



## *Exit Planning*

# NAVIGATOR

*Exit Planning Strategies for the Entrepreneur*



Issue 37

### **My Lawyer Told Me Not To Do It!**

It is not uncommon for business owners to call one of their advisors to complain, “My lawyer (or CPA or financial advisor or insurance professional) told me that I should not even *think* of transferring my business to my child and key employees, but I want to do it anyway. Can you help me?”

If you’ve made this type of call, I hope your advisor answered with the same definitive “Maybe” that fictional owner, Dennis Bradenton, received.

#### **Case Study**

*When Dennis Bradenton called his accountant to complain about his attorney’s warning not to consider a transfer to his child and key employees, the accountant immediately kicked off the business Exit Planning process. As an advisor skilled in Exit Planning, Dennis’s accountant did not limit the scope of that process to probing Dennis’s choice of successors. Rather, she started asking Dennis the first questions every owner must answer when thinking about departure:*

- *“When do you want to leave?”*
- *“How much income or money will you want or need?”*
- *“What do you want to do for your key employees and for you other children?”*

The accountant quickly involved Dennis’s other advisors (insurance professional, attorney, and financial planner) to brainstorm the many questions and strategies that required Dennis’s input. This Exit Planning Advisor Team asked Dennis a number of questions beginning with an examination of the financial resources available to Dennis.

As the Advisor Team immediately pointed out, it is one thing to design a business exit via a transfer to a management team; it is quite another to ensure the owner’s financial security in the process. The Advisor Team had to know how Dennis defined “financially secure” to determine the size of the gap between his existing financial resources (both personal and business) and the amount of cash he could expect from a transfer of his business to his desired successors. Only then could Dennis’s Advisor Team answer Dennis’s original question (Can you help me to transfer my company to the successors I choose?) with a firm “yes” or “no.”

Dennis is not the only owner who has asked (and wanted an answer to) an exit question that can be answered only after the three basic Exit Planning questions are resolved. (Again, those questions are: When do you want to leave? How much money do you need when you exit your company? and To whom do you want to transfer your company?)

8820 Ladue Road  
Suite 201  
St. Louis, MO 63124

tel: (314) 725-9939  
fax: (314) 725-9938

[www.claytoncapitalpartners.com](http://www.claytoncapitalpartners.com)



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(continued)

There is a natural tendency for owners (and for advisors who lack substantial experience in Exit Planning) to focus on the desired outcome and on the route they believe will facilitate that outcome *before* they know exactly where the owner wants to go. The philosopher Seneca wisely warns, "When a man does not know which harbor he is heading for, no wind is the right wind."

In Dennis's case, he wanted to transfer his business to his management team that included one of his children. Rather than immediately pursue that particular exit path, it was critical for Dennis to step back to see if that type of transfer would satisfy his other exit goals and objectives. Would a transfer to his management team allow him to leave on his timetable? Would such a transfer yield the amount of cash he needed to attain financial security? If not, were there other paths that would allow him to leave at or before his chosen departure date, with more money, or perhaps, greater benefit of his family or other families? These fundamental questions (and other more specific questions) require Dennis's careful consideration (and yours) before charging down any particular path.

Beginning an orderly Exit Planning Process today saves you time, money and grief. Better still, it can change the "maybe" answer to the question "Can you help me leave my company to the successor I choose?" to a "Yes."

In the next issue of **The Exit Planning Navigator®**, we'll explore how much a Team of Advisors will cost you and what value they bring to the process.

*Subsequent issues of The Exit Planning Navigator® discuss all aspects of Exit Planning.*