ROCG Shepherd & Goldstein Consulting Group LLC
the business transition specialists

Selling your business – be one of the rare winners

Are you thinking of selling your business in the next few years? Have you planned ahead? Or are you one of the many business owners who have looked at a sale of your business as an event rather than the process it is?

According to Chris George from George & Company, an intermediary located in Worcester, less than 10 percent of business owners who contact his company have sufficiently planned ahead. The contact is usually spurred by an event, such as death, illness, partner disagreement, etc. His experience is pretty consistent with national surveys my company has conducted over the years.

If you find yourself among the 90 percent of non-planners, I have a few business exit statistics you need to consider. Attendees at my seminars tell me they have been eye-opening:

- **90 percent of private business owners' wealth is tied up as an illiquid asset in their business.**
- **94 percent of business owners say they need the proceeds from the sale of their business to finance their retirement lifestyle.**
- **Fewer than 4 out of 10 business owners say they successfully transitioned their business.**
- **Only 1 out of 10 business owners said they received a price anywhere close to what they wanted or expected.**
- **6 out of 10 family-owned businesses transitioning to the second generation fail.**
- **Fewer than 2 out of 10 businesses for sale actually close.**

What's the primary reason for such dismal results? It comes down to the 90 percent — those with improper or no planning! As a business exit and transition consultant, this is startling to me.

You as a business owner have the power to maximize what you get to take away from the business and ensure it meets you and your family's future lifestyle objectives. And all it takes is planning. After all of the years of struggle and hard work and for what is often the single largest financial transaction of your lifetime, why would you do it any other way and let it all go to chance verses properly planning everything out?

In what may seem like an oxymoron, your transition and exit from the business is not just about the business. Most business owners are surprised to learn that there is a personal side that also needs consideration.

Think about it. If you are like most business owners, for the most part you are consumed by your business. You spend most of your waking hours there. The business emotionally gives you a place to belong, a place to be important, a place to connect, and a place to go. After the sale and your exit, where are you going to get what the business emotionally gives you? What's going to fill your time? Trust the experiences of others who have gone before you; there is only so much golfing, fishing, gardening, etc. you can do before you find yourself bored and unfulfilled.

The statistics below show just how important this element is in the sale planning process.

- **67 percent of people report that retiring is a significant adjustment.**
- **60 percent of people who retire report feeling depressed within three years after retirement.**
- **Retirement increases the risk of clinical depression by 40 percent.**

You can see that the odds are really stacked up against a successful transition and exit from your business both on the business and personal side. The key to coming out on top and being the one out of ten owners who succeed in their exit, is to take the time to plan holistically and take into consideration both your personal and business planning needs. So what's exactly needed in the planning process?

In my company's consultant practice, we start with the personal objectives of the owners and their significant others. How much longer do they wish to work? Do they want to continue working? Full time or part time? Do they want to buy another smaller business? What after-tax income would they like to have annually to support their lifestyle objectives? What interests do they have that will fill their time? And many more what I call "What's it all about, Alfie" questions. We incorporate these objectives into their personal plan.


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From here we calculate any value gap in the assets that are needed to support their desired lifestyle versus the assets they currently have. This provides us with what value is needed to be taken out of the business leading up to their exit in addition to the value that may be needed with the sale. The plan then encompasses how they can build business value to fund their lifestyle objectives.

With a detailed plan in hand, there will be no surprises or disappointments when the sale of your business and your exit is completed. But take note, the longer you give yourself to plan and execute the plan, the better the results; and a minimum timeframe of two to five years is recommended.

This is one time that you don't want to be part of the majority. Take the steps necessary, properly plan, and be one of the rare winners in successfully transitioning and exiting from your business. ■

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