

# Planning your exit strategy

## Crucial steps for business owners and entrepreneurs

If you're like most business owners, you love what you do. You wouldn't dream of leaving your business—in fact, you haven't even considered the possibility. Unfortunately, that lack of planning may have profound implications on your financial well-being.

While it may seem strange to plan your exit strategy when business is booming, it often makes good business sense. Without a carefully planned exit strategy, you could be creating unnecessary uncertainty for your business, and undue financial hardships for you and your family.

If you expect to retire within the next five years or so, it's a good idea to start planning for your departure now. Here is a brief explanation of the more common exit strategies that face entrepreneurs. Which one works for you?

- **Close up shop and retire.** Probably the easiest way out of a business; also the least fruitful financially. This strategy can also be emotionally difficult for the owner, as the transition from work to retirement is sudden and sharp.
- **Pass the business on to family members.** An excellent option if a family member is willing to take over the business. You'll need time to rain your successor, arrange viable buy-out terms, and smooth over any conflicts that could arise among family members.
- **Sell the business.** Selling a business to a competitor, a partner, or a supplier can be an effective way to exit the business. Of course, you'll need time to find a suitable buyer. In addition, you'll need to consider purchase terms carefully: are you looking for an immediate sale, or would you be open to a series of installment payments?
- **Arrange an employee buy-out.** If you have long-time employees working for you, consider selling your business to them. This can be a natural fit for both you and your workers: your employees already know the business inside and out, and they have a vested interest in its success, making them great successors for the company. For you, selling to employees can provide peace of mind, knowing that you're leaving the business in trustworthy hands.
- **Position your company to be acquired by a larger company.** This can be an attractive way to exit a business, although the strategy can be complicated. If this is an option, you'll want to secure expert advice on how to make your business more attractive to prospective buyers. And if you're approached with an all-stock offer for your business, you'll want to investigate the offer fully, to ensure you're receiving an appropriate compensation for taking on added risk.

If you haven't yet made arrangements for your departure from your business, make it a top priority to do so now. When it finally comes time to retire, you'll be happy you planned ahead!