

KEY QUESTIONS TO ASK YOURSELF WHEN CONSIDERING A BUSINESS TRANSITION

1. Why do I want to make a transition?

Return to school? More time with family? Relax? Travel? More time for hobbies? Begin a new business? Develop next generation?

2. How much net income will I need to do that?

Do I have other resources? Do I need to sell the business in order to make my transition? How much net income will I need if I live to age 90? To age 100?

3. How soon do I want to make my transition?

By when? Will I be “fully out” or simply fill a lesser role or spend less time in the office?

4. Have I discussed this with my family, heirs and business partner(s)?

Is my spouse or life partner ready to have me around the house 24/7? Am I ready for that? What impact will my decision have upon my business partner(s)? Will they also want to transition out? Will they buy me out? Will they support a sale to an outside buyer?

5. What is the business worth today?

Do I know? How is that number determined? Would I buy the business today for that value? What am I doing to grow the enterprise value of my business to obtain the highest sale price?

6. Will my transition be a sale of the business?

If a sale, will it be an “inside sale” to family, employees, partners or combination? Or, will it be an “outside sale” to a friendly competitor, strategic buyer, industry consolidator, public markets, private equity or some other outside buyer?

7. Who else do I need to include in my transition process?

In addition to my attorney and CPA, what other specialists do I need to include such as an investment banker, insurance specialist, wealth manager, Employee Stock Ownership advisor (if considering an ESOP), tax advisor, business banker, family psychologist, key employees, other?

8. If I transfer the business to my heirs, will it be in equal distributions?

Will I share it equally to heirs not involved in the business or only to family members already in the business? If the later, how will I make up for the value to the non-business heirs? Does equal distribution of my estate to heirs matter to me (or my spouse)? How will I resolve potential conflict among my heirs?

9. Do I have successful management team in place to carry on after my transition?

Do I need to upgrade certain members of the management team? Provide more training? If I wish to keep the business in the family, are family members qualified to lead, or should we consider outside, professional management?

10. How will the sale be financed? Am I willing to carry back paper (and carry risk) post-sale?

Will it be structured as a lump sum, or installment sale? Will the sale be assets or business stock?

11. How much will my transition cost me in taxes and other costs/fees?

If given the choice between paying taxes or redirecting the taxes to support charities of my choosing, which would I choose: supporting the government or supporting charities of my choice?

12. Where do I go from here? What do I do next?

To move forward in a transition, what changes do I need to make in my estate plan, investment allocations, management team, advisory team?

R. J. Kelly, ChFC, CLU, IAR, MSFS

Founder & President - Wealth Legacy Family of Companies®

“Trusted Advisor to the Exceptionally Affluent Business Owner and Professional”

Office: (858) 569-0633 x111, Cell: (619) 972-4488, Toll Free: (800) 975-5355

Email: rj@wealthlegacygroup.com; www.wealthlegacygroup.com

Co-Founder – The Center for Wealth & Legacy™ www.wealthlegacycenter.org