Griffing & Company, P.C.
Certified Public Accountants and Consultants

Exit Strategy

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Introduction to Exit Planning

Most business owners do not start their business with the thought of how they will exit the business in the distant future, but an exit plan should be formulated early on. Developing an exit plan gives the owner(s) the freedom and flexibility to decide when, why and how the business will be sold or transferred.

Exiting may seem to be a long way off for the new business owner(s) but circumstances can change quickly. It may come in the form of a new job that is too good to pass up, a health problem that involves the owner or a family member or one of many other situations.

Setting up a written exit plan can mean the difference between maximizing the value of the owner's investment and walking away with only pennies on the dollar. No one plan fits all business or business owners and it may take a team consisting of accountants, lawyers, investment bankers and or investment brokers to result in a positive outcome of the exit. Exit plans should be reviewed periodically and adjusted to consider changes in the owners' circumstances, business growth and business environment.

The first step for the owner(s) in setting up an exit strategy is to determine their business and personal goals.

Business goals may include: What do the owner(s) want to do with the business prior to exiting? How one owner's goals will work with a co-owner's goals? How to exit the business without a negative impact on employees? How to structure the exit to retain key employees? What procedures need to be adopted to maximize the future value of the business when the exit will take place?

Personal goals may include: When does the owner(s) want to exit? Who do they want to take over the business? Do they want to be a part of the transition team for the new owner(s) or do they want to exit immediately? What are their financial goals for the exit?

The goals will vary from owner to owner and the importance of one goal may decrease when the favorable results of one or more other goals increase. Additionally, the owners' goals will change as time goes by and circumstances change. Family members that owner(s) planned to take over may not be interested in getting involved in the business any more. Keeping these considerations up to date may be the difference between selling a business successfully and letting the perfect opportunity slip by.

Increasing the business value.

There are many ways to increase the value of the business and one of the most important ways is to maintain good bookkeeping. This will provide the owner a valuable tool in measuring profitability and growth.

In addition, potential buyers will want to examine the financial information available to determine if the business operations add value to the business or if they are just acquiring the physical assets. The owner should find a good outsourced bookkeeping service if they do not know what to do.

Having a standard operating plan adds value to the business by laying out procedures for operating the business if the owner(s) or a key member of management is unable to perform their job. Potential buyers will not be willing to pay top dollar or, in some cases, even entertain the idea of making an offer for a business that will fall apart because the owner is the key to successful operation of the business.

Other considerations

A good exit plan will involve considering the income, estate and possibly gift tax effects of exiting the business to walk away without paying the government more money than is required.

A substantial piece of the value earned by the owners' efforts to operate and grow the business can be saved with a good exit plan.

For more information about structuring your business' unique exit plan or for assistance with other start up planning, please call us or visit us at www.griffing.com or on our Facebook page at www.facebook.com/GriffingAndCompany.

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