

Your Exit Timeline

If forced by circumstances beyond your control, you could likely exit your business within a year. Some business owners are here today and – literally – gone tomorrow, but usually not by their own choice. But leaving in style – with adequate cash and having achieved whatever other goals you have set— that takes time, far more than most owners expect.

So, you can leave whenever you choose if you are willing to settle for a less-than-ideal payday, or you can leave in style. The questions is: “Do you want to control your own exit or will it just be something that ‘happens’ to you?” Most owners prefer to control their own destiny, but may not have an idea when to get started. Let’s look at some tasks common to all exits, and how long they take to complete.

Design and Create Your Exit Plan

Timeframe: 90 days to one year

While it is possible to create an exit plan in as few as 90 days, most plans require almost a year to create. Most owners need time to ponder and weigh alternative paths, and to think through the many issues that arise when they move through a comprehensive exit planning process for the first time.

Close the Gap

Timeframe: depends on amount of growth in value needed, but often five to ten years

There is likely a gap between the value you need to receive for your ownership interest and the value you are likely to receive if you transfer the business today. Many owners are in denial when it comes to objectively quantifying the size of the value gap, and exactly how they are going to close it within their planned departure timeframe. The surest way to create sustainable growth is to create a written growth plan for your business with deadlines and accountability as part of your overall Exit Plan. There are a variety of ways to integrate growth plan development and implementation into your daily/monthly/yearly business management activities.



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Tax Planning and Implementation

Timeframe: three to ten years

Part of reaping full value for your company involves minimizing taxes. Keep in mind that one of the headwinds you may face is increased tax on income and capital gains. Fortunately, planning can not only manage taxation upon the transfer of ownership interest, it may help save taxes on an ongoing, annual basis.

The Ownership Transfer Transaction

Timeframe: one to ten years

It is possible to transfer your entire ownership by simply transferring all of your ownership in exchange for a promissory note right now in one grand transaction, with a big celebration that follows. This is a form of financial suicide. What will you do if the note payments stop coming and you've been absent from the business for a couple of years already? A methodical, possibly incremental, approach to preparing the business, preparing yourself and preparing the next owner (especially if he/she is a child or employee) for a successful future tends to create a better outcome for all involved. Take the preparation and execution of the ownership transfer in whatever size bites you can manage, whether that is attaching one area per month or per year – you know your business well enough to know how quickly the recommended action items in your Exit Plan can be completed.

So think about your exit as a process, not an event. Everything you've done in your life that was significant took time and multiple steps or stages. Your Exit Plan is no different. Your Exit Planning timeline is your bridge to the future that you envision for yourself, your business and your family. Take control of your future and create your timeline today.

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