

## **Education is ‘Core’ to an Exit Planning Engagement**

Becoming educated about an exit planning process is ‘core’ to any successful business owner transaction. Without an owner learning what they do not currently know, it is impossible for that owner to make a fully informed decision for their own business exit. It is unlikely that the owner will achieve a successful exit absent the ability of that owner to decide for themselves which exit option to choose and to understand the pros and cons of each choice. This article is a look at the educational process that accompanies a properly delivered exit planning engagement.

### **Exit Planning Does not Mean ‘Sell Your Business’**

The words ‘exit planning’ are generally interpreted as meaning only selling the business. Our first educational point is that the term ‘exit planning’ does not mean that you, the owner, are expected to engage in a process whereby you are going to sell your business. A sale of your company may or may not be a part of the exit planning process, but it is not the primary focus. An exit plan is an objective

process – i.e. not a transaction - that assists you, the owner, with examining your goals, learning about exit options, and seeing which option best helps you get what you want most from your eventual exit.

### **A Process: Guidance More Than Advice**

The first and most important point that can be made on this topic of educating owners is to differentiate ‘expert advice’ from a ‘consulting process’. Remember that exiting a business should be a process, not an event. Owners need to learn the issues and the right questions to ask, so that they can figure out what they need to do to have an exit that means success for them.

This is a critically important point so let’s draw a few examples to put it in perspective.

Your accountant does not need to fully [if at all] educate you on the tax laws in order to have you file a proper return. Now, a well-informed tax-payer is most likely a better prepared tax-payer, but, nonetheless, it is not necessary that the accountant educate the client. The right

boxes need to be filled out and the rules need to be followed.

Your attorney does not necessarily need to educate you on the law and on a legal process when you engage them for work. In fact, it is often more cost effective and efficient to process your legal issue if time is NOT spent educating you on all of the details.

However, exit planning is not the same as expert advice. With exit planning, there is a process that includes your active involvement and ongoing education, leading to a result that you have helped to arrive at through that active participation. The end result that an owner gets from this educational process is mostly driven by what that owner wants most out of their exit.

### **The Exit Planning Differentiator**

The process of learning what you do not know is critically important to this process. In fact, there are three (3) levels of knowledge that help to make the 'educational' point:

First, there are things that we know - this is an easy one.

Next, there are things that we know that we don't know.

For example, you may know that you don't know how to speak Chinese.

This is obvious because when people are speaking Chinese you have no idea what they are saying.

Finally, the third level of knowing are those things that we don't know that we don't know. These can be referred to as our 'blind spots'. And, when an owner goes through an exit planning process, they are surrounded by 'blind spots'. And it is these blind spots, the areas where owners have no idea of what they need to know and are absolutely clueless about, that are critical to their success with an exit.

Again, let's take an example. An owner may have no idea what an Employee Stock Ownership Plan (ESOP) is, perhaps only that ESOPs exist. This owner has no idea of the potential benefits of this form of transaction for their business. That owner goes ahead and sells their business without ever finding out about the ESOP option. And, years later, they discover that they could have benefited greatly from this structure and wonder why none of their advisors ever even mentioned it.

A blind spot like this can be a killer to a successful exit. Education is the answer.

### **Education is 'Core'**

When an owner goes through an educational process that is core to an exit plan, these issues are raised and discussed along the way. The owner has the time and the opportunity to learn about various issues and begin to make additional plans

to properly and successfully exit their business and protect their wealth. In this case, it is critical that an owner be made aware of these technical and emotional issues far in advance of a transaction.

With a proper exit planning process, it is paramount that an owner first learn about whether or not the exit path that they choose will meet their needs, even if this realization means delaying any transaction until the business can grow to a point of being able to support this owner's lifestyle post-exit.

Without proper education, and a process that applies and organizes the teachings, it is difficult, if not impossible, to see where owners will achieve consistently good results.

### **Concluding Thoughts**

We hope that this newsletter is helpful to you, the owner, in realizing that education is the great equalizer when it comes time to do the things that you need to, but do not currently know about, about your potential future exit. When you know what you know about your exit, you can make fully-informed decisions and move confidently towards your goals.

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CRN-2138544-060118