

## Business Succession/Exit Planning

Many business owners typically put their blood, sweat and tears into a business over many years with the hope of providing a nice living for their family and one day retiring on the heels of selling their business. Tens of thousands of business owners will make the decision to sell this year. Unfortunately, many business owners will be behind the proverbial eight-ball if succession planning enters their mind for the first time at the moment they decide to sell. In fact, owners should start planning their exit from the first day of operations and at the very latest three years before they want to sell.

Many owners have no idea as to the right time to sell. The answer to this may come in the form of ones retirement goals or needs. This is where a good certified financial planner can be of assistance. They can help an owner determine how much money is needed out of the sale of their business in order to obtain their goals.

After meeting with a certified financial planner, the next logical step is to figure out the current value of the business. This is where a professional business intermediary can be of tremendous value to an owner. Most business intermediaries are happy to sit down with an owner and perform a business valuation. If a business is valued at a price that accomplishes the owner's goals, then they may be ready to sell immediately. If the value is lower than what is needed, then the owner has to be of a mindset for increasing the value of their business and taking steps to make sure that happens.

One item that business owners must have in order before they sell is their books and records. Buyers and banks will want to see at least three years of books and records. Appropriate and accurate books and records instill confidence in both a buyer and the bank. At the very least, a business should have current and accurate profit and loss statements and balance sheets. A statement of cash flows and trial balance statements are also very helpful.

In conclusion, owners should be thinking about their exit strategy way in advance of their actual anticipated selling date. Secondly, it is extremely important to have accurate and complete books and records for at least three years prior to selling. Finally, owners should align themselves with the appropriate professionals to assist in what may be the most important sale of their lives; a business intermediary, certified financial planner, lawyer and accountant are instrumental in assisting owners with successfully exiting their business.