



Northwestern Mutual Wealth Management Company™

Failure to Plan Has a Price

I never worry about action, but only about inaction. –Winston Churchill

“I haven’t decided what I ultimately want to do with my business, when I want to exit, how much money I’ll need, or whom to sell to. So how can I plan my exit? Besides, I don’t want to exit right now.”

If you’ve said or thought this, you are not alone. Many business owners are either overwhelmed by the thought of exiting or are so busy fighting daily fires in their businesses that they assume they cannot plan their exits.

If you aren’t sure about what you want from an exit or when you want to leave, why is it so important to decide to act today?

First, recognize that when owners have a passive attitude toward the irrefutable fact that they will—one way or another—leave their businesses someday, they are settling for less than the most profitable exit for themselves and their families.

Second, understand that preparing and transferring a company for top dollar takes time: on average, 5–10 years. Most of those years will be spent preparing the business for the transfer or, if the owner decides to sell to employees or children (two groups who rarely have any money), giving them time to earn the money to pay for the owner’s interest. The more time owners have to design and implement income tax–saving strategies, build value, strengthen management teams, and begin a gradual transfer of ownership (not control) to key employees or children, the more likely they are to reach their goals.

Third, if owners decide to sell to a third party, remember that the market does not operate on their schedule and may not be paying peak prices when they are ready to sell.

If the prospect of leaving your company with little to show for it is unacceptable to you, let’s look at your three options.



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Wait for a Buyer

Owners who wait for a third-party offer for their businesses believe that one day, a buyer will contact them, negotiate a fair price, and that will be that. This is certainly a course of action, but one that flies in the face of reality. There is a pent-up supply of businesses owned by baby boomers who, given strong interest from buyers, are clamoring to sell their companies. The simple law of supply and demand implies which kind of market sellers will face. In a buyer's market, only the best-prepared businesses sell for top dollar. The owners of those well-prepared businesses will have made the decision to prepare their companies years ahead of the actual sale.

Liquidate

Liquidation is a common Exit Path for owners of companies whose cash flow is declining and has little probability of improving, absent the design and execution of an alternative Exit Plan. If this description fits your company, we recommend that you meet with your tax and other advisors to do the planning necessary to create the most tax-efficient liquidation possible.

Decide to Exit and Plan Accordingly

Start today and take the following steps:

1. Fix a departure date.
2. Determine your financial needs.
3. Decide whom you want to succeed you.
4. Have your business valued to see whether you should sell today and/or it has the value necessary to meet your financial and other Exit Objectives.
5. Based on your objectives and the realities of your business, use a skilled Exit Planning Advisor to forge a plan with accountability/decision deadlines.

Your failure to act can be fatal to your successful exit. You and your family depend on the success of your business exit. Can you afford to fail to act? Acting today to create your best possible Exit Path is not difficult. Simply pick up the phone and call us.

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