



Exit Planning

NAVIGATOR

Exit Planning Strategies for the Entrepreneur

Issue 45

Exit Planning Myths

Myth: “My CPA will tell me when it is time to start planning for my business transition.” (Replace CPA with “attorney,” “financial planner,” or “insurance professional” and the myth remains intact.)

Fact: Your advisors, be they CPA’s, attorneys, financial or insurance professionals, often don’t initiate planning discussions primarily because you have not told them you are interested in leaving your business. Other reasons include:

- Your advisors may or may not have the experience they need to guide you to a successful exit. As a result, they don’t think to ask you of your plans.
- Your legal and accounting advisors may focus their attention on compliance-type activities (Directors’ Minutes, an employee problem, tax returns, etc.) and don’t “see the forest for the trees.” They solve specific problems or issues that clients bring to their attention. Many are simply not planning oriented. Similarly, financial and insurance professionals often focus on a smaller subset of overall planning—perhaps investment planning or life insurance planning to meet income needs or estate tax costs.
- No single profession possesses all of the skills and experience necessary to single-handedly lead an owner through the ownership transition process. Additionally, few professionals are comfortable cooperating closely with professionals from other disciplines for the benefit of their common clients. The result is that the process stalls before it really gets started.

It is dangerous to wait for others to take the first step. You need to take the initiative, but how?

1. **Ask your current advisors about their experience planning successful exits.** Ask them what advisors they work with to help facilitate, design and implement business transition strategies.
2. **Read and learn.** Don’t assume that advisors will alert you when the time is ripe to begin your planning. Take the initiative—as you do when you read this newsletter—to prepare for your own exit from your business.
3. **Ask other professionals for suggestions.** Your CPA, attorney and financial and insurance advisor aren’t the only ones equipped to help you. Lawyers and CPAs are not the sole fountains of ideas regarding planning and tax ideas. Your banker, business consultant, business broker, investment banker or valuation specialist may provide you with important exit planning information. No matter which advisor you speak to, emphasize your desire for confidentiality as you work through the exit planning process. Even though planning for a successful

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(continued)

exit should be at the top of every owner's agenda, the word "exit" can give employees, vendors and customers the wrong impression. Don't be afraid to ask any professional—especially those you have not retained in the past—to sign confidentiality agreements before you share information about your company.

Planning for an owner's exit is, at its core, a multidisciplinary approach. It is simply too difficult for one professional to *do it all*. Further, most professionals lack the training and/or the temperament to involve professional from other disciplines when they first begin to represent a client. For these reasons, many advisors mistakenly assume that Exit Planning is the responsibility or practice area of some other professional. Understandable as all of these obstacles to action are, they impede the owner who is ready to begin the exit planning process.

The bottom line is: accepting a myth as reality is almost always dangerous. It may be up to you--not your advisors--to initiate the first step. After all, it is *your* business.

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

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