

# **Waiting to Retire? Better prepare for your departure.**

**Many business owners consist of baby boomers whose wealth is tied up in the business they own. This can lead to serious difficulties and unforeseen complications when the owners are ready to exit or transition from the business and retire.**

Most business owners are simply not prepared for their retirement. The owners have no realistic value expectations for their business and no idea how to go about cashing out for retirement.

With the uncertainty in the current economy, preparing for a business sale or transition is more important than ever. With proper exit and transition planning, you can avoid costly mistakes and look forward to a smooth transition into retirement when you are ready to exit your business.

Some complications that an exit and transition planning specialist can advise you on include:

## **A Business Too Dependent on the Owner**

Many businesses were initially started by an individual, aka the owner. As the business grew, were key decision making responsibilities and tasks placed with managers and employees or does that all remain the responsibility of the business owner? When an owner is the business, it makes it extremely difficult for the owner to exit or transition out of the business upon retirement.

## **Tax Benefits Achieved by Planning Ahead**

Is part of your transition plan to transfer all or part of the business ownership to a family member? Consider what effects a gift tax could have on such an ownership transition. If your business is growing and growing fast, it is important to transfer ownership early on. Consider your growth to date. The gift tax on a 50% ownership stake is going to be significantly lower on a company with a value of \$12 million versus a 50% stake on a value of \$24 million after a high growth period.

## **Valuing the Business Incorrectly**

Years before an owner even thinks about a plan to retire, it is important to get a proper and realistic appraisal on the value of the business. If you, as a business owner, are counting on receiving a certain price for your business and building your retirement plans around it, you could be in for a rude awakening if the real world does not view your business in the same value light that you do. Structure of a business transition and what sort of market there is for your business will also play factors in the final value of the business and your retirement plans.

## **Accepting a Deal Too Good to be True**

When considering offers for the sale of your business, it is not uncommon for business owners to rush to the highest initial bid and ignore other offers. However, business owners need to take into consideration sales structure and what sort of due diligence a buyer may undertake which will ultimately change the final offer price. Is it important to you how your employees are treated after you have retired and are out of the picture? Then don't disregard offers that take the entire business picture into consideration when a temptingly high number is flashed during initial offerings.

## **Hiring Friends or Family to Manage a Transition**

Keeping it "in the family" can work for many business relations, but when an exit or transition plan strategy is on the table and you wish to retire, you will want to look towards a professional with an outside view. It is important to make sure that emotions and underlying family issues do not become a part of the exit process and ultimately impede a sale or successful transition. Along the same lines, you will want to make sure that the professionals you do hire are a good fit with your goals as a business owner looking to retire. There could be nothing worse than planning your exit strategy for retirement with a firm whose ideas and planning strategies do not represent your best interests.

## **Forgetting that Your Heart is in Your Business**

You started your business for a specific reason. That reason could have been to share your passion with the world, fill a specific need, provide for your family, or any other of a variety of possibilities. No matter why you started your own business, what is important now that you are looking to retire is that you have put your time, money, blood, sweat and tears into building your business. There have been struggles, there have been glorious celebrations. Letting go and exiting, stepping down and out during a transition, retiring... whichever exit or transition strategy chosen, it can have more of an emotional impact on a business owner than they anticipate. While you may not be able to completely avoid the emotions of letting go, planning ahead will help to keep you from making rash business decisions or acting unreasonable during a business sale. Instead, you can look forward to your retirement from business ownership and how you are going to spend each and every single worry free day once you retire!

United Health Care Capital is committed to helping small business owners with valuations, business transition and exit plan strategy. If you are interested in learning more, [contact United HealthCare Capital](#) to see how we can assist with your business transition and exit planning.

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