchase plans.

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(continued)

6. **Business Continuity Expertise.** Look for an advisor who knows how to design and implement business continuity strategies for your type of company (single owner or multi-owner). For a solely-owned business, this may include a Stay-Bonus plan. For a co-owned business, the advisor should know how to design a Buy/Sell Agreement. The integration of business continuity in event of an owner's death with that same owner's continuity and transition wishes in event of a lifetime transfer are vital to a consistent exit plan meeting all of the owner's objectives—both living and at death.
7. **Knowledge of Business Owners' Estate Planning Needs.** Most owners have some type of estate plan, but too often these plans lump business ownership with all other assets, such as a personal residence, mutual funds, personal assets, etc. Seldom, however, does an owner wish the business to be transferred to the same beneficiaries as those who should receive other estate assets. In order for your advisors to develop consistency between your exit plan (used if you live) and your estate plan (used if you die), they must recognize that lifetime goals and objectives (such as who is to succeed in business ownership along with how much they are to pay for that ownership) are often the same.
8. **Investment advisory services.** If orchestrated according to plan, your exit will result in a liquidity event. You will have more money than you have ever had before. That cash needs to be invested prudently and expertly in accordance with your overall plan goals and objectives. The same person who helped you to determine your needs and objectives (probably already part of your team) is well suited (if he or she possesses investment skill and experience) to help you invest your proceeds.
9. **Comprehensive Exit Planning.** Someone on your Advisor Team must be able to create a written Exit Plan and Action Item Checklist for you. The work necessary to achieve a satisfactory exit must be undertaken in a systematic way based on a written plan and a written, accountability (or "To Do") checklist. Otherwise your plan has little chance of success. A written Exit Plan is based upon your goals and objectives so it provides a Road Map that can be understood and followed by all of the members of your Advisor Team.

Keep this list with you as you consider and interview potential members of your Advisor Team. If you can assemble a Team that, among all its members, possesses all nine characteristics, you have drafted a Team with championship potential.

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

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