



When a Business Makes a Grand Exit

By Darrell Morris

How many times have you heard the words, “do you have a plan?” Regardless if you are just starting out or have been in business for a while, chances are someone has asked you this question. Knowing how important a business plan is to success, you probably already have one in place that you revisit periodically. But, do you have a plan for that day when you leave your business?

You’re first reaction is probably something along the lines of, “that won’t come anytime soon.” It’s a typical reaction, but not necessarily realistic. Why, you may ask? Because we aren’t necessarily talking about retirement here; we’re talking about having to leave because of often uncontrollable factors such as dissolution of a partnership, a divorce, long-term disability or even death. These events aren’t things that we expect or plan to happen, but often do, and when they do, it often throws not just our personal lives in disorder, but the life of our business as well.

Common sense dictates that if you had a plan when you started your business, having one to end your business in just a wise decision on the part of any business owner wanting to ensure that the legacy of their business. Having an exit strategy accomplishes several important things. First, it minimizes any hassles and heartache that a business in transition may occur when it loses its owner. Secondly, it protects your personal interests. Finally, it allows you to make difficult decisions and explore a variety of options while still calm and rational and not suffering under the influence of the event that is facilitating your departure.

There are a variety of ways in which you can exit a business; which one you choose depends largely on what fits with your goals. Ask yourself if you are interested in:

- Retiring?
- Starting a new business or venture?
- Building and selling your business for a sizeable profit?
- Passing the business on to a younger family member?

Once you’ve decided on your goals, you’ll be able to select a method of exit. Possible forms of exit include:

- Selling a portion or all of your business.
- Passing it to a family member in such a way as to minimize estate taxes.

- Selling it to an Employee Stock Ownership Plan (ESOP).
- Going Public.
- Liquidating.

When preparing your exit strategy, you'll need to figure out how much your business is worth. A professional business appraiser or attorney may be able to help you come up with a number. Also determine upfront what each stockholder is to receive and draft a legal document that outlines the split. Furthermore, be sure that you have a clear line drawn between what constitutes your personal assets and your business assets. This is sometimes difficult, but extremely important, depending on how you structured the business. Again, seek professional guidance for what works best for you.

When all is said and done, you'll find that an exit strategy actually provides you with greater freedom to make decisions about your business and your personal goals. They are an excellent planning tool for any business.

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