

## Not All Strategies Are Created Equal

Succession planning, Exit Planning, and business planning may seem interchangeable in most people's eyes. However, each type of planning plays a very different role in the process of designing, and then implementing, a strategy for leaving your business and planning for the future. You can't use one strategy without the others when it comes to running, growing, operating, and eventually leaving a business.

These planning approaches go hand in hand. Although they have their similarities and overlap in some ways, there are some major differences you may want to think about in order to plan effectively for your future and the future of your business.

### Succession Planning

Succession planning has become a common term to most business owners. This type of planning strategy is primarily focused on the transfer of leadership, management, and/or ownership of a business from one person to another. This strategy usually encompasses the identification of potential successors and the training of the chosen successor to build the skills and expertise to successfully run the business once the original owner decides to back away or move on.

Succession planning also emphasizes the timeline for when an owner is planning to part with their business. The succession planning process could take years, depending on the availability of successor candidates, business valuation, profitability, current management team in place, incentive plans, etc.

The main difference between succession planning and Exit Planning is succession planning primarily focuses on the smooth transition (succession) of the operation of the business. A primary goal of succession planning is to find the right person to take over your business and make sure the process of leadership transfer go smoothly. Succession planning may primarily focus on the goals and objectives of the business and may not be as focused on the owner's personal goals for the future.



**Peter Racen, CLU®, ChFC®, CASL®,  
CFP®, AEP®**  
[peter.racen@nm.com](mailto:peter.racen@nm.com)

**Northwestern Mutual Wealth  
Management Company®**  
[www.peterracen.com](http://www.peterracen.com)  
424 S. Woods Mill Road  
Suite 110  
Chesterfield, MO 63017  
[314-744-5270](tel:314-744-5270)

# Exit Planning

Exit Planning can be considered a broader approach to planning for the future. Although one of the main goals of Exit Planning is to ensure a seamless transition from one leader to the next in the business, this approach also considers the future plans of the owners for themselves and their families. Exit Planning considers a business's financial status, the valuation of the business, the position in the market, employee benefits, and the owner's family as well as the community in which the business is operated. It tries to identify the gap between what a business owner has today, and what they want for the future. It really is a full picture of all factors that affect a future change in your relationship to your business. This process encourages planning for everything so that when you are ready to leave your business, you've worked through as many factors as possible.

Although each owner's exit strategy is going to be unique, typically each plan consists of some or all of the following 7 steps.

- Step 1: Identify Owner Objectives
- Step 2: Quantify Business and Personal Resources
- Step 3: Maximize and Protect Business Value
- Step 4: Prepare for Ownership Transfers to Third Parties
- Step 5: Prepare for Ownership Transfers to Insiders
- Step 6: Manage Business Continuity
- Step 7: Support Personal Wealth and Estate Planning

# Business Planning

Business planning can refer to the overall plan of how you run and operate your business. This is commonly a strategy most business owners use throughout the lifecycle of their business, from the very start to the day they consider selling the company. Your business plan is a living and growing document. It is often going to be focused on how your business will approach and succeed in its chosen market. It probably looks at how you'll be profitable in your chosen lines of products and services. It may be reviewed regularly to be sure you are meeting your company goals. Having a solid business plan can play a role in your succession and your exit. The more detailed the business plan you have in place, the easier it may be to advance a succession and exit.

# Conclusion

A well-run company always has a plan in place. The planning processes never ends. Your business plan can help ensure the success of the business in its entirety and can eventually provide support for your future plans, including succession and Exit Plans.

We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at

your convenience.

*The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial professional. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial professional. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.*

*This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.*

*Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.*

---

Peter Andrew Racen uses Racen Wealth Management as a marketing name for doing business as representatives of Northwestern Mutual. Racen Wealth Management is not a registered investment adviser, broker-dealer, insurance agency or federal savings bank. Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI(NM) and its subsidiaries. Peter Andrew Racen, is an Insurance Agent of NM and Northwestern Long Term Care Insurance Company, Milwaukee, WI, a subsidiary of NM. Investment advisory services provided as an Advisor of Northwestern Mutual Wealth Management Company®, (NMWMC) Milwaukee, WI, a subsidiary of NM and a federal savings bank. Investment brokerage services provided as a Registered Representative of **Northwestern Mutual Investment Services, LLC** (NMIS), a subsidiary of NM, broker-dealer, registered investment adviser and member FINRA and SIPC. The products and services referenced are offered and sold only by appropriately appointed and licensed entities and financial advisors and representatives. **Not all Northwestern Mutual representatives are advisors. Only those representatives with "Advisor" in their title or who otherwise disclose their status as an advisor of NMWMC are credentialed as NMWMC representatives to provide investment advisory services.**

©2020 Business Enterprise Institute, Inc. All rights reserved.