



This issue brought to you by:

Daniel O'Brien

dobrien@orrpc.com

O'Brien, Riley & Ryan, P.C.

30 Braintree Hill Office Park

Suite 102

Braintree, MA 02184

<http://www.orrpc.com>

[781-410-2300](tel:781-410-2300)



Selecting Your Exit Goals

When a man does not know which harbor he is heading for, no wind is the right wind. –Seneca

The starting point for any type of plan is defining its goals. In the case of planning a business exit, this means knowing what it means to “exit your business in style.”

Philosophers, business owners, and successful people from all walks of life understand the critical importance of establishing goals, creating plans to attain those goals, and persevering to see their plans through to completion. Having worked with owners to create successful Exit Plans, we know that it is critical for owners to ask several questions to establish three principal Exit Objectives before moving forward with their Exit Plan.

- How much cash do they need when they exit to support the lifestyle they desire? (Do they want to be cashed out when they leave the business or are they willing to receive the purchase price over time?)
- When do they want to leave the company? (How much longer are they willing to remain active in the company?)
- To whom do they want to sell/transfer the company? (To a child? Key employee? Co-owner? An outside party that can pay top dollar?)

Let's look at an example of an owner who arrived at his exit date without a plan to reach his goals, as told by an Exit Planning Advisor.

Ben, the owner of a 45-employee plastic-extrusion company, had long thought of transferring his business to a son and a key employee but had done little to prepare for that transfer. However, as tougher economic conditions challenged his company and he reached his 58th birthday, he decided it was time to retire and called me.

I said, “Ben, it’s helpful that you’ve established two of the three Exit Objectives critical to all successful business exits. You’ve determined that you don’t want to work much longer in the business, and you’ve decided that you want to transfer the business to your son and a key employee. But what about the third Exit Objective: How much money do you want or need when you leave the business? Have you determined whether you need cash or can accept a promissory note?”

At this point, Ben had two choices:

- He could retire immediately and try to sell the company for cash, but not to his son and key employee: They had no cash, and no bank would lend an amount even close to the amount of money necessary to close the deal. If Ben wanted to sell today and receive an amount that would support his post-exit lifestyle, he would have to sell to an outside third party with sufficient cash.*
- Ben could sell the company to his son and key employee but would have to wait 6–10 years to receive the entire purchase price, which was not guaranteed.*

Ben’s situation illustrates why setting objectives or goals (and understanding how each affects other objectives and goals), creating a plan, and acting to reach those goals is critical to a successful exit.

If you prefer to leave your business in style (which to us means leaving your business to the successor you choose, at the time you choose, and with the amount of cash you desire), you must take time to formulate specific, consistent, attainable goals and objectives. You must determine a course of action—a plan—based on those goals, and you must persevere with that action until you achieve your goal. Without setting goals at the outset of your exit journey, you may drift aimlessly until, like Ben, it’s too late.

Don’t be an owner who is too busy working in your company to work on the most important financial event of your business life. We are happy to help you begin by providing you with more information about setting objectives and other Exit Planning topics.

The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial advisor. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial advisor. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice

that you need.

This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.

Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

Please contact Dan O'Brien for a free one hour consultation on your exit planning needs
Our new address is:
30 Braintree Hill Office Park
Suite 102
Braintree, MA 02184
Phone 781-410-2300
Fax 781-320-8608

IRS CIRCULAR 230 NOTICE

In compliance with IRS requirements, we inform you that any tax advice contained in this communication is not intended with or written to be used, and cannot be used, for the purpose of avoiding tax penalties or in connection with marketing or promotional materials

[Forward to Friend](#)

Copyright © 2017 Business Enterprise Institute, Inc., All rights reserved.

[subscribe to this list](#) [unsubscribe from this list](#) [update subscription preferences](#)