



*1700 Rockville Pike, Suite 400
Rockville, MD 20852
jordancrandus@crandus.com
301-230-0034 • fax (301) 681-2955*

Exit Planning for Business Owners

The Ten Deadly Mistakes

Part Eight:

The Dream Buyer Comes Along Unexpectedly And Makes An Offer That Can't Be Refused, But The Owner Can't Make The Sale because Of The Prohibitive Tax Cost And A Complete Absence Of Independent Retirement Income.

We all know that each of us who are business owners will eventually leave our business. What we don't know is when and how. Will we walk out at a time set by us, or will we be carried out when our time has come? If you are a typical business owner it won't matter which way you leave because your business won't be ready. It won't be ready because you didn't plan for your exit from business ownership.

Today especially, in this challenging economy, good planning is a must. The value drivers that determine what your business is worth need your constant attention. So too does your personal investment portfolio.

Begin planning by having an experienced exit planner do an exit study of your business. Primary Business Consultants (PBC) are trained exit planners. Next, have a financial needs analysis done by your financial planner. If you don't have a financial planner, call Jordan-Crandus at 301-230-0034 and we will

recommend one for you. Both of these steps should be done **NOW**, for you never know when the dream buyer may come knocking on your door.

The exit study will show where the value drivers are weak, how much money would be left on the table if you sold today, and why you should be in regular contact with your tax accountant. Here too, if your accountant is not strong on taxes, call us and we'll recommend someone who is.

Because we are in a difficult economic period, it's important for business owners to pay special attention to protecting and improving the value of the business while putting out threatening fires. One way to do this is to create a growth plan that is achievable, and rigorously stick with the plan. While developing your plan, concentrate on the following key value drivers:

- ❑ A strong committed management team
- ❑ Good operating systems
- ❑ Sound financial controls
- ❑ A diversified customer base

The most valuable of these drivers is the management team. **Inc.** magazine's current issue (May) speaks of this subject in an article entitled "It Isn't The Economy, Stupid" by Joel Spolsky. Spolsky writes how Circuit City cut costs by replacing 3400 experienced personnel with lower cost inexperienced people, thereby cutting the company's throat. Buyers will pay top dollar for a company with a team of competent and stable people who will stay on after the sale.

The dream buyer's offer will change dramatically when, during the due diligence study, they find a weak management team, along with other problems concerning the key value drivers. On the other hand, when the company is ready for the owner's exit, the seller can negotiate an even better price and look forward to a quick and clean closing.

Call Louis A. Kastelic, MPBC at Jordan-Crandus, P.A. for a free initial consultation. Lou Kastelic is a Master Primary Business Consultant.

Jordan-Crandus, P.A.
301-230-0034
lou@crandus.com