

O'BRIEN, RILEY & RYAN, P.C.



## Exits Are Inevitable. Failure Is Not. Plan A Successful Exit

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We understand that business owners are so busy addressing today's economic challenges that they can overlook the critical task of exit planning. We also understand that, at some point:

1. All owners exit their businesses; and when that date arrives,
2. Owners want to exit on their terms; the two most important of which are financial independence and choosing the person or entity that will receive or buy the business.

In a prior issue of this newsletter (Issue 282: "Can You Afford to Ignore Your Business Exit?"), we listed several compelling reasons to create a plan to make this happen. Designing a comprehensive Exit Plan—based on your exit objectives and flexible enough to adapt to changing economic, business and personal circumstances—can be the difference between liquidating your company and selling / transferring it for millions of dollars.

Let's look at the characteristics of a good Exit Plan in light of a sad, but common story of two hypothetical business owners who failed to plan.

*Several years ago, I met with Jim and Tim McCoy, the owners of a thriving construction company. What I assumed would be a business planning meeting turned into a We-are-getting-out-of-business-so-how-do-we-do-it? meeting. As successful as they were, the McCoy's were tired of navigating the labyrinth of government regulation and of paying ever-increasing taxes. Ultimately, the day-to-day grind of running a multi-million dollar company had taken its toll.*

*For the McCoy's, a sale to a third party was not feasible not only because neither brother was willing to remain with the company after a sale but also because they had failed to develop a strong management team. Few savvy buyers will purchase a company without a great management team committed to remain after the sale.*

*Transferring ownership to one or more key employees was also out of the question. None had been groomed to assume ownership responsibilities nor had the McCoy's taken action to fund this type of buy out.*

*Transferring the company to children was impossible because the children of both owners were too young to be active in the company.*

*The McCoy's' only exit option was to liquidate because their highly profitable company had little worth beyond the value of its tangible assets. After the liquidation sale, dozens of employees lost jobs and Jim and Tim left millions of dollars on the table.*

### How can you avoid the McCoy's' fate?

**Plan Ahead.** The issues Jim and Tim ignored (among them grooming a management team and failing to plan) proved to be their downfall. But these and most other issues—if addressed in advance of your exit—can be resolved in a manner that: a) is cost efficient; b) enables your business to be transferred; and c) adds to the value of your business. In our experience, most owners *with Exit Plans* need five to ten years to implement all the strategies necessary to exit successfully. Owners *without Exit Plans* spend far longer than that waiting and hoping for a buyer.

**Set Measurable Goals.** Your Exit Plan must set goals, provide accountability, and measure results. This is especially important when one goal is to protect and grow value, and minimize taxes.

**Incorporate Flexibility.** Create a plan with the flexibility necessary to react quickly and effectively when the unexpected happens.

◆  
Please contact Dan O'Brien for a free one hour consultation on your exit planning needs  
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**Use A Proven Process.** Ultimately, we suggest that you engage in a systematic Seven Step Exit Planning Process™ that has helped thousands of owners to exit their businesses. One way to look at our Exit Planning Process is to associate each Step with a question. As you progress through the Process, you will be able to answer “Yes” to each one.

**Step One Setting Exit Objectives:** Do you know your retirement goals and what it will take—in cash—to reach them?

**Step Two Determining Business Value:** Do you know what your business is worth today, in cash?

**Step Three Increasing Business Value:** Have you identified the best ways to increase the value and cash flow of your company?

**Step Four The Third Party Sale:** Do you know how to sell your business to a third party without getting killed by taxes? (or)

**Step Five Transfer Your Business to Insiders:** Do you know how to transfer your business to insiders (family members, co-owners, or employees) for cash rather than give it away?

**Step Six Protect Your Business:** Do you have a continuity plan for your business should you die or become disabled?

**Step Seven Protect Your Family:** Do you have a plan to secure your family’s financial security should you die or become disabled?

The thought and actions that go into answering these questions constitutes your unique Exit Plan.

Over the next few months, I will send you articles that explain in more detail each Step listed above. If, at any time, you have a question or need assistance with any Exit Planning issue, I hope you will contact me.

*The examples provided are hypothetical and for illustrative purposes only and do not represent actual client experiences. Subsequent issues of The Exit Planning Review™ provide balanced and advertising-free*

*information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.*

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