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Lifetime Stay Bonus Plan Considerations

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Lifetime Stay Bonuses — are integral in maintaining the continuity of your company as you prepare to leave it.

Let's discuss fictional owner John Ewing, who realized the importance of providing key employees with cash incentives to continue with the new company after John sold or transferred his company. John understood that the efforts of key employees to maintain cash flow is critical to maximizing the eventual sale price of his business. Similar to typical selling owners, John had the following three objectives with respect to his key employees.

1. To *motivate* them to increase the company's cash flow in the period leading up to the sale.
2. To *keep* them on board before, during, and after the transition.
3. To *reward* them when the business is sold, (provided that the award is not so great and so immediate that there is no incentive to continue working with the new owner).

Using a sound and thoughtful incentive-based plan for key employees, you can help achieve these key employee objectives, as well as your overall Exit Planning objectives. Prior to beginning the Stay Bonus Plan creation process, it is important for you to address the following four Lifetime Stay Bonus considerations.

1. Keeping key employees is not only desirable — it is necessary if the business is to be sold and sold at the highest possible price.
2. Plans designed for short timeframes must provide a substantial benefit in a short period of time, contingent upon the business being sold.
3. Not only are the key employees' efforts to maintain cash flow critical to maximizing the eventual sale price of the business, but these key employees also may need to shoulder extra duties as the owner's attention wanes or is diverted by the sale process.
4. Given that few sales to third parties are all-cash sales, owners are usually exposed to post-sale financial risk.

After addressing the four considerations highlighted above, the next step is to begin formulating the Stay Bonus Plan.