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Recent Business Owners Survey Tells a Steady Story “My Mental Readiness for an Exit is LOW”

A recent release of findings from an ongoing research effort being conducted by a national leader in the emerging field of exit planning, reveals that 84% of business owners who are considering a future exit from their privately-held business currently have a Low Mental Readiness for their exit.

Comprehensive exit planning should provide two components that an owner should assess – their Financial Readiness and their Mental Readiness for a future business exit.

An owner’s Financial Readiness is simply a measurement of the amount of wealth that is held outside of their business, and/or other sources of income, that can pay for maintenance of their lifestyle.

A business owner’s Mental Readiness is an indication of how much longer the owner would like to continue working in their business. For example, a business owner with a High Mental readiness is someone who is NOT enjoying working in their business today and would like to move on from the business. However, a LOW Mental Readiness reflects an owner’s desire to continue working in the business because they enjoy the continued challenge and thrill of running their business.

Business Exit Readiness Index Assessment

To get a better sense of your own mental and financial readiness I typically counsel business owners to take this (10) minute assessment includes twenty (20) questions that rank an owner’s exit readiness in these two categories. Here is the weblink:

http://berireport.com/Survey/Register/184EA824_8097

Survey Results

The data presented in this newsletter are the initial results of more than 500 owners of operating companies who have completed this assessment. The results provide a view through which we all can better understand an owner’s attitude and preparedness for their future business exit.

Since 84% of owners have low mental readiness, this begs the question: “why?”

Traits of LOW Mental Readiness

The following attributes apply to the 84% of owners who have a LOW mental readiness for an exit. As a group, they generally:

- Have no written plans for an exit
- Have not thought about a future without them working in their business
- Take less than 3 weeks of vacation per year
- Are performing at the ‘top of their game’
- Lack the management team to replace their responsibilities at the company
- Continue to have a high level of enthusiasm to work at their companies

These traits vary in degree amongst different owners but are the general areas where they all reply positively to the survey questions.

How Can You Apply These Survey Results to Your Exit Plans?

As you review the list of traits in the preceding paragraph regarding owners with a LOW Mental Readiness, you may see many that apply to you. If so, you may begin to consider your own Mental readiness for an exit and how this could impact your planning. And, notably, if your desire is to continue to run your business into the future because owning and running your business is what you enjoy doing, then you are in the majority of your peers.

However, just because you desire to remain with your business does not mean that planning should be ignored or put off until a later date. In fact, 'exit planning' does not (and should not) mean that you are leaving your business. Rather, planning for an exit includes growth planning (i.e. increasing the cash flow and value of your business), leadership planning and development (so that the business can run without you), personal planning (so that you have the peace of mind that you can afford an exit) and contingency planning (to assure that you don't lose what you created if something unforeseen should happen to you). These are all very important areas that you can plan for today, even if – like the majority of other owners – you do not plan to exit for a number of years.

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