



Business Owners Transition Collaboratory

Life After Business

*Helping Owners of Family Businesses Successfully Transition
Both Their Companies and Themselves*

Understanding the Exit Planning Process

- How can an adviser help facilitate a successful exit
- What are some of the most common Family Business obstacles to exit
- Owner Readiness vs Business Readiness
- What are the essential steps an owner must take in the process?
- What about the owner's "next act" ?



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The Professional Adviser's Role in Exit Planning

- Know your client's wants and needs
- Know your client's strengths and weaknesses
- Regularly and Often: discuss their future transition
- It takes a team
- Have a strong network



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Common Obstacles to Exit

- Family Businesses tend to have more issues
- Rule of Thumb: 10 years to a successful transfer
- Honest conversations about Next Gen Assemble
- Using Family Governance and BOD's to help make sound business decisions

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Owner Readiness vs Business Readiness

- Owners are not ready (SOOR 2017)
- Knowing what the role of other advisers will be
- Business Readiness means it has transferable value
- Working on EBITDA takes time.



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Owners Engaged in the Process

- Valuation
- Leadership Succession and Delegation Plan
- Trusted Advisers asking the tough questions
- Owners must consider other stakeholders when planning their exit

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Next Act or Life Planning

- Dealing with Owner Reluctance
- Life after business
- Know the Readiness statistics and share them with clients



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Business Transitions: Ready Your Business for Sudden or Planned Changes of Ownership

Twin Cities Estate Planning Council

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Nuts and Bolts of Business Transition Planning



**Help with Issue Spotting
and General Owner Support**

Two Types of Business Transfers

Involuntary ☹️



Voluntary 😊



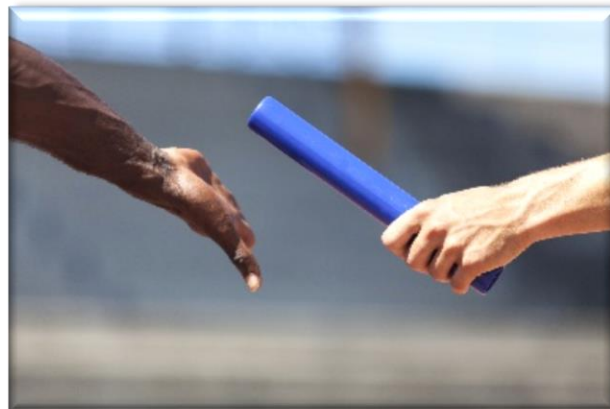
Involuntary Transitions—the Five D's

- Death
- Disability
- Divorce
- Disagreement
- Disaster

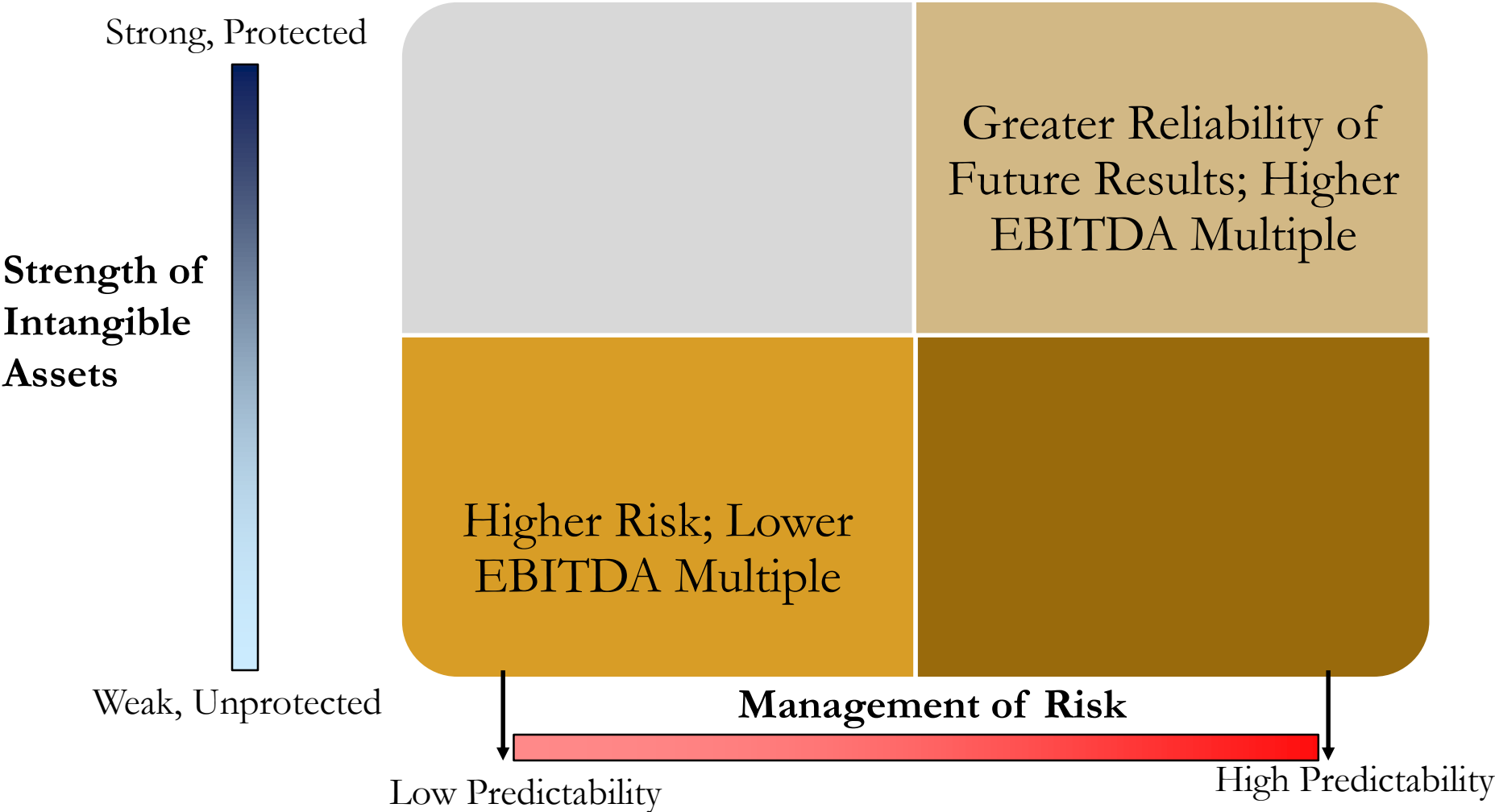


Voluntary Business Transition Planning—Ultimate Purpose

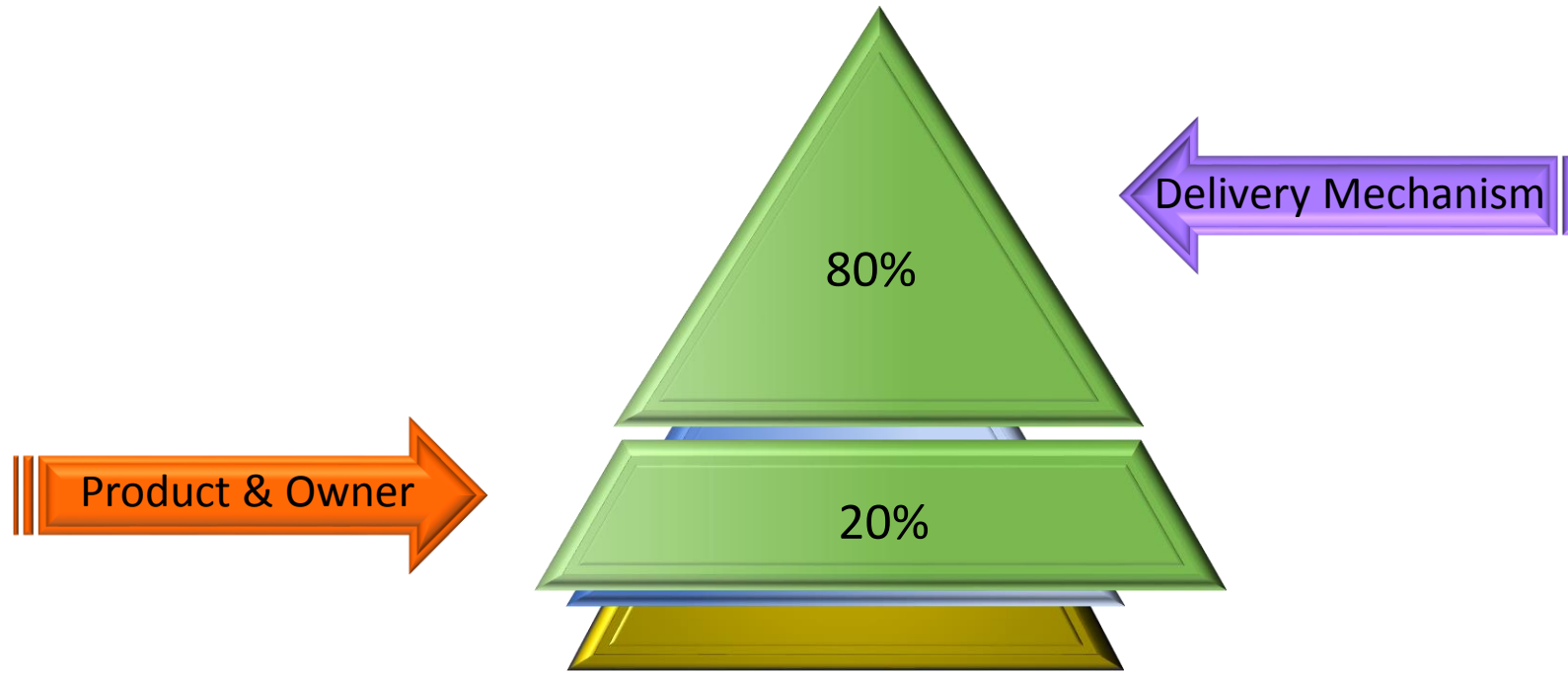
Creating confidence that your company will consistently produce the **same or better financial results with a new owner(s)** as it does when owned by you.



Transferable Value



Delivery Mechanism Triangles



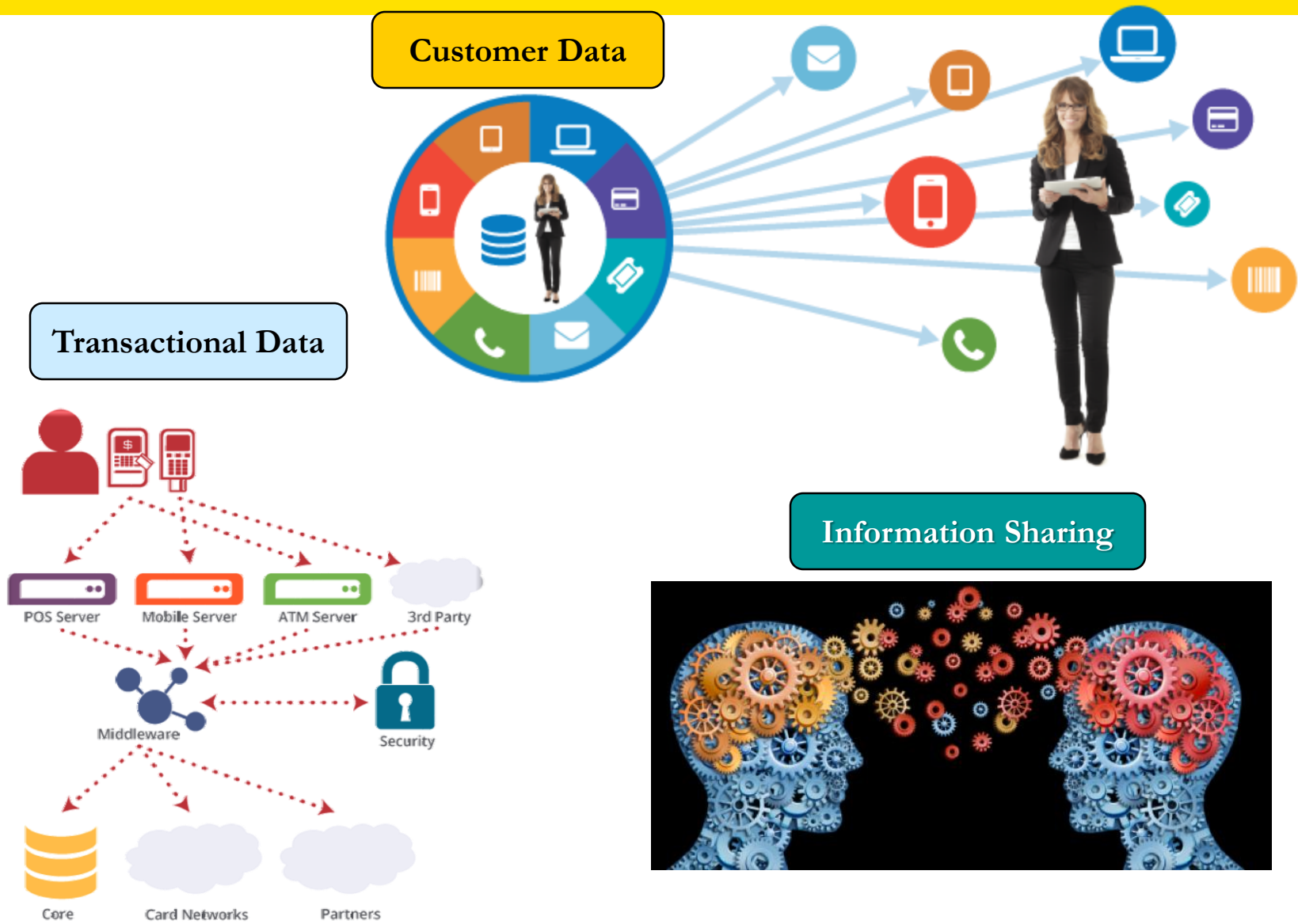
Human Capital



Operational/Technology Capital



Knowledge Capital



Relationship Capital



Foundational Capital



Brand Capital



WEALTH MANAGEMENT IN TRANSITION PLANNING FOR FAMILY BUSINESSES

Scott L Schneidermann, CFP®
Wilkerson Wealth Management



TRANSITION PLANNING FOR FAMILY BUSINESSES

- ASSESSING YOUR CURRENT FINANCIAL POSITION
- ESTATE PLANNING
- CURRENT AND FUTURE PERSONAL BUDGET
- INTEGRATING PLANNING CONCEPTS
- WHEN THINGS DON'T GO SO WELL

ASSESSING YOUR CURRENT FINANCIAL POSITION

- Develop a personal balance sheet including the value of your business
 - This may drive the need for a business valuation
 - Use some scenario work to view the range of business valuations
 - Understand today's valuations might not last forever
 - Integrating your personal balance sheet to include a view of your business value is a first step toward getting the tail to not wag the dog

ESTATE PLANNING

- Establish an overview of your entire estate plan
 - Using your balance sheet, show a coordinated plan to manage and pass on the items on the balance
 - Understand how much liquidity the estate may need to satisfy and estate tax liability
 - Determine how the assets will flow to heirs – will you leave business assets or liquid assets?
 - Include any currently off balance sheet items like life insurance
 - Wills, trusts and power of attorney directives

CURRENT AND FUTURE PERSONAL BUDGET

- Project your household income needs post business exit
 - Implies having a solid grasp of your current household needs
 - Implies understanding the extent to which you are relying on the business for personal expenses
 - Encourages you to envision what your life might look like after leaving the business

INTEGRATING PLANNING CONCEPTS

- Have your future expectations connect the following items
 - How the deal payout structure impacts your tax, and personal income needs
 - Are some heirs involved ongoing in running the business while others are not?
 - Will there be an attempt to equalize value across these parties?
 - How your personal Social Security timing strategy interacts with the exit plans
 - Address potential long term care and other health related costs/scenarios

WHEN THINGS DON'T GO SO WELL

Family businesses transitioned without detailed plans and an owner death

- The surviving spouse is left to handle the details
- The heirs are left to work things out with the surviving spouse
- Who decides on equal or fair portions with illiquid assets?
 - The heir in the business?
 - The heirs outside the business?
 - The grieving spouse?
- The ripple effects can impact not only Holidays, but everyday life for decades



Contact us if you have specific questions about Transition Planning concepts, or you're interested in hosting an event where BOTC presents.

Chris Cuneo, Scott Schneidermann, Julie Keyes

businesstransitions.org