

## Planning an Exit Strategy

So you have successfully started your own business and have it up and running. And you have planned your exit strategy, right? Your answer is probably "No", which is typical of many people who have taken that huge step of working for themselves for the first time. But remember, every owner will eventually exit their business ... even if they run it until they die. So just like an employee making long range plans for retirement, you want to consider and plan for what happens next.



Not having an exit strategy before, or very soon after, starting or buying a company is a risky proposition. An exit strategy is very important to your personal business plan as well as your tactical business plan. It gets you prepared for the future, but also allows you to be ready if something unexpected happens such as an unsolicited offer to be bought out or a health issue that prevents you from continuing to run your business.

Knowing how you want to exit your company, and when, will allow you to build it successfully and get out at a high value rather than when you are bailing out. Exiting can include selling to an outsider, an investor, a partner, an employee or a family member. It could also mean not completely leaving but just selling, or giving up, enough interest to relinquish day-to-day control while still maintaining an income.

Without planning for these things, you can't possibly build the value you need to get the money you desire, or have the correct structure set up to allow you to sell the business or even give it to a family member. Don't forget, almost every small business is very dependent on its founders. That makes a company very difficult to sell if the founders want to eventually have nothing to do with the company after the sale.

Having a consultant help you with the set-up of an exit plan is usually a very good idea, especially since most business owners tend to over value their company's worth or future worth and also do not know how to handle things internally in terms of employees.

Here are a few of the many things to consider for an exit plan:

- How would you like to exit your company (full sale, partial sale, asset sale, etc.)?

- Who would you like to sell your company to (competitor, experienced owner, family member, etc.)?
- How long are you willing to stay on to help the buyer?
- What is your target profit on the sale after paying off any debt?
- Are you willing to hold a note for the buyer?
- What are your plans for your employees?
- What do you want to do once you are no longer involved in the company?
- Where will your income come from once you exit the company?

Hopefully you now realize that owning a business also means planning to no longer own the business. Setting yourself and your company up to let you reap the rewards of your hard work and allow you to retire or move on to other ventures is not something to be taken lightly. Whatever the reason, be smart about how you make your exit. More information and tips on planning your exit strategy are offered by the Small Business Administration at <http://www.sba.gov>.