SIGNAL HILL PARTNERSHIP

Exit Planning Institute

WALKING YOU THROUGH THE PERFECT EXIT

Personal Purpose-Driven, Next Act Planning



Congratulations on downloading the Exit Planning Institute whitepaper “Walking You Through The Perfect Exit”.

The Exit Planning Institute is a USA-based institution that provides Consultants and Advisors of business owners with the crucial education to add value to their client businesses ahead of a transition.

Stephen Carson, Founder and Managing Director of Signal Hill Partnership, is a Certified Exit Planning Advisor (CEPA) through the Exit Planning Institute.

The principle of maximising business value ahead of a potential exit is universally applicable. Whether you're in New York or London, the fundamentals of strategic exit planning remain constant.

Having lived in six different countries and worked in over 70 across diverse industries for blue-chip global corporations, private equity, and family-owned enterprises, and his own start-up businesses, Stephen Carson proficiently integrates internationally recognised strategic exit planning principles into actionable strategies tailored to your business.

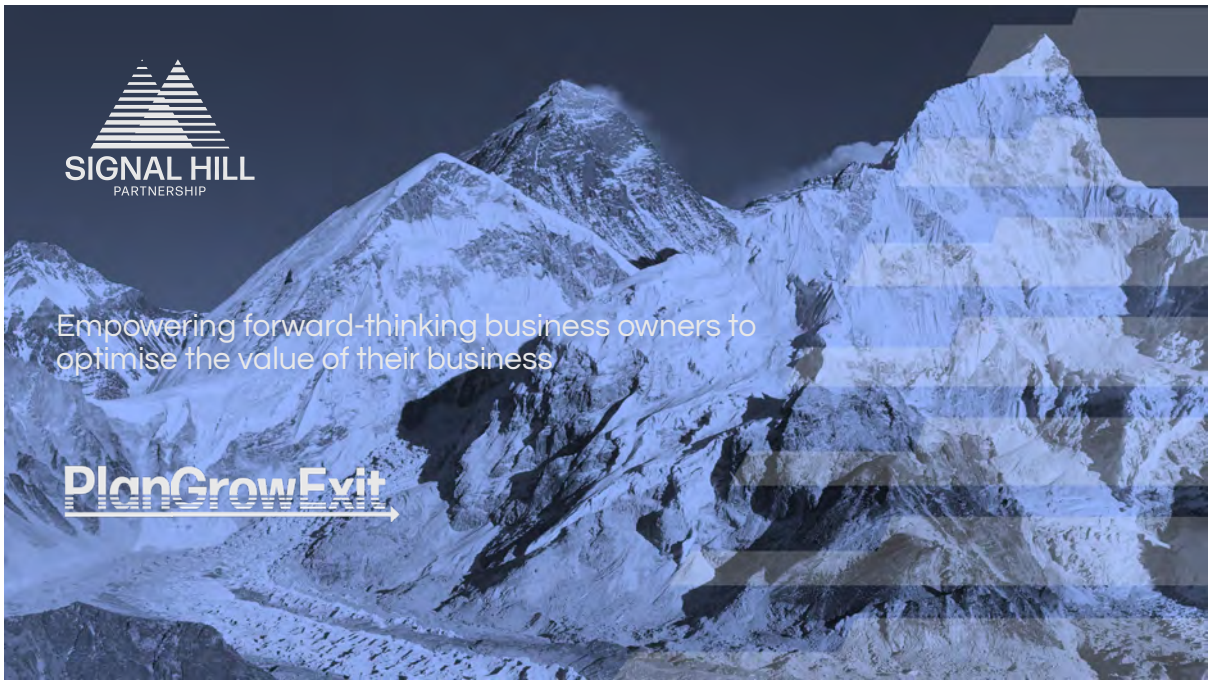


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LETTER FROM EXIT PLANNING INSTITUTE PRESIDENT, SCOTT SNIDER

One of the biggest mistakes many business owners make is spending all their time focused on growing and managing their company. It's a natural mistake. Business owners are passionate about their company. It's their "baby". It's what they love. It requires, and perhaps demands, their attention. For many owners, it's also fun. The challenges, opportunities, people, customers, the services, and products they offer are a part of their life. Perhaps the most important part. Owners hear from their outside advisors that they need to spend more time working on the business versus working in it. They are asking the owner to be more visionary and strategic. So naturally, the business owner throughout their entrepreneurial path gravitates toward spending their time, money, and energy on that company. It's all about business.

Roughly 75% of owners profoundly regret selling their business just a year after selling it. They spent years building and growing a successful company. However, they spent little to no time on what they wanted personally in their life outside of being a business owner. Over the many years it took to start or buy, build, grow, and exit their company, they find they have let their business define them. Therefore, the most important element in growing and eventually exiting any company is to align three critical items. The owner's business, personal and financial goals. With appropriate personal planning, the business owner finds balance in their lives and sets a true foundation for life not just as a business owner but as a person. Many business owners are more than just business owners. They are mothers and fathers, sisters and brothers, family members, friends, volunteers, athletes, adventurers, poets, and musicians. They are passionate, goal-setters, challenge seekers, creators, visionaries, and problem solvers. Knowing this, why not plan early and often?

Taking a more holistic approach to planning not only gives an owner more success in the next phases of their life as an owner but a better life today. Throughout this whitepaper, EPI discusses the major elements that make up the personal side of planning while interviewing expert Certified Exit Planning Advisor contributors. Personal planning starts with the business owner finding their purpose. This is a challenge itself for many Americans, not just business owners. Other critical elements of personal planning are understanding what passions, vision, and goals the owner has outside of their business now and in the future. These will help define the Wealth Gap and contribute to the overall personal financial strategy of the owner. These plus many more elements come into play when building a personal strategy for the business owner.

The purpose of EPI is to help business owners grow more significant companies. Most believe the business comes first. Rather, the leading element to achieving this goal is personal planning. The business is just another asset in the owner's overall portfolio. By leading with personal planning, the owner will venture toward a significant company. One that is highly valuable, transferrable, ready, and attractive while aligning with the owner's personal and financial goals. Giving them a more balanced and fulfilling life today and no regrets in the future.



Scott Snider
President, Exit Planning Institute



PLANNING FOR YOUR BUSINESS, FINANCIAL, AND PERSONAL GOALS

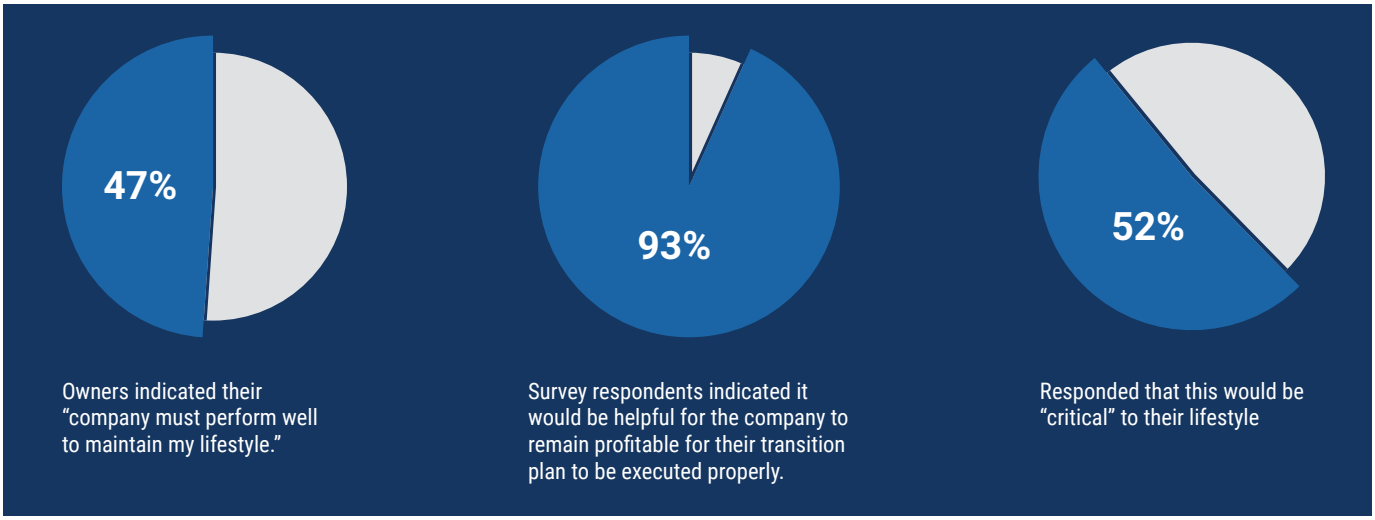
PLANNING FOR YOUR BUSINESS, FINANCIAL, AND PERSONAL GOALS

According to a PwC lower middle market and small-business owner research study, **75% of business owners profoundly regret selling their business just one year after selling.** This is often the result of the owner and their advisors failing to meet all their objectives and not holistically advising the owner. Owners arrive at the exit planning discussion knowing little information and advisors can sometimes be siloed in their approach with business owners. While the advisors prepared the business for sale and tried to get maximum value, they failed to consider two other critical aspects outside of an owner's business: the owner's personal vision and financial goals.

Business, personal, and financial goals make up the three legs of a stool. Picture a three-legged stool. If the stool is missing a leg or if one leg was longer or shorter than the other two, it would topple over. This mirrors a business owner's exit of their company. An owner without a holistic plan that includes their personal ambitions and personal financial strategy will fail to successfully exit.

Reaching Your Business Goals

47% of owners in the 2021 New York State of Owner Readiness Report by Exit Planning Institute indicated their "company must perform well to maintain my lifestyle." Additionally, 93% of the survey respondents indicated it would be helpful for the company to remain profitable for their transition plan to be executed properly. In fact, over half of the owners, 52%, responded that this would be "critical" to their lifestyle.



This shows the importance of building a valuable company that is not only successful but significant. Successful companies are ones that have steady growth, a healthy balance sheet, and a good profit and loss statement. They also provide a good income to the business owner and have average to good year over year performance. They seemingly have great employees, a good culture, and customers that are engaged and have a nice experience. Scott Snider shares, "However when the business owner goes to exit they are slapped in the face as they do not have anything of significance. Good income does not translate directly to value."

Significant companies are concentrated on income generation and value creation. As such, not only do they have a successful year-over-year company, but they have a company that is highly valuable, transferable, ready, and attractive while aligned to the owner's business, personal, and financial goals.

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PLANNING FOR YOUR BUSINESS, FINANCIAL, AND PERSONAL GOALS

Understanding Your Financial Needs

According to most financial advisors, an owner's business wealth is usually 80-90% of their overall net worth. Creating and maintaining updated personal financial plans, estate plans, and tax plans are important for one's personal financial strategy and mitigation of personal financial risk.

James Jack, Executive Director and Head of the Business Owners Client Segment at UBS Financial Services, says that financial planning "is not just about the numbers, it is a psychological experiment. Have an empathetic connection with your clients to have a better relationship and provide better outcomes for your business owner clients."

The Importance of Personal Planning

Having a strong, ready, valuable, and transferable business is only part of the equation. To truly have a significant and fulfilling exit, you need to understand your personal purpose and what you want in the next phase of your life. Once that is established, just like the business, you can wrap a process and framework around achieving this set of personal goals and objectives. These tie into your personal financial plan.

Selling your business involves a lot of strategy, advisors, and planning. But without considering your personal goals as well as business value, you will face extreme difficulty determining your ideal sale price. According to our 2021 New York City State of Owner Readiness Report, 56% of the owners surveyed shared that the transition of the business had been incorporated into both their personal financial and estate plans. However, the majority of the owners who were a part of the New York report were younger than 55 years old. Based on generational demographics, their interest in personal planning makes sense. While this survey proves that the younger generations are more invested in their personal plans, our other State of Owner Readiness Reports have found strikingly different results. The older generations, while prepared financially, have little to no personal plan in place for their next act as 94% of these owners indicated they had done no planning for the next act or phase of their life after selling their company.

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FINDING YOUR PERSONAL PURPOSE

FINDING YOUR PERSONAL PURPOSE

Do You Know Your Purpose?

In order to have a meaningful life, you'll need to cultivate your strengths, talents, and capabilities and use them to benefit yourself and others. People who have a clearly defined purpose in life live years longer than those who have no sense of purpose. According to an article published in Forbes, "Spend your time now figuring out what you enjoy doing, so that when you're retired and have the additional time, you can spend that time doing what brings you happiness. Maximize your time during retirement by focusing the pre-retirement years on discovering what brings you joy and fulfillment."

Before you retire, think about the things in your life outside of your business that give your life meaning and purpose. Perhaps it is spending time strengthening your family relationships, tending to a garden, or expanding your knowledge by reading about topics that interest you. Whatever gives your life purpose should have a place in your post-business life.

The Impact of Living On Purpose

Every human being has the fundamental need to feel like their life has a purpose. For retired business owners, their purpose was intertwined in their business for so long that they struggle to find purpose in their post-exit life. Understanding your personal purpose will not only strengthen your business but will allow you to flourish in your life after your exit. While your business's purpose might differ from your own, without having a purpose you will never reach your most fulfilled life.

> "Your impact has nothing to do with the scope of your purpose. You can have an immense impact on the world around you with a specific purpose."
>
> **Marianne Oehser**
> Partner, Next Chapter Lifestyle Advisors

Think of why you started your business. What were you trying to accomplish with your company? All businesses serve a specific purpose for their consumers, whether that purpose is to provide a product, experience, or action, you would be hard-pressed to find a business that does not serve a purpose. Dr. Fred Johnson, CEO and Founder of InitiativeOne Leadership Institute, shares that less than 1% of businesses know their purpose, and much less make decisions based on this purpose. He continues, "Purpose is much more than a goal or a plan. Social capital connects humans. Purpose strengthens those connections. It inspires trusting relationships, collaboration, and complex problem-solving. Purpose humanizes leadership by connecting actions and decisions with powerful aspects of core identity. It will guide and align your efforts with a more profound sense of who you are and how you lead and communicate at your best."

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FINDING YOUR PERSONAL PURPOSE

The Exit Planning Institute had Gino Wickman, Founder of EOS Worldwide, Keynote The Exit Planning Summit. During his address, he shared, **"I believe you deserve it, I believe it is your purpose and I believe you owe it to yourself and the people in your life to live your optimal life."**

Finding and living according to your purpose benefits not only you but important members in your life. Your purpose plays a crucial role in determining your personal next act plan and will ensure your life post-exit will be fulfilling. Living according to your purpose not only impacts your next act but allows you to live your optimal life today as well. By managing your energy and optimizing your current life, you are able to explore your passions outside of your business. Passions that can ultimately make up a large portion of your next act. While studies show 75% of owners profoundly regretted selling their business within a year, having a defined personal purpose greatly lessens that regret. Some owners may even feel more fulfilled personally than they ever were in their business.

Determining Your Core Values

Business Core Values

In a business, the majority of your business value is determined by the strength of your Four Intangible Capitals. These include your Human, Customer, Structural, and Social Capitals. One of the main components of strong Social Capital in your business is having clearly defined and lived Core Values. These core values impact the way a team works together, determine the culture of the organization, and embody the purpose and vision of the company. Core Values provide a framework for your organization to hire new employees, evaluate current employees, and hold the business accountable.

This kind of thinking is evident in the Exit Planning Institute and is represented by our Core Values. Not only did the entire team take part in the formation of our new Core Values, but each one highlights the importance of working collaboratively and the power of effective conflict. The strength of our Human Capital allowed the EPI team to feel comfortable creating this set of Core Values. We review these Core Values on a quarterly basis to ensure we are living them and to change any values we feel are no longer at the forefront of our organization.



FINDING YOUR PERSONAL PURPOSE

EPI CORE VALUES

PUT IT ON THE TABLE	Taking conversations and topics that normally get discussed "under the table" and bringing them to light. We believe the path to building and maintaining trust is through a commitment to open, honest, and respectful communication amongst each other. We believe in delivering the mail to the right address. We believe in having no meetings after the meeting. We accept our teammates for who they are. No issue or subject is too difficult to talk through with this framework. It's our way of honoring transparency.
COLLABORATION	We are a team built on support, empathy, active listening, and respectful communication. We have the desire to truly understand one another in the process.
CREATIVITY	We provide the freedom to problem solve, innovate, and encourage risk-taking and curiosity. Through creative thinking and the ability to innovate, we move our organization and ourselves forward.
PURPOSEFUL GROWTH	Our efforts to educate and challenge don't just stop with being a business professional. We embrace change and challenge the status quo. Practice, training, and development of ourselves professionally and personally give us the foundation to drive forward, execute, and achieve greatness.
LIFE BALANCE	We put a premium on the quality of life and deep relationships. To achieve this, we invest in each other by taking an honest interest in getting to know our teammates. We balance our work with an active personal life and know that those personal experiences refill our tank and lead us to success in the workplace.
ACCOUNTABILITY WITH AUTHORITY	We promote independence, assign accountability, and empower our team with the right authority to get the job done. We understand that mistakes happen and we take responsibility, learn, and move forward. Many branching paths appear when one takes ownership of their duties.
MAKE IT COUNT	Hard work got us here and hard work will get us to the next milestone. Giving 100% effort is critical to the team's success. We seize the opportunity and go all in and do the work.

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FINDING YOUR PERSONAL PURPOSE

So how do you determine if something is a Core Value or simply something you like? A Core Value should reflect your ideal working environment. What will allow you to not only conduct your business effectively but advance your business and your team? Your Core Values should reflect your entire team.

Personal Core Values

As a business owner, you likely have a written set of Core Values by which you run your organization. However, do you have a set of Core Values by which you live your life? Your personal Core Values do not need to be the same as those in your business, however, they will most likely be similar. It is understandable that some of your values may overlap since your Values ultimately impact your business. The Core Values in your business should be reflective of the business as a whole, taking into account all those who work there. Your personal Core Values should reflect who you are as an individual.

After determining your personal purpose, you can define your personal Core Values. Your values influence every action you take and can impact your decision-making in both your business and your life after business. To determine your personal Core Values, consider taking a personal retreat, consulting with trusted friends and relatives, and expanding on your personal purpose. These Core Values should hold you accountable for living according to your purpose. Similar to reviewing your business Core Values quarterly, we recommend you check in with yourself to ensure your personal Core Values remain pertinent in your life.

Dr. Fred Johnson shares, “Our success is not based on how good we are. Our success is based on who we say yes to and who we say no to.” By living your life according to your Core Values, you have a built-in system for making purpose-led decisions. He continues, “When you stay with your values, they will never lead you astray.”





THE IMPORTANCE OF NON-FINANCIAL RETIREMENT PLANNING

THE IMPORTANCE OF NON-FINANCIAL RETIREMENT PLANNING

Retirement planning has long been thought of as "save as much money as you can to live off of for 20-30 years."

Great, you have the money set aside to survive 20-30 years… now what will you do for those three decades?

Partners at Next Chapter Lifestyle Advisors, Susan Latremoille and Marianne Oehser, provided some insights into planning the non-financial aspects of retirement.

The Personal Side of Retirement Planning

There are an abundance of retirement advisors that educate individuals on the financial aspects of their retirement planning. However, these advisors tend to neglect education about their client's personal needs. Especially for successful business owners, planning a comprehensive personal retirement lifestyle plan is paramount. Research collected for the Exit Planning Institute State of Owner Readiness Reports has indicated that owners are not likely to have a written plan for what they will do after they exit their business.

What will make for a fulfilling next act of your life? According to a 2020 Edward Jones and AgeWave study, 8% of people think of retirement as the beginning of the end of their life. However, 55% view retirement as a "new chapter in their life."

Who Will You Be Without Your Business?

Susan Latremoille shared the story of a client who tried to fill the void created by selling his $100 million aerospace business by buying vacation homes and fancy cars. He was trying to, as Susan put it, "replace the thrill of running his business", but it does not work that way.

As Marianne Oehser shared, "You are not just retiring from your career, you are retiring to the next phase of your life. Plan for it." Latremoille and Oehser shared that 69% of people struggle to adjust to their new retirement life. In retirement, so many aspects of successful owners' lives change. They go from being the "Who's Who" in their respective industries, to "Who is that?" seemingly overnight. Many business owners are not prepared to address these changes and suffer an identity crisis. Being a business owner was their entire life, and now that part of them is gone.

Retirement Mindset

Latremoille and Oehser believe that every retiree thinks about retirement with one of two mindsets.

1. **Fixed:** The best years of my life are behind me. I am over the figurative hill and the rest of my life will be downhill from here.
2. **Growth:** The best is yet to come. I am looking forward to experiencing this next chapter of my life.

Business owners might have had a growth mindset when it came to their business, but a fixed mindset in their retirement. In order to get the most out of your retirement, you must make that switch to a growth mindset.

The Retirement Honeymoon

We have all heard the old trope of the retired business owner spending their days on the golf course and living a life of leisure. What we don't hear is the fact that most retirees get bored of this lifestyle in 6-18 months. Susan Latremoille calls this the "Retirement Honeymoon."

Even retirees with an extensive bucket list of items to accomplish are not prepared for a successful retirement. What do you do when the last item on the list is checked? Without a detailed lifestyle plan, your retirement will feel less like the long vacation you envisioned and more like Groundhog's Day, forced to repeat the same day over and over again.

THE IMPORTANCE OF NON-FINANCIAL RETIREMENT PLANNING

Emerging Needs of Retiring Business Owners

Retiring business owners face more concerns than getting an early tee time on their favorite golf course. Some of the most prominent issues they will face are the possibility of divorce, failing to fulfill their post-business needs, and lacking personal fulfillment.

The Threat of "Gray Divorce"

Retirement has a profound impact on married couples, specifically baby boomers. After years of focusing on their career, retired owners have likely spent more time with their spouses during retirement than they ever have. This can lead to tension in their relationship and can ultimately lead to "Gray Divorce", divorce in couples over 50 years old. Marianne Oehser shares, "Often couples don't talk about how their new life is going to unfold in retirement. When they are not on the same page, it creates friction in the relationship. The little things add up to create problems in the relationship."

Conversely, relationships can strengthen due to the increased time spent together. With the lack of time spent working on and in their business, retired owners have time to focus on their relationship with their spouses.

Working in Retirement

More individuals are looking to work during retirement. After the "retirement honeymoon" is over, many retired business owners crave the mental stimulation and problem solving that comes from work. Our 2021 New York City State of Owner Readiness report found that 36% of retired owners planned on becoming a business consultant, 36% plan on starting another business after they exited their previous company, and 58% plan to invest in another business or serve on a business's board. Owners desire to make a contribution towards an end goal. Going back to work offers them an outlet to do so.

Additionally, 51% of owners shared they planned on continued involvement in their business even after they retired. 31% stated they would continue on in an advisory capacity but would not take part in the day-to-day operation of the company and 15% said they would be available in a crisis situation. This shows just how ingrained an owner's business is in their life.

Next Chapter Lifestyle Advisors Happiness Portfolio ®

Next Chapter Lifestyle Advisors created a system to ensure that all retiring owners are personally fulfilled in their retirement. Most advisors focus on the financial component of retirement, but the Happiness Portfolio encompasses everything an exiting owner needs in order to have a successful retirement.

This portfolio includes the replacements for the non-financial benefits of working and provides retired owners with a sense of purpose. In utilizing this resource, retirees are able to stay engaged with activities that support and enhance their body, mind, and spirit.

The main components of the Happiness Portfolio include:

- ☐ Professional
- ☐ Primary relationship
- ☐ Family and friends
- ☐ Giving back
- ☐ Spiritual and emotional health
- ☐ Leisure
- ☐ Self-development
- ☐ Health and aging

THE IMPORTANCE OF NON-FINANCIAL RETIREMENT PLANNING

Adding Lifestyle Retirement Planning to Your Advisory Practice

The wealth management industry is changing. Competition for clients has increased making it harder to retain existing clients and attract new ones. Advisors need to offer enhanced services to differentiate themselves. At the same time, clients have high expectations for life in retirement and are challenged as they try to adjust to this new chapter of their lives. This all makes retirement lifestyle planning a valuable new service.

It is your role as an advisor, especially a Certified Exit Planning Advisor, to be holistic in your process with owners as they exit their businesses. Instead of solely focusing on the financial aspect of their decision, have deeper conversations about life topics. Susan Latremoille says, “emotional intelligence is just as important as technical skills, if not more, for advisors to be successful.”

Educate your clients about the importance of planning for their lifestyle and collaborate with their other trusted partners. Offering a value-added service like “retirement lifestyle planning” provides your clients with more information about planning for their personal retirement. Educate your owners to let go of their past successes and to move forward with the next chapter of their life. Their successes do not end simply because they have exited their business. Their next act can include another successful business, significant charitable work, or personal relationship successes. It will be their most fulfilling chapter if they plan for it.

Are You Financially Prepared for Your Next Act?

What is Your Wealth Gap?



Your wealth gap is the difference between your current wealth and the amount you need in order to live the life you want. To understand your wealth gap, you need to investigate your personal goals and ambitions outside of the business. For example, an owner who wants to own a minor league baseball team in the next phase of their life will need more funds than an owner who wants to retire and live quietly on an old farm.

Your goals, family, extended family, and personal ambitions should all be considered. Once identified, you can determine your wealth gap. Your net worth outside of the business plus the value of your company today equals your goal. In other words, if your goal was $10 million and you had $2 million of assets outside of the business, your wealth gap would be $8 million. Thus your company would need to be valued at at least $8 million to close this gap.

THE IMPORTANCE OF NON-FINANCIAL RETIREMENT PLANNING

By understanding your personal goals, you have established how much money you will need in the next phase of your life. A phase that will not include your company. This establishes your wealth gap.

Does the value of the business today fill your wealth gap? If the answer is "yes," it is time to ask yourself,

"Am I ready to sell my company, and should I?"

If the answer is "no," you need to go on a value-enhancement path where you can begin to grow value in your business by strengthening your intangible capitals.

Personal Financial Planning

Financial planning provides comfort for business owners when deciding their next steps. It especially helps owners to determine what is possible for them after liquidating their business. Defining your financial needs in retirement is a different way of thinking about wealth and cash flow.

All exiting owners must plan for their financial futures outside of their business. Joe Strazzeri, Partner at Strazzeri Mancini, LLP, shares, “Through the owner’s financial advisor, a detailed model should be created to understand the financial needs of the family. Simply put, one should take the anticipated net worth after the sale, subtract any personal use assets that do not generate income, and calculate the yearly expense of those personal assets, debt service, ongoing spending rate, as well as a buffer for spending to understand if the net income-generating assets can support life after the sale.”

“The age 65 rule of thumb is also losing meaning because retirement has become more of a process than an event. For many, the days of a retirement party, a gold watch, and a trip to the rocking chair are gone. Retirement may mean leaving your career job but picking up part-time work.”

Steve Parrish
Co-Director, Retirement Income Center at
The American College of Financial Services



DOES YOUR PERSONAL PLAN INCLUDE FAMILY CONSIDERATIONS?

DOES YOUR PERSONAL PLAN INCLUDE FAMILY CONSIDERATIONS?

An owner's family directly impacts their business decision-making. Everything the business owner does, impacts the family directly and the families of their employees, partners, and vendors.

Research from our 2021 New York State of Owner Readiness Report showed that 84% of owners stated they meet with their family annually to discuss their business and 12% of owners consider their spouse to be their most trusted advisor. Some owners will set up a family council which acts similar to a business board of advisors. They assist in managing disputes between the family and business. When an owner sells likely their largest asset, it greatly impacts the family. Mike McGrann, Founding Partner of The Telos Group, shares, "Some businesses have family operating in the business, but even if the business is not a 'family business' the sale of the business impacts all family members."

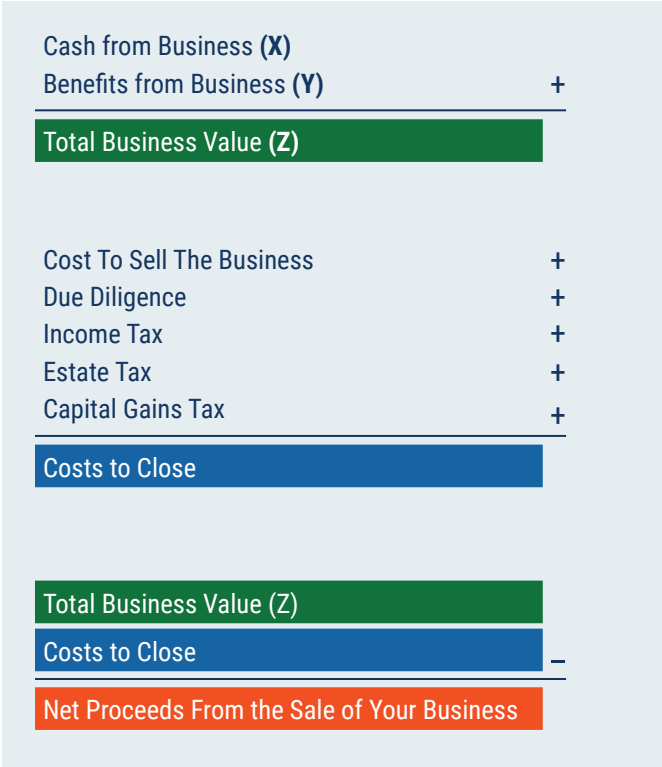
How will you integrate your business exit strategy with your personal purpose?

The Impact of Exit Planning on Your Taxes and Estate Planning

Of those owners who had a written transition plan, only 27% said it included an estate plan and only 29% included a tax plan, according to our latest State of Owner Readiness Report. An estate plan is important for every individual, but especially for a business owner looking to exit their business. Traditional estate plans include a trust (full funded/titled), will, power of attorney, health care directives, HIPAA, and assignments. Business owners' estate plans include traditional documents that must integrate the business entity planning, control, operations, planning for the owner's disability or death, as well as income, capital gains, and estate tax planning for now and into the future.

Joe Strazzeri, Partner at Strazzeri Mancini, LLP, shares, "In order to help ensure a regretless exit, the owner should consider all aspects of their goals. An integrated succession, business, and estate plan that addresses the owner's personal needs as well as their family and the business should consider emotional readiness, lifestyle, unexpected expenses, risk management, tax strategies, debt levels, and much more."

Taxes, fees, and the cost of the sale of your business can greatly decrease your net proceeds. Joe Strazzeri states, "Owners have traditionally run their business in planning for a net income after income taxes. During the sale, an owner must consider that year's income tax ramifications, income and/or capital gains taxes due to the sale, and an eventual estate tax. There are legal, tax, and financial planning strategies that when timed, combined, and sequenced, can either radically reduce or delay the tax such that the math of after-sale cash flow comes close to the owner's desired outcome."



DOES YOUR PERSONAL PLAN INCLUDE FAMILY CONSIDERATIONS?

Planning for The Next Generation of Your Family Business

The characteristics that make a business valuable to a third party are the same that make it valuable to the next generation: low risk and high transferable value. The personal and business actions needed to successfully transition a business are the same as those needed to develop the next generation of family business owners. Utilizing value acceleration leads exiting owners to more frequently successful intergenerational transitions.

Isabel C. Botero, Ph.D., the Director of the Family Business Center and an associate professor of entrepreneurship at the University of Louisville, shares, "Transition in family businesses is dependent on the readiness of current generation, the next generation, the family, and the business. Thus, the challenges that the family business owner faces are likely to be around these four issues."

CHALLENGES IN THE READINESS OF THE CURRENT GENERATION INVOLVE:	CHALLENGES IN THE READINESS OF THE NEXT GENERATION INVOLVE:
The current generation does not have a plan on what to do after they leave the day-to-day operations of the business.	The next generation is not old enough or prepared to enter the business.
The current generation does not believe that the next generation is ready to take over the business, so they do not give them opportunities to learn and become active in the business.	The next generation has not been educated or socialized inside the business so they can learn the sources of competitive advantage.
The current generation does not have a plan to transfer responsibilities and /or ownership of the business.	There is no direct next generation.

CHALLENGES IN THE READINESS OF THE FAMILY	CHALLENGES IN THE READINESS OF THE BUSINESS
The family does not have a shared purpose or vision of what they want to do together and how they want to work together.	The employees are kept in the dark regarding the intention to have a next-generation family member join the business..
The family has been kept in the dark regarding what the current generation wants to do with the business or their intentions as they work together in the future.	The owner has not prepared the business to work without them.

Beyond the owner and their family, the significance of a successful business asset transition is substantial. Failure to provide for the continuity of the business impacts not only an owner's personal wealth, and that of their family, but also the future of all other stakeholders who depend on the business's successful transition. In a recent Exit Planning Institute report, 41% of owners stated they preferred a family transition as their exit option.

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DOES YOUR PERSONAL PLAN INCLUDE FAMILY CONSIDERATIONS?

Preparing Your Family for Transition

The complexity of family dynamics is always challenging, especially when they involve a business transition. In addition to being complex, we believe another reason why most family transitions are not successful is business owners tend to do less transition planning when they have decided to transfer the business to the family. The family should approach an intergenerational transition with the same vigor as they would if they were planning to sell it to a third party.

Joe Strazzeri shares, “The family dynamic, especially when there are multiple generations involved, often lacks alignment. At a certain level of wealth, families begin to explore governance around its preservation, use, and distribution. In traditional approaches, a family’s fear of negative outcomes is often met with the creation of rule sets: who’s allowed to do what and when.”

By having annual family meetings to discuss the possible succession plans for the company, as an owner, you will be more prepared for an exit when the time comes. During these family meetings, any members of the family working in the business will have the opportunity to have their business suggestions heard. Those not working in the business will gain a deeper understanding of the inner workings of the business as well.

John Petika, Senior Vice President–Wealth Management with the Petika Wealth Management Group of UBS, shares the importance of considering not only the current owner's personal purpose but the children’s passions as well. He says, “The children may really love running a business but not the exact business that the older generation started. The next generation should be free to pursue what they are passionate about after the liquidity event whether that is with the current business or not. Having this mindset frees the business owner to focus on what is most important for them and that is getting the maximum value out of their enterprise.”

Isabel Botero echoes this sentiment, saying, “Given this, as a family is preparing the next generation to be part of the business, they need to also work with that generation so they can discuss how they want to work together, what is their shared vision, shared purpose, and shared values. Having discussions about these goals really helps the family understand whether they want to work together or not.”





ARE YOU PREPARED FOR YOUR NEXT ACT?

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Recent research from the Exit Planning Institute shows that 52% of business owners have a written personal transition plan for what they would do after exiting their business. Personal planning for the next phase of an owner's life and personal financial planning for independence from the owner's business is essential to a successful transition and fulfilling post-exit life. For a business owner, exiting a business is more of a personal journey and owners recognize this. While owners are educated on exit planning and understand the importance of having a personal plan, they struggle to incorporate the two into a cohesive strategy.

Follow this checklist to ensure you have considered your personal goals and aspirations prior to exiting your business.

Am I Personally Ready to Exit My Business?

- ☐ I have clearly defined my Personal Purpose
- ☐ I have a written set of Core Values for my business that are lived by every member of the organization. If I were to leave today, the business would still believe in these Core Values
- ☐ I have a set of personal Core Values that I base my actions on. I do not make decisions that violate these Core Values
- ☐ I have gone on a "pre-retirement" break from my business to see how I enjoy spending my time away from my career. After this break, I feel confident in my next act plans or have updated my plans accordingly
- ☐ I understand my Wealth Gap and know what my business needs to net in a sale for me to achieve my personal next act goals
- ☐ I have had a formal business valuation completed on my business in the past year
- ☐ I have a detailed estate plan in place and understand how taxes from the sale of my business will impact my personal finances
- ☐ I have held a family meeting to discuss the next generation of the business and the financial impact it will have on my family
- ☐ I understand the available exit options for my business

While you may be prepared to sell your business, without planning for your personal life, you will be unfulfilled in your next act, no matter how much you make from the sale of your business. By creating a comprehensive personal plan for your life, you can prepare your business and your finances to suit that plan. Without first knowing where you want to be in your future, you cannot successfully craft the roadmap to get there.

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