
THE FOUR (4) TYPES OF EXITING OWNERS



What are other business owners doing to exit their businesses?

That is a common question that an exiting owner will ask their advisor so that they can hear some ideas and learn from the decisions of others in similar positions.

Each business exit is rather unique. However, this newsletter offers four general types of exiting owners for your consideration. As a business owner, you can look to these four personality types to see which one best fits with your situation. From there, you can begin to formulate ideas of how you can begin to think about your own exit strategy plan.

The 4 types of exiting owners are:

1. “Get Me Out Right Away for the Most Money.”
2. “Well-Off But Chooses to Keep Working – What Else Would I Do?”

3. “Stick Around and Grow the Business to Exit at a Future Date and Higher Value.”
4. “Rich and Ready to Leave.”

A description of each of these types of exiting owners is listed below to assist you with matching your current situation with theirs.

“Get Me Out Right Away for the Most Money”

This owner has not prepared himself financially for his business exit. Yet, he is highly motivated to stop working and to leave the business. Selling the business appears to be the best – and likely the only – option available. The sale of the business includes this highly motivated owner leaving the business and getting as much money at the ‘closing’ as possible. This owner will need to enter a

process for selling their business which ideally will include many buyers who can enjoy 'synergies' from acquiring this 'target' company, and who are competing with each other to buy it from the exiting owner. This owner will then pay their taxes and advisory fees and proceed into retirement - living off of the income that is generated from their liquid investment portfolio.

"Well-Off But Chooses to Keep Working – What Else Would I Do?"

This type of exiting owner is quite common. Here, the business owner has been rather diligent at saving for the future and has an eye toward retirement, but is not emotionally ready to leave. This owner enjoys working but is looking ahead to when he would like work to be optional. There may be some pressure from home to spend more time with the family. In addition, there may be health issues causing him to begin to consider his own mortality. Or, the idea of simply 'taking some chips off the table' has a very nice ring to it after years of 'concentrated, illiquid' wealth trapped in their business.

"Stick Around & Grow the Business to Exit at a Future Date & Higher Value"

It seems clear that this type of owner needs - both financially and emotionally - to continue with their business for some time. And fortunately, it is what they prefer to be doing. Their mental readiness to exit is low, so even if they sold for top dollar (as our final exiting owner will be looking to do), they would still want to work for a number of years going forward. In fact, this owner type may not technically qualify as an 'exiting' owner by standard terms. However, every owner is an exiting owner if they are truly treating their business like an investment. Therefore, a number of options exist for an owner who needs to bolster/diversify his personal financial situation, but would like to continue working.

"Rich and Ready to Leave"

This is a rare situation where the business owner is just 'cruising along' in his business with plenty of investment assets and/or personal wealth in the form of real estate. Work has matured into a 'hobby' for them; a sort of game to keep the mind occupied. For some reason, this businessman is now motivated to exit the business right away. There are no emotional attachments to the business and a failed exit would be effectively meaningless to their lifestyle because they do not rely upon the income from the business to support their financial lifestyle. In fact, these fortunate business owners often have large estate tax issues that occupy their mind.

If you have questions or would like to explore these ideas further, we'd be happy to connect. Reach out to Ed at ed@egwealth.com



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