



THE EXIT PLANNING PROCESS

■ Step 1 – Identify Exit Objectives

Date you plan to leave your business (*or cut back significantly*)?

After-tax annual income needed when you leave?

Who will own the business – family, key people or 3rd party?

■ Step 2 – Identify Business & Personal Financial Resources

Does Business Value and other Personal Income-Producing Assets allow you to meet the income need established in Step 1?

If not, how much does the business need to grow?

■ Step 3 – Maximize & Protect Business Value

Focus on Earnings Before Interest Taxes Depreciation & Amort. (EBITDA)

What value drivers do you need to implement to make the business saleable?

Retain your key employees – Incentive and Retention plan?

■ Step 4 – Ownership Transfer to Third Parties

Pre-sale planning and pricing (*EBITDA – most 3rd party sales are 4 – 8 times*)

What is the quality of your management team and will they remain?

A Controlled Auctioning process will generally give you maximum value.

■ Step 5 – Ownership Transfer to Insiders

Two Issues: Tax treatment of the sale and insiders generally have no money.

Strategy needed to ensure seller gets fair value in the most tax efficient manner.

For tax reasons, does an ESOP make sense?

You may have to be the bank, finance the deal and remain longer to get paid.

■ Step 6 – Business Continuity

A Buy-Sell Agreement = the most important business document you will sign!

If you died or became incapacitated, would the business survive?

If no other Retention Plan is in place, create a “Stay Bonus” for Key people.

■ Step 7 – Personal Wealth & Estate Planning

Family security for spouse & heirs

How have estate taxes been addressed? Your wealth can only go to 3 places, your heirs, favorite charities or the IRS.

Complete/revise estate plan