


Should I Sell My Business? Should I Create an ESOP For My Employees? Should I Develop a Succession Plan To My Children?

Indecision: The WRONG Decision



“I haven’t decided what I ultimately want to do with my business, or when I want to exit, or how much money I’ll need, or whom to sell to, so how can I plan my exit? Besides, I don’t want to exit right now.” If you’ve said this, or thought it, you are not alone. Many business owners are either overwhelmed with the thought of exiting or are so busy fighting daily business fires that they think they cannot plan their exits.


Know that in your indecision, you are making a decision. As Winston Churchill observed, “I never worry about action, but only about inaction.” When you take a passive attitude toward the irrefutable fact that you will—one way or another—leave your business, you are deciding to settle for a least profitable exit for yourself and for your family.

If you are an owner who isn’t sure about what you want, or when you want to leave, why is it so important to decide to act today? Why can’t you wait?

- Preparing and transferring a company for top dollar takes time—on average about 5 years. Most of those years will be spent preparing the business for the transfer. If you decide to sell to employees or children (two groups who rarely have any money), they’ll need that time to earn the money to pay you for your interest.
- More time often equals greater reductions in risk. Time can be used to design and implement income tax-saving strategies, build value, strengthen your management team, begin a gradual transfer of ownership (not control) to key employees or children. If you wait too long, you probably won’t have time to implement these strategies and you’ll likely end up transferring your business on less-than-ideal terms.
- The market does not operate on your schedule and may not be paying peak prices when you are ready to sell to an outside party. Witness the state of the M&A market in 2008 and 2009: activity is almost non-existent in many business sectors and down in almost all.

If leaving a company you’ve worked so hard to build and having little or nothing to show for it, is unacceptable to you, let’s look at a few of your options.

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Wait for a buyer. According to Deloitte's Entrepreneurship UK: 2008 survey, 35 percent of business owners said they will wait for a third-party offer for their businesses. Owners in this group believe that one day a buyer will contact them, negotiate a sale, and that will be that. Well, this is a decision of sorts—but one that flies in the face of reality. While few businesses are being sold today, there will likely be a significant number of Baby Boomer business owners vying with you to sell their businesses when the M&A market recovers.

In a competitive buyer's market, only the best-prepared businesses sell for top dollar. And the owners of those well-prepared businesses will be those who made the decision to act to prepare their company years ahead of the actual sale.

Liquidate. Liquidation is a common exit path for owners of companies whose cash flow is flat and has little probability of improving—absent the design and execution of a business/exit plan. If you find yourself in this group, we recommend that you meet with your tax and other advisors to do the planning necessary to create the most tax-efficient liquidation possible.

Decide to exit and plan accordingly. Start today and take the following steps:

1. Fix a departure date.
2. Determine your financial needs.
3. Decide whom you want to succeed you.
4. Have your business valued to see if: a) should you sell today; and/or b) it has the value necessary to meet your financial and other exit objectives.

Based on your objectives and the realities of your business, use a skilled Exit Planning Professional to forge a plan with accountability/decision deadlines.

Deciding *to do something now* to create the best possible exit path is not difficult. The failure to act, however, can potentially be fatal to a successful exit. The success of your business exit is simply too important to you (your family and your employees) to leave to chance. Why wait? Why decide not to decide?

*Subsequent issues of **Sage Solutions** will discuss all aspects of Exit Planning.*