



The 4 “What if’s” of Your Business

It is difficult to work in your business every day and still find time to work on your business as well. But many business owners are losing sleep over one or more of the following four issues:

- What if I don’t want to do this anymore?*
- What if something happens to me?*
- What if my key employees leave?*
- What if my cash flow doesn’t improve?*

Taking the time to develop solid plans around these issues can help you manage your business more effectively and sleep better each night. Let’s look at each issue in a little more detail.

What if I don’t want to do this anymore?

At some point most business owners would like to retire. For business owners, “retirement” can mean many different things, but at a minimum it means no longer being involved in the day-to-day function of the businesses. With that in mind, a strong exit plan is required to cover all the bases.

A strong exit plan will help you determine how your business will continue when you step away and what the process of you stepping away looks like. It may mean you keep a role in the business but at a reduced level. It may mean you phase out completely over time while

retaining your interest. Or, you may choose to sell it to a third party, key employees or family.

A well-crafted exit plan should give you an understanding of how your personal finances are tied to the business and what sort of return you need on your investment in the business to help fund your retirement plans. In retirement, it is important for you, and your successors in the business, to have clear expectations of how much continued support you will need from the business and how long you may need it.

You also want to consider what your life will look like upon retirement. It is easy to think

about retirement as an end of something but in reality, it is the beginning of the next chapter of your life. When you don’t have that business to go to, what happens?

What if I don’t want to do this anymore?

What if something happens to me?

What if my key employees leave?

What if my cash flow doesn’t improve?

A comprehensive exit plan will challenge you to think through these issues and will empower you to begin retirement on your terms.

What if something happens to me?

The next challenge many business owners face is how to prepare for death or disability. The ramifications of such an event don’t just touch you, but also your family, employees, customers and business.



Plan >> Transition >> Retire

Business continuity planning is a fundamental component of any exit plan. It helps address many of the “What ifs” associated with an unexpected death or disability—whether it affects you or one of your key employees who would be relied on to run the business in your absence.

Taking a hard look at what could happen helps you plan for the worst and be prepared. Issues that need to be addressed in a business continuity plan include cash management and management succession, both on a temporary and permanent basis. Without addressing these things in advance, if something were to happen to you or one of your key employees, your company could be in jeopardy at a time when you and your family are not in a position to handle it.

What if my key employees leave?

Every business has key employees whose unique skill set and history with the company make them virtually irreplaceable. While there are plenty of management principles that teach how to cross-train and minimize the risk if employees leave, there are also ways to keep your most key employees engaged in your business and ensure their continued loyalty.

It is vital to evaluate your current talent to see how the work is handled today and what will keep those key employees engaged tomorrow and beyond. Are there strong succession plans in place and do people see their future with the company? Do you utilize tools such as deferred compensation that help to ensure your key employees’ financial future even after they are no longer with the company? Do the perks and plans that you have in place for key employees adequately incentivize these employees to remain with the company or are they fully vested and free to seek greener pastures? There are a multitude of techniques to attract

and retain top talent without giving them equity in the business.

A strong plan to manage key employees gives you the peace of mind that you have done everything possible to attract and retain a dynamic, talented and engaged workforce.

What if my cash flow doesn’t improve?

As with most aspects of your business, there is always room for improvement, but for a business owner planning to depart their business, cash flow takes on a new degree of importance. The occasional shortfalls and the predictably slow quarters that you have tolerated and looked past while toiling away in the business you have built from scratch will become major stumbling blocks for purposes of funding the transfer of your ownership to your key employees and may prevent you from attracting any serious interest from a third party acquirer.

Systems can be put in place to help improve your cash flow and with a little education, and perhaps an enhanced incentive structure employees can be motivated to help manage cash flow effectively. A cash flow management plan helps you understand your business better and be able to handle activities so cash flow remains consistent and predictable. Regardless of your timing of your planned departure from your business, the sooner you focus on improving cash flow, the better your numbers will look when it is time to structure your exit.

Conclusion

A qualified business advisor can help you face your fears about the future of your business, identify the risks that may prevent you from departing the business on your terms and deliver a plan that helps you take control of your financial future and get back to sleep.

- Mark Dorman, CLU®, ChFC®, CFBS