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July 2019 - In This Issue:

A 20-STEP BUSINESS EXIT  
PLANNING PROCESS

EXPERIENCE

WHAT IS MY BUSINESS WORTH

INDUSTRY KNOWLEDGE

**EXPERIENCE**

By John Zoellner

***"Good judgment comes from experience, and a lot of that comes from bad judgment."***

This quote has been attributed to Will Rogers and a similar quote has been attributed to Dean Martin. For over three decades I've been working with Business Owners and prospective Business Owners. I've learned a lot and believe I can say,

***"I have Experience!"***

As I work with Business Sellers and Buyers there are a lot of things that come up - issues, problems, differences of opinions, obstacles, often referred to and can become DEAL KILLERS. Accurately identifying the issues is a huge step, and not always easy, as

## A 20-Step Business Exit Planning Process

The exit planning process may seem overwhelming, yet the initial work can be accomplished in about three months of part-time participation without disrupting your business. It requires some effort, but your time investment will be more productive and beneficial than your normal day-to-day activities. Dollars expended in working with qualified professional advisors will provide a significant return on investment.

### 1) Obtain a baseline business valuation.

- You need to know where you are to determine where you are going.
- A qualified business broker's no-charge, no-obligation opinion of value will suffice preliminarily.

### 2) Assess the value of your other assets and income.

- These may include spousal income, Social Security income, other retirement income and plans, IRAs, annuities, other types of investment securities and savings, real estate holdings, life insurance cash values, etc.

### 3) Develop a personal financial statement.

- Utilize information gathered in steps #1 and #2.

### 4) Consider your desired exit options

each party to a transaction has thoughts, ideas, fears, level of knowledge, and has advice from many sources. Resolving issues takes research, patience, willingness to compromise (if that's an option), and most important, open discussion to understand where each party is coming from.

We've been involved in the sale and purchase of Businesses on both the Seller and Buyer sides, working with very talented Accountants, Attorneys, Bankers, and other professionals. It's difficult but necessary to have a solution for every issue if a business sale is to occur. Our experience - we've not seen everything, but WE'VE SEEN A LOT.

**Example I.** A Seller is in one state, the Buyer in another. In the Purchase Agreement EACH party wants the laws of their state to apply should there be a future conflict. That can't happen but we found a compromise that worked.

**Example II.** The Seller had a Bad Debt that was an add-back to EBITDA. A multiple of EBITDA set the Price. The Buyer said that the add-back was appropriate but in the wrong year, which changed the Business Sale Price. The Seller agreed that it was the wrong year but didn't want to reduce the Price. We resolved it, didn't change the price paid at Closing, but changed another aspect of the deal. These are just two of the negotiated, mutually

- Determine the appropriate type of buyer (i.e., sale to children, employees or third parties).
- Your exit option choice may affect the baseline business valuation.

## 5) Consider the tax implications of your exit.

- Identify tax minimization opportunities.

## 6) Consider your preliminary personal goals if you exit your business.

- What do you want to do if you sell your business?
- But remain flexible.

## 7) Consider your ideal timing for exiting your business.

- Again, remain flexible.

## 8) Estimate your financial requirements after leaving the business.

- Utilize information gathered in steps #6 and #7 above,
- A personal financial planner can help with this step.

## 9) Assemble and communicate your goals to advisors.

- Depending on your individual situation, you may find yourself talking with your CPA/accountant, an income tax specialist, your attorney, a personal financial planner, an estate planner, an investment advisor/manager, a professional business appraiser, a real estate appraiser, an insurance professional, an employee benefit specialist, a business/management consultant, a business

acceptable challenges faced with resolutions to close the transaction advised as a result of my experience.

**If you would like to know how these and many other issues have been solved that could effect the successful transfer of your business, why not access my 40+ years of experience?**

I await your phone call.

## WHAT IS MY BUSINESS WORTH

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

## INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE

Our presence as a Professional Business Broker is extended nationally as a result of being associated with associates located nationwide. We also bring decades of experience and



broker and/or merger and acquisition (M&A) intermediary, or a dedicated exit planner.

### 10) Select a qualified "quarterback" from among your advisors.

- The "quarterback" will coordinate the efforts of all involved and document the results of the exit planning effort. You will be best served by using your broker for this function.

### 11) Consider advisors' input and accumulated information and adjust goals accordingly.

- Your goals need to be realistic; therefore, after factoring in all data, you may have to modify the goals set early in the process.

### 12) Develop a contingency plan.

- Have a transition plan for the business if something unexpected, such as death or disability, happens to you.

### 13) Develop an estate plan.

- Utilize a qualified advisor.

### 14) Identify obstacles to selling your business.

- Develop a plan to overcome the obstacles.

### 15) Perform a SWOT analysis of the business.

- Identify the strengths, weaknesses, opportunities and threats of the business.

### 16) Identify opportunities to increase the value of the business.

functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.

We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing.

[Learn More](#)

***NEXT ISSUE***

***BENEFITS OF  
BUSINESS EXIT  
PLANNING***

[CONTACT US](#)

- Work with your Business Broker to increase the value of your business.

### **17) Learn the details of the process of selling your business.**

- Education is critical. Your broker's value is of the essence here.
- This newsletter series is a great place to start.
- Work with your business broker closely. It is a plus if your broker has experience in M&A transactions.

### **18) Develop preliminary plans for wealth preservation.**

- Determine where to invest the proceeds of the sale of your business.

### **19) Document in writing all exit planning information developed.**

- Your "quarterback" should formalize your exit plan.
- Consider reviewing and updating your exit plan semi-annually.

### **20) Implement identified business improvement opportunities.**

- Implement plans to overcome obstacles identified in #14 above.
- Implement opportunities identified in #16 above.

### **It is never too early to start the exit planning process**

Many advisors suggest starting 3 to 5 years in advance of your desired exit time frame. But exit planning can have significant positive effects on the growth and profitability of the business well before that. It also provides emotional benefits to the business owner. And it teaches you to stop viewing your business as merely a job, but

instead to look upon it as an investment whose value can be increased. It teaches you to work on your business as opposed to working in your business. There's no good reason to wait! Get started today!

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