

Family Business Exit Planning Readiness

“You got to be careful if you don't know where you're going, because you might not get there.”
Yogi Berra

If you don't put together a plan to accomplish something, there is a good chance you won't attain what you want and need to. That could not be more true in the area of exiting a family business. Research shows that many business owners just don't ever plan on leaving their businesses or believe that there will always be a tomorrow. What are the excuses for not planning the exit?

- A. “It is too early”? -- You should start planning 3 -5 years before you leave your business.
- B. “Too complex?” – Yes it is! That's why you need help. Exit planners work to coordinate the work of your advisory team.
- C. “Too time consuming? -- Yes, if you do it alone. Again, exit planners will do the planning and coordinating of the work to be done.

Mental Readiness

- 1. I have a specific, written plan as to when I would like to exit my business and move to the next phase of my life.
- 2. I am becoming bored or tired or feel physically stressed with the daily operations of my business and do not feel the same sense of positive energy or enthusiasm I once had.
- 3. I have a specific, written plan as to how I will productively spend my time when I am no longer running the business.
- 4. I am excited about the changes and opportunities that await me outside of running the business on a day-to-day basis.
- 5. I am ready to move on to my next adventure that does not include the business.
- 6. Considering my current feelings about the business, running this business for another 3- 5 years seems like an eternity.
- 7. I have coasted the last few years to avoid the aggravation and work needed for business growth.
- 8. I am confident in my ability to transition my current responsibilities in the company to the people I have prepared for future ownership and leadership.
- 9. My vacation time and time away for the business has been increasing each year and when away, it is easier for me to not ‘check-in’.
- 10. I have a good understanding of the legal and tax implications for a business transition and I am ready for these aspects.

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Financial Readiness

1. I have a specific, written plan for how I would invest the cash I would receive upon my exit of the business.
2. There are qualified professional advisors in my life that help in developing my future financial plan.
3. The value of my business is a large / critical part of my future financial security.
4. I know my anticipated life style and have adequate liquid assets to offset any loss of personal benefits I have received while in the business.
5. My business value is less than one-half of my total net worth.
6. There is a specific written plan to turn my business holdings into cash for my retirement.
7. Excluding Social Security, I have sources of income to fund at least one-half of the needs for the lifestyle I desire to live when I leave the business.
8. For the last 5 – 10 years I have saved at least 15% of my annual income.
9. I have completed the legal documents and purchased insurance products to provide for my family in the event of an unexpected or catastrophic event in my life.
10. I have begun to execute my plan to eliminate any personal debt in the next 3 – 5 years.

An Exit Strategy includes the written goals for the succession of business ownership and control, derived from a well-thought out and properly timed plan that considers all factors, all interested parties, and the personal goals of the owners in a manner and a time period that works best for the business, its shareholders, potential buyers, and Family.