Successful Planning Starts Much Earlier Than You Think

Many business owners believe they have plenty of time to create a successful plan for the future of their businesses. Most commonly, owners think that if they give themselves a few years, they can transform their businesses into whatever they need them to be: whether that means bigger, more valuable, or more easily sold/transferred. And while each business is different and each owner has different goals, one thing is clear: You likely need to start your planning earlier than you think.

Beginning your planning long before you intend to leave your business often lets you choose the conditions of your exit. For example, let's say that one day, you'd like to sell your business for as much money as possible. To do so, you must know what your current business value is. You must know which factors give your business its value. You must know what the market for a business like yours is and anticipate any flaws potential buyers might find during due diligence.

The same concept is true if you hope to transfer your business to family members or employees. You'll likely need to determine whether your targeted successors can successfully run the business, along with whether they are even interested in ownership. You may need to construct plans to keep key employees with the company as and after you exit it. You'll probably want to determine how long it will take for your successors—who are unlikely to have much money—to cash you out for your share of ownership.

If you wait only until you are ready to exit the business to figure these things out, you may not give yourself enough time to address any issues your business may have. This can prolong the time you're in your business, which can lead to poor performances or burn out. There are many things to consider, but we recommend a three-step process to begin.

1. Set your goals

Setting your goals long before you're ready to implement plans gives you a target to aim at. The most important goal to set is achieving financial security. Unless you know what it will take for you to leave your business and never have to work again (unless you choose to), all of the other details surrounding your planning become moot. Once you've determined how much you'll need to achieve financial security, you can decide when you'd like to leave the business, how much money you *want* (not need) after you leave, and to whom you'd like to leave it (e.g., an outside third party or an inside management team).

2. Account for your resources

Knowing what you currently have makes it much easier to determine what you will eventually need. Consider accounting for all of your resources, including the value of your business and any non-business assets. Many owners have a general idea about the resources they have, but when planning for future success, general ideas often aren't precise enough. Accounting for your resources with precision provides time for you to close any gaps between the resources you *have* and the resources you *need*. If you wait only until you're ready to implement plans to start accounting for your resources, you may prolong the planning process beyond your wishes or find it difficult to achieve your goals at all.

3. Install Value Drivers

Value Drivers are things that increase the value of your business to an objective buyer. For example, regardless of whether you intend to sell your business to a third party or transfer it to an insider (e.g., family), the new owner will likely expect your business to run smoothly without you. If it doesn't, you may be expected to stay in your business until the business can run without you. One Value Driver that can address this threat is a next-level management team. A next-level management team, by definition, allows the business to run smoothly without its owner.

Another important Value Driver is a documented process for sustaining cash flow. Documentation allows new owners, managers, and key employees to maintain the company's profits after you've left. Without written and easily understood processes, cash flow can become a game of chance, and few buyers want to take chances when buying a business.

If you'd like to talk about when the right time to start planning for you is, please contact us today. Based on your goals and resources, you can begin to create a road map for the business future you desire.

Brought to you by:

Chris Rich ChFC, MSFS, CFP®
chris.rich@goldenhawkprofessionals.com

GoldenHawk Professional Associates, LLC
3254 East Cactus Road
Phoenix, Arizona 85032

Office Phone: 602-923-8300
Website: www.goldenhawkprofessionals.com

Chris Rich is the Founder and President of **GoldenHawk Professional Associates, LLC**. He has been bringing clarity, comfort, and confidence to the business owner/ CEO community for over 25 years. He holds numerous professional designations, including Certified Financial Planner (CFP®), Master of Science in Financial Services (MSFS), & Chartered Financial Consultant (ChFC).