

Transitioning

An Owner's Dilemma



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Introduction

The thought of leaving our businesses is frightening. We know it needs to happen someday but facing it is a bigger challenge for us as business owners than it is for the average employee. Often, it is a business we created. Sometimes, it is a business we inherited. In either case, it is a significant part of our lives.

It's almost criminal, but you're not alone in avoiding the issue. Recent studies by various groups show that *two-thirds* of owners of family businesses have no transition plan. These studies typically look only at transferring ownership. But transitioning should encompass much more.

You're bombarded by well-meaning advisors and other professionals with various strategies to transition your business. In most cases, these strategies are irreversible. That certainly does not mean they should be excluded from consideration. The problem is that these strategies often lack the flexibility we demand and the control we need. Inflexibility and loss of control are the reasons often cited when the consideration of transitioning stops.

Stopping is a mistake. *There is a best way. And it's unique to you.*

Transitioning is certainly not an easy task. It may be one of the most difficult processes you've undertaken. Taking time for self-reflection, forward visioning for yourself and your organization, is crucial. Mere financial and informational completeness, while essential, is not enough.

Don't overthink it, looking at too many alternatives and creating "analysis paralysis." Coaches can guide you. Know that the answer may evolve rather than be immediate. This is fine, and is almost preferred. You don't want to equivocate, but you certainly don't want to create a complicated, rigid solution that leaves you feeling uncertain.

The transitioning *goals* themselves must be as simple as possible. The solution may be simple, it may be complex. But it **MUST** work for you.

Your business succeeded because you identified a niche and you serve it better than anyone else. Your business, your other assets and the wealth you've created are part of your personal niche. It's really a single interconnected whole. Your family, your employees, your management team and, most importantly, you and your spouse, are segments of your personal team. While the importance of each personal-team segment may vary, each must be considered.

The first step is to discard the idea that you're creating a 'plan'. We often see plans as set in stone, irreversible. Instead, we should set transition goals with the right tools to help us meet those goals.



Transitioning *cannot* use a cookie-cutter approach. It's not like selecting from a menu of options. Your goals **must** reflect the changing needs of your personal niche and your personal team. The strategy that worked for your brother-in-law may be a disaster for you. Your business successfully serves a niche, and your transition should serve your group just as successfully.

The challenge? Your personal team evolves constantly. In your family segment alone, children are born, and they have children. Marriages and divorces occur. Death is inevitable.

Family members change their minds about involvement in the business. Your son Peter stated he wants no part of the business. Janice has worked with you for years. Peter then asks to join you. Good thing you didn't transfer ownership to Janice! How do you equitably award each? The answers are numerous. Many solutions cannot be undone easily. But there are simple, flexible solutions.

Simon has been your right hand for years. Now, your kids are in the business; maybe you will retire someday soon. Simon feels threatened that your kids will take his job. How do you equitably award Simon to stay? Again, good, simple answers exist.

You've built an investment portfolio based on the success of your business, yet the business remains your most valuable asset. How can you partially cash out and stay in control? I will show you how.

Our goal is to provide you with a transitioning as unique and flexible as your personal team. It must reflect the goals of your team today yet be flexible to changes as these goals change. Simplicity is key. If it's hard to understand, then those transitioning goals are not for you.

The formation of this transitioning must examine your personal financial situation and your age and health. It must look at your family and what they want. It must account for your business, your management team and your employees. As these elements change, your tools should let you change your goals, too.

The time to act is now. The recent tax overhaul bill introduced several provisions that can be beneficial to business owners in their succession planning.

You must hold ultimate control of your assets.

You must have the flexibility to change your transitioning at any time.

To receive the full booklet, you can either click Request Booklet on our website, email KevinJennings@JenningsValuation.com, or call 516-794-4264 x201 or 678-941-8071 x201.

