



EVERGREEN® EXITS

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FOUR SIGNS THAT YOU MAY BE READY TO PLAN FOR YOUR BUSINESS TRANSITION



Successful business owners are unique in their abilities to manage many aspects of their companies, all towards a successful, profitable outcome. In the day-to-day battles and pursuits to advance your company, it is unlikely that you stop to think about its future transition. Despite the fact that you may not be 'pro-actively' thinking about the future ownership of your business and how you will participate in the transition of the company to the next owners, here are a few signs that may indicate that you are getting closer to planning for your future departure and succession to a new owner.

1. My Company is Doing Well Again but I Don't Want to Go Through Another Recession

Business owners who have survived the last five (5) years of economic disruption should be applauded. Tough decisions were made to stay in business as the financial and economic world around us seemed to collapse overnight. Now that the worst seems more behind us than in front of us, you may be thinking about how much you almost lost and how risky your actual financial position really is. To that end, you might be thinking about the fact that economies run in cycles and another recession will come, we just don't know when. And, if you'd rather not have the majority of your wealth tied to an illiquid business when that happens, so that you once again are forced to work very hard to protect what you have built, then that is likely a sign that you are ready to begin thinking about sharing or shifting those future risks with and to another owner of your business. If you don't know who that future person is or will be, the 'exit planning process' can help you identify and plan for that future owner so you sleep better at night knowing that you have a plan in place and are prepared for the next economic storm.

2. I Really Do Not Want to Be Working as Hard as I am Right Now

If you find yourself thinking this on a daily basis, then it is a good sign that you should be investing time and money into a plan to have someone else helping you run the business in the future. The most motivated person to help you navigate the company forward, of course, is a financial partner or investor – someone who has some skin in the game and will assume management and leadership responsibilities to lift the burdens off of your shoulders and allow you to reduce the dependency that your business has on you. Finding these future owners and investors is a process and thinking that you want to 'slow down' is a sign that you are ready to begin that process. Remember that boredom and slight fatigue today is likely to lead to burn-out and exhaustion in a year or so. Before that happens and your position weakens and your options diminish, consider a plan to bring in a partner from a position of strength. Or, alternatively, consider the outright sale of your company to fully liberate yourself from the burdens of the business.

3. I Feel a Sense of Urgency To Take Care of My Key People So They Don't Leave

This is a different version of the 'I'm working too hard sign'. In this case, you as the owner are looking at your key managers and employees and thinking that you really need them to stay and be incentivized to grow the business. In most cases with company founders, this sentiment arrives at the same time that the owner begins to

think about 'slowing down'. And, owners who know how to protect themselves and their time, know that losing key people not only diminishes the value of what they have built, but also forces the owner into the unfortunate position of needing to find, hire, train, assess, mentor, monitor and then incentivize a person all over again. Owners take on this challenge when they are growing their businesses. However, if the process of losing key people now seems painful because you would have to work hard to replace them or, worse yet, you would have to once again assume their responsibilities at the company, then it is a sign that you are ready to start planning for future ownership of your business.

4. My Assets Are too Concentrated in My Company

This higher level of thinking is usually reached when an owner stops to take a look at the risks that are present in their overall financial picture. The reality is that many owners do not take money out of their companies because they want to have that growth capital available to them to pursue attractive opportunities in their businesses. This habit, over time, causes an imbalance in the owner's overall financial picture because owners tend to only take from the company what they need for living and 'basic' savings. Therefore, in order to diversify your financial position, you may be thinking about monetizing a portion or all of your business. If this is the case for you, it is important to

ask the question, 'how will I get money out of this business?'. There are really only two answers, and they both go to the future cash flows and potential for the company. First, you can start taking more of the current cash flow out of the company and saving it personally. This strategy should include a form of planning to be assured that your company plans and budgets can be met with the cash that you leave in the business. Or, you can begin a process of having someone else purchase those future cash flows through a sale of a portion of the equity in your company. This 2nd option is a little difficult for private businesses because investors and buyers usually are not interested in a minority stake position in your business. Therefore, in order to

diversify, you may need a private equity group partner or you may need to sell outright or merge with another business. A desire to diversify your wealth is a sign that you are ready to start the 'exit planning process'.

Concluding Thoughts

This newsletter is written to assist the owner who is feeling fatigued or questioning their future in their own business. While it can be a challenge to consider an exit because you are giving up a portion of control, all of the signs listed above are offered to help you think through your next steps as you advance towards a successful exit and transition of your company.





www.egexits.com Ed@EGWealth.com
1000 Commerce Park Drive, Suite 416
Williamsport, PA 17701
Phone: 570.601.6960 | Fax: 570.651.9032