

## **Three (3) Advisor Attributes to Consider When Building Your Exit Planning Advisory Team**

For business owners who are thinking about exiting their business in the future, there are many things to consider to assure the business transition happens in a smooth manner and accomplishes your personal and professional / corporate goals. Owners are wise to seek the counsel of advisors in this complex and delicate area. Your choice of experienced advice in this area can mean the difference between success and failure to reach your goals. Not only do you need to know which types of advisors to choose but also when to bring them onto your team. This newsletter provides the top three things to consider when building your exit planning advisory team.

### **1. Process-Oriented vs. Solution-Oriented Advisors**

Exiting a business is a process, not simply a transaction. The process includes an owner thinking through all of that owner's personal and company goals as well as the implications of the business running without their individual efforts, and how the owner will live without the business. Owners who go through this process ask themselves, 'who can run the business, other than me?' and 'what would fill my life in the absence of working in the business?'

Unlike a solution-oriented approach, where issues are identified and your advisor brings you solutions to the problem, the exit planning process requires time and self-reflection to decide what is best for you, both from a business and a personal perspective.

The advisor leading this initial process should have a practice that is designed to support this type of ongoing engagement with you, the owner. This is generally not consistent with the placement of products or solutions at this stage of the planning; generally speaking, solutions and the advisors who provide them come later in the process.

### **2. Relationship-based vs. Transaction-based Approach**

Similar to 'process-oriented' vs 'solutions-oriented' advisors, owners should consider whether their advisors are relationship-based or transaction-based. This distinction applies both to that advisor's approach as well as to their manner of compensation. The world of professional advisors can be generally divided into two types; relationship-based advisors and transaction-based advisors.

Relationship-based advisors are those who come into the business owner's lives and work with them, year-in and year-out, on a consistent basis. Two of the leading relationship-based advisors are accountants (for reasons stated already) and attorneys (often at the beginning of a business venture and again when the need arises). Many owners also confide and place their trust in financial planning professionals, insurance and risk management advisors as well as general business coaches and consultants.

These advisors take the approach that a relationship with a business owner exists

over a long period of time and they remain available to these owners as needs arise.

Transaction-based advisors are those who approach the relationship with the owner with an eye towards addressing a specific, non-recurring issue for that owner. These advisors might include real estate brokers, consultants who start and complete certain projects for owners, valuation professionals as well as mergers and acquisitions advisors. These advisors enter the lives of owners to execute a certain transaction. For the most part, these advisors also plan to leave the owner's life shortly after the transaction / project ends.

### Shifting from 'Planning Team' Members to 'Execution Team' Members

Owners are advised to initially seek out planning team members who are relationship-based as well as process-oriented to lead the initial stages of the exit planning. However, an exit planning process often culminates with a transaction. When this happens, transaction-based advisors are necessary additions to the team. At this point in the engagement the focus shifts from the 'planning team' to the 'execution team' and different players are needed.

### **3. Planning Team Members vs. Execution Team Members**

Planning team members – those described above - are critical to taking the owner through the initial stages of the exit planning process. However, when your exit planning brings you to the point that you are ready to transact, you will need to employ the services of transactional advisors. These include:

- M&A advisors to help find buyers and explain the business to the future owner, as well as to assist in the

actual transition of the business to the next owner.

- Legal advisors who focus on transactions – these are 'transactional attorneys' who have experience negotiating and structuring deals for owners.
- Accountants and tax advisors who understand and have experience in the world of transactions and can help assess the tax implications of a transaction for the owner.

There are a number of other transactional advisors that need to be identified for the transaction team. These will vary depending upon the details of your transaction.

### **The Vital Role of the Quarterback**

No matter where you are in your planning or transacting, it is helpful to seek out an advisor who can and will serve as the quarterback to your exit planning as well as your exit transaction. These multi-skilled advisors are some of your best allies in drafting a plan for your exit while also helping you to recruit all of the necessary 'soft' and 'hard' skilled advisors who will be needed for this multi-year engagement. The quarterback holds a special place with the owner through all stages. Owners are well advised to seek out exit planning quarterbacks who have made a commitment to being trained, supported and have the tools and the right network to recruit the people needed for the planning and transaction.

### **Concluding Thoughts**

This newsletter makes the argument that owners need to consider different types of advisors during different stages of the exit planning process. Generally speaking, owners should seek out the counsel of 'relationship-based' advisors in favor of 'transaction-based' early in the process to

create and begin implementing a multi-year exit plan.

Later in the process, when a transaction is ready for execution, advisors with a different skill set will need to be employed.

The exit planning process is one that should not be conducted alone and should include the patience and approach that relationship-based advisors bring to the owner as well as the execution skills that are needed later in the process. We hope that you find this helpful in advancing your exit planning forward.

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