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## Succession Planning: Exit Strategy Issues

The hard working entrepreneurial Baby-Boomers that built most of the small businesses around Metro Vancouver and across Canada are hitting their 60's in mass numbers and they are going to need to consider their options when making the transition to that "laidback west coast lifestyle" we are famous for. However, not many people go into business with the thought of "how do I get out of this when I'm done?" But knowing what issues to consider when exiting a business is just as important as the reason people start up businesses in the first place. The following is a list of some key issues for a soon to be exiting business owner to consider.

**Valuation of the company:** there are several major methods to assist in deciding what a company is worth: Asset Valuation, Industry Average, and Cash-Flow. A business broker can assist you in assessing a market value for the company, but the key is it will be a method and valuation that is acceptable to both the seller and the buyer – not just the seller.

**The D's: Death, Divorce (of a partnership) and Departure:** Death: don't wait for a life insurance agent to tell you how much your company, or your partner, is worth, evaluate and then decide before purchasing insurance. Divorce: partners need to contractually decide ahead of time how to handle walking away from each other without ruining each other or the business. Departure: work out who is going to do the work and what is owed the partner leaving for that more relaxed life.

**Plan Ahead:** The amount of time and effort needed to transition a business is directly related to the complexity of the business, it could be a few weeks for a sole proprietor to a few years for a corporation. Also don't work and toil until you've spent all your energy and just want out and don't really care what you get for the business. Plan the exit while you still have enthusiasm and enjoyment in your job and show a potential buyer it is worth coming into.

**Business Brokerage:** Selling a business is much like selling real estate, find an agent that specializes in business brokerage, preferably with experience and knowledge of your industry. This person will assist you in achieving maximum value and match you with appropriate investors/buyers. Be sure to do your own due diligence and ask for references before signing a contract.

**Keep the secret:** one word to key employees, suppliers or customers and the ramifications on your business may be felt with severe consequences. Ensure you have safeguards in place to protect this highly confidential information.

**Tax Planning:** work with your accountant to understand the various strategies of how to maximize your after-tax dollars from the sale of your business.

Having an Exit Strategy isn't so much a question of getting out business, the key here is to maximize value to the sole proprietor, partnership, or shareholders at whatever time you chose to take your final bow and exit stage left.

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