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How Long Does Planning for Your Business' Future Take?

One of the first questions business owners ask about exiting their businesses is, “Just how long is all of this supposed to take?” The true answer is *it depends*. There are many things to consider as you shape your Exit Plan. You might have a business that’s worth \$10 million but is overly reliant on you for success. You might have a strong management team to take over but only one or two huge customers. Different obstacles provide different answers to “How long does this all take?”

Fortunately, there are some general guidelines for how long planning can take. However, Exit Planning timeline guidelines are primarily dependent on you. If *you and your business* are ready for an exit, advisors can shape and implement an Exit Plan for you. If neither you nor the business is prepared, planning will need to include a phase for getting both you and the business ready, as well as a phase devoted to designing and implementing the actual exit.

Time It Takes to Shape the Exit Plan

Shaping the actual plan can take as little as a few months. To quickly shape Exit Plans, you must have all the appropriate data; know what you have and what you need for financial independence; and know which Exit Path you want to take and why.

However, though you may have ideas for what your ideal exit looks like, your ideas are likely loaded with questions you never considered. For instance, you may say that you want to transfer your business to your children. This raises questions such as “What if my kids don’t want it or can’t run it?” and “What if they can’t pay me for total ownership for 10 years or more?” Unless you uncover and address these questions, planning could take years (or never get done at all).

Often, delays in planning result from an owner’s uncertainty. Whether that uncertainty is about how much money they want, whom they want to transfer to, or whether they can see themselves not running a business, the owner’s uncertainty often causes delays.

Time It Takes to Fully Implement and Execute the Plan

Once you’ve shaped your plan for your business’ future, it’s time to implement and execute it. If you are ready to act, implementation and execution can begin immediately. Here are a few things to consider.

It Takes Time to Build Necessary Business Value

Building necessary business value can be the longest part of implementing an Exit Plan. Many business owners have a sizeable gap between *the resources they have* and *the resources they need* to achieve their goals. This can mean that owners must increase the value of their businesses beyond what they’re worth today.

Compounding this challenge is the fact that you and your existing management may not have the know-how to grow the business further and achieve your Exit Goals. To build necessary value, you’ll likely need a growth plan. A strong growth plan positions you and your management to implement

strong Value Drivers in the business.

Different Exit Paths Have Different Timelines

Recall that you have two overarching options when you sell or transfer ownership. You can sell to a third party, like a strategic buyer, or transfer to an insider, such as a child or your employees. If you and your business are prepared for an exit, and you commit to pursuing a third-party sale, it's possible for you to sell your business and be completely out within a year or so.

Typically, transfers to insiders take longer, even if you and your business are ready for your exit. The additional time is due primarily to incoming ownership's financing capabilities. But the time it takes to sell a business to a third party or transfer to insiders is not primarily dependent on the nature of the Exit Path. It's dependent on whether you are ready to exit and *whether your business can support your exit*.

Conclusion

In Exit Planning, time binds all decisions. As you look toward your future, whether your timeline is one year or 20 years, consider asking yourself, "Do I want to wait until I'm ready to move on to do all these things?" Experience shows that the answer is "No."

If you'd like to explore your Exit Planning timeline, please contact us today.

Please contact Dan O'Brien for a free one hour consultation on your exit planning needs

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