



Part of the Washington SBDC Podcast Series

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When to Exit:

A small business owner's biggest dilemma; when do I exit my business. Failing to plan for this event can and does lead to an unfavorable outcome.

Things to consider once you have decided to exit:

- Succession planning takes time
 - It is a process not an event, just like creating your business was.

- There are a number of interested parties who have an interest in the success or failure of your business: spouse, family, employees, clients, and peers. Each can have a particular reason why they do not want the owner to leave the business. These concerns can be major factors in the final decision on leaving making it critical for the owner to seek out an understanding of these issues and addressing them.

- Succession planning occurs in stages
 - Stage I: A period of anticipation and preparation
 - Stage II: Handing over control and leadership
 - Stage III: After the transition, a period of adjustment and reflection

The owner needs to be involved in each of these stages in developing important plans that can affect the nature and timing of the final exit strategy. These plans should include:

- A strategic business plan
 - Considers the future financial strength and potential market growth of the business

- A personal financial plan

- Determines the current financial strength and future financial goals of the business owners
- An estate plan
 - Determines current and future tax consequences of selling the business

The implementation of a succession plan:

- 1) Choose a qualified and suited successor.
 - a. This person must understand your business legacy plans and be committed to your employees and clients.
- 2) The transition period with the successor
 - a. Formalize it in phases!
- 3) Handover the keys
- 4) Monitoring the progress of the successor's development
 - a. Periodic checking in with the successor giving assistance, guidance or advise.

These steps may take years, so it is important to start planning now.

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