

The Business Transfer Newsletter

What is and is not Business Owner Exit Planning

This newsletter is written for business owners who are starting to think about a future transition from their company. Commonly known as an ‘exit plan’, this form of planning is new to the marketplace so there is often a bit of confusion both as to what ‘exit planning’ is as well as which of your professional service providers may be delivering these solutions to you. The intent of this newsletter is not to disparage any one profession, but rather to help differentiate ‘business owner exit planning’ from other forms of professional services. Bear in mind that different types of advisors in today’s marketplace offer exit planning services, but not all of these advisors are talking about the same offering. Let’s begin with what ‘exit planning’ as a service truly is.

Exit Planning as a Service

Exit planning is a methodology that seeks to have owners follow a step-by-step process in order to better understand their own corporate and personal goals. The exit planning process sets a foundation to understand how different exit options can assist you, the business owner, in achieving those goals – or at least advancing towards the most viable path that will bring you closest to achieving your goals.

So, exit planning begins with a conversation about owners’ goals and continues with education, including learning about exit options that are available to help toward reaching those goals.

Many owners want to exit their businesses over a period of time, to move themselves out of being critical to the running of the business and for the business to be carried on by someone else into the future. They also want their personal wealth and legacy protected. So let’s look at elements of a process that should be used in advancing those goals.

Elements of an Exit Planning Process

A business exit plan will include many of the items listed below.

1. A step-by-step process is being followed instead of hearing about specific solutions from the outset of the engagement.
2. A broad view of your situation is being considered, and not just a narrow perspective that speaks only to a specific part of an overall plan.
3. The person delivering the exit planning process is exercising patience as you, the owner, considers [and perhaps struggles with] the stream of information that is being provided. Your thinking towards this topic is advancing forward with each step in the process, helping you gain clarity on which options and techniques are best to help you meet your goals.
4. The process is holding you accountable to the results that you seek.

5. The process is actually moving you closer to your desired goal – i.e. to exit, succeed or otherwise pass on the business in a manner and time period that accommodates your personal and business desires.

Be forewarned that the process can take time but you, the owner, should sense that you are moving ahead.

Planning Services Related to Exit Planning

There are many planning-based services that have been around for a long time. However, because exit planning is new to the marketplace, there can be some confusion over which of these planning services is and is not exit planning.

So, for owners who are just learning about exit planning for the first time, here are some things to keep in mind as you seek guidance in this area:

- If your conversations with your advisor are limited to addressing the timing of the sale of your business, that is not necessarily exit planning, it is transaction planning in anticipation of a sale of the business.
- If your conversations with your consultant focuses on your management team so that you can become operationally irrelevant to the business, you are not necessarily doing exit planning, you are doing leadership and [potentially] succession planning (which is an important component of an exit plan).
- If your conversations with your advisor focuses on replacing your income after you leave the business – you are not necessarily doing exit

planning. You are engaged in financial planning - another critical component to an owner meeting their financial needs through an exit plan.

- If you are having conversations with your advisor about how your business is going to transfer to your children and future generations – you are not necessarily doing exit planning, you are doing estate planning (again, a very important subset of planning to transition the business and protect your wealth).
- If you are discussing the tax implications of a business sale with your advisor – you are not necessarily doing exit planning, you are doing tax planning with a focus on the sale of the business.

These examples are provided to compare and contrast services being rendered to you, the business owner, with comprehensive exit planning service to help you identify where the advice that you are receiving may or may not be meeting your total goals and advancing you and your company towards those goals.

Concluding Thoughts

So there is a lot of confusion to sort through as the exit planning marketplace continues to develop and more and more owners see this as a viable service for them and their companies. And, if you are a business owner who is not being guided through a comprehensive process to address your exit needs, I highly recommend that you take a look at aligning with an advisor who has a process as well as the training, tools, support and a network of other advisors so that they can provide dynamic solutions to help meet

I hope that this newsletter is received in the spirit in which it was intended, which is to help you, the business owner, better sort out the type of advice that you need to help you with your exit planning.

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