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The Exit Planning Review™
is published by
Business Enterprise Institute,
Inc.



Put Your Objectives in the Driver's Seat

"You've got to be very careful if you don't know where you're going, because you might not get there." — Yogi Berra

It is not always easy to interpret Yogi. In this case, perhaps he is advising you to figure out just where you are headed in your business. As you near the time when you will leave behind the daily worries and stresses of business ownership, have you defined your successful exit? Do you know where "there" is, much less how to get there? Unless you set and prioritize your exit goals or objectives, you may have too many, or they might conflict, but in either case you may not make much headway.

The clearest example of a failure to set objectives may be Bill Wilson (not his real name), a business owner who recently told us that he wanted:

- To leave his business within three years, but he was ready to leave today;
- Financial security, defined as a seamless continuation of his current lifestyle; and
- To transfer the business to his key employees.

A quick review of Bill's personal financial statement, however, revealed that most of the income required to maintain his lifestyle would have to come from the business. Unfortunately, his business wasn't large enough to attract a cash buyer. And, since Bill had done no Exit Planning, his employees had no funds with which to purchase his ownership interest. A long term installment note seemed to be the only answer — a risk Bill was unwilling to take.

Contrast this unpalatable solution with Bill's objectives — objectives which could have been achieved had he taken the time (well before he wanted to leave the business) to establish and to prioritize his Exit Objectives.

If, for example, an owner's need for financial security prevails, selling a business to a third party for cash may be the best and quickest exit path.

If, however, attracting a qualified third party is unlikely, an owner may need more time to devise and to implement a transfer to an insider (child or employee) that provides the owner adequate cash.

On the other hand, if an owner's desire to transfer the business to a specific person or group trumps his or her need for financial security, and his/her deadline for departure draws near, financial security in the form of "up-front" cash must take a backseat.

As you can see, owners must consider—simultaneously—the three primary exit goals (listed below). Ask yourself which is your most important exit objective and rank your answers from 1 (most important) to 3 (least important).

- Financial security:
1 2 3
- Transferring the business to the person of my choice (may include key employees, co-owner or child):
1 2 3
- Leaving the business when I want (could be immediately or never):
1 2 3

Prioritizing your objectives will help you choose your overall path. For example, if you want out—soon and with cash—but your business cannot be sold today, do you wait until market conditions improve or sell now to your employees? While prioritizing your objectives is not easy, doing so gives you a framework to decision making.

We suggest that you print this issue of *The Exit Planning Review*™ so you can complete the rankings above and share this information with members of your Advisor Team. We encourage you to contact us as you work through these decisions. With fresh eyes and experience with other owners we can help you to balance these competing objectives.

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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