

The Top Five (5) Reasons That Owners Do Not Plan Their Business Exits

This newsletter is written for business owners who may be thinking about planning the exit from their privately-held business but have not yet gotten started with the process. Business owners today are just starting to recognize that there is a unique service to help them with the exit planning process. We offer this information in an effort to help you, the business owner, continue to think positively in the direction of protecting your largest asset by doing this form of planning.

The top five (5) reasons that owners do not plan their business exits are that business exit planning can be:

1. Inconvenient
2. Disruptive
3. Complicated
4. Highly Emotional
5. “Untrustworthy”

It has been said that in order to address an issue you must first recognize it. And, you cannot manage that which you cannot measure. We hope that you can recognize and take a self-assessment as this newsletter discusses each of these five (5) reasons why owners do not pro-actively engage in this form of planning. It is the intention of this newsletter to hopefully have owners identify with these concerns and be pro-active in planning for their business and personal needs.

1. Exit Planning is Inconvenient

In general, looking ahead to address a problem that does not exist today does not make it high on an owner’s ‘to do’ list. Formal planning, consistently seeking professional advice, and writing checks to go through an extensive process are simply not activities that owners undertake on a regular basis. It is likely that these owners at some point in their career were let down by an advisor who did not deliver on their promises – that is very inconvenient and expensive for an owner both in terms of money and time. It is unfortunate, however, if an owner paints their ‘exit advisors’ with the same brush because this is specialized knowledge that is very much needed for that owner’s personal and business security.

A different level of inconvenience is disrupting an owner’s lifestyle. In this case, owners simply fall into a pattern whereby they live day to day, enjoying the benefits of being owners of a successful business. Why disrupt this lifestyle with thoughts and actions geared towards leaving it? It is human nature not to stop doing something that we enjoy doing (except, for example, quitting smoking). Therefore, owners by and large do not have the incentive to be pro-active with this type of planning – leaving

them to only do this planning when they are faced with a calamity. Many owners also think, ‘why should I pay someone to help me stop doing what I enjoy?’ From these examples we see that exit planning can be very inconvenient to an owner.

2. Exit Planning is Disruptive

When considering a change in ownership of the business it is immediately recognized that changes to the business will occur and this goes against our human nature of avoiding change. Once an owner starts down the ‘exit path’, it sets in motion a series of thoughts and actions that are going to challenge the owner and their business. Most owners prefer to be challenged with the daily running of their businesses. However, when an owner honestly considers the changes that a future owner is likely to make with their business, they realize that they need to make some tough decisions with how the business is run. Simply put, change goes against our collective human nature, so we resist it.

3. Exit Planning is Complicated

Complexity is a given in this type of planning. Anytime that you mix business and personal planning while simultaneously addressing an owner’s standing in their community and potentially disrupting many of their cherished relationships, there are going to be challenges. Owners who are candidates for the exit planning process generally are asking themselves how they can get the equity out of their businesses without too much disruption, while satisfying the largest number of people possible (including the managers who helped to build

the business). The complexity can seem too great to tackle so most owners do not try.

Owners who are open to heading down the path of exit are next confronted with the issue of the transaction’s complexity. Owners need to navigate valuation issues, identifying the best next owner of the business, forecasting the future of the business, running a process to communicate this ‘future value’ to the next owner, negotiating a transaction, figuring out not only how much they will get paid but when they will get paid, assessing the tax implications of the deal, and finally trying to figure out if, when the deal is done, they will have enough to maintain their lifestyle. All said and done, this is a substantial challenge for any owner to tackle on their own.

4. Exit Planning can be Highly Emotional

Owners identify very strongly with the businesses they have built. Owners take pride in their companies and when confronted with separating from that business, they are forced to ask themselves tough questions, such as ‘what will I do with my time?’ and ‘who will I be when I am no longer the owner of this business?’ Also, the thought of an exit is subconsciously aligned with death. Many owners ‘quietly’ view the exit planning process the same way that they see their own estate planning – as something that is great, coming to an end. Resolving these personal issues is critically important and a highly emotional process.

5. Exit Planning can “Untrustworthy”

Many owners consistently receive poor and incomplete advice from their ‘trusted’ advisors. ‘Trusted Advisors’ come in two (2) different forms. First are the advisors that an owner pays and next are the ‘friends and family’ that the owner turns to for advice. Owners receive poor and incomplete advice from both forms of ‘trusted’ advisors, many of whom are well intentioned but have no training or experience with going through an exit planning process. First, the rule of thumb to follow from a well-intentioned friend who is giving you advice on your exit is to try to take advice from those with experience in exits and/or have gone through a transaction themselves – not from a friend who is trying to be helpful but is not knowledgeable of the process.

For owners who are untrusting of the exit planning process, remember that your advisors do not, and will not know what you really want to achieve with your exit unless and until they ask you and you tell them. Without knowing your goals for an exit, they cannot provide you with comprehensive advice. Therefore, in today’s marketplace we see many well-intentioned advisors providing ‘technical’ solutions that do not necessarily equate to comprehensive ‘exit planning’. Remember that exit planning is a process that can be trusted but when advisors begin with the solutions before following a process, they provide poor and incomplete advice.

Concluding Thoughts

We hope that this newsletter helps you to see why most owners do not plan for their business exits. In doing so, it is our hope that you see yourself in these examples and that, in doing so, you are empowered with the idea that planning your business exit is critically important and not as difficult a task as it may initially appear to be. Of course, taking the

first step is always the most difficult but our office is available to assist with helping you to do just that.

[Cathey Paine is a registered representative of Lincoln Financial Advisors Corp.](#)

Securities offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC). Investment advisory services offered through Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.

Please do not send any trading or transaction instructions through this email. They will not be executed. Please call the Lincoln Financial Advisors trade desk at 1-800-237-3815.

If you do not wish to receive future e-mails from me, please call me at 818-540-6945, fax me at 818-540-6991, or e-mail me at Cathey.Paine@lfg.com. We will comply with your request within 30 days.

Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.

[CRN-1735104-031417](#)