

Are you
Exit ready?



BUSINESS
BY DESIGN

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Exit planning is like a three-legged stool.

One leg is your business plan, one is your personal plan and the third is your financial plan. Each leg has equal importance and all must be addressed concurrently to ensure a holistic and stable platform is created: if any one of the three legs are shorter or longer than the other it will make the platform unstable.

Understanding the three legs and how to build each one will allow you to create a holistic and stable platform for your future.

Business Plan

By unpacking your business plan, you will get a real sense of the current condition of your business. This applies to any business owner, whether you are looking to exit your business via selling, planned liquidation or using your company to fund your personal and financial plans before closing it down.

We will assess your businesses attractiveness and saleability.

- **Attractiveness:** What your business looks like from the outside.
- **Saleability:** What a business looks like from the inside: what is uncovered by a buyer during the due diligence phase.

Very often, a business may seem very attractive from the outside but as soon as a buyer starts to scratch the surface, they uncover high levels of risk, disorganised finances and an incongruity between what was initially portrayed from the outside and what is really going on within the business. It is vital that there is consistency in the business's attractiveness and saleability; that they convey the same message.

Personal Plan

The reason we look at your personal plan alongside your business plan is that the vast majority of owners never think about this part of their life.

Many owners are so wrapped up in their business that they become emotionally attached to it and their business becomes their identity, leaving little room for other pursuits outside of their work life and resulting in detachment difficulties when it comes to moving on from the entity that has defined them and their time for so long.

We also need to ascertain your plans for when you do exit the business. It is vital to have this part of your exit plan mapped out so you can prepare for making the most of the next chapter of your life.

A major advantage to having a personal plan is understanding how prepared you are for unexpected life events in the form of five of the 'seven Ds' - distress, disagreement (between co-directors/shareholders), divorce, disease/disability and death. No one wants to think that these things might happen but, just like writing a will or taking out an insurance policy, considering these worst-case scenarios in advance and having a plan in place should they occur will ease the situation for those involved.

Financial Plan

To draw up a financial plan, you will need to establish what 'Your Number' is: Your Number is the amount of money you will need to retire in order for you to live the lifestyle you want, without the fear of ever running out of money. Once you know Your Number, you can plan how your business and personal finances will work together to get you there.

Without a financial plan, you risk falling into one of these two unwanted situations:

1. Getting to a point where you need or want to exit the business but the wealth gap has not been closed, meaning that you either have to pare back your planned standard of living or be forced to continue working until such time as you can afford to retire.
2. You bridged the wealth gap years ago and reached Your Number but, because you hadn't calculated Your Number or haven't reviewed your personal and business plans, you are not aware that you have the finances you need to retire, so you continue to work longer than you really need to.

Having your financial plan in place will sharpen your focus on where you are heading, what you need to do to get there and your progress along the journey.

As you can see, in order to create a solid, holistic exit strategy, we need to focus on these three key areas - Your business plan, your personal plan and your financial plan - which each require equal priority, equal focus and equal work to achieve your optimum exit strategy.

Not Started or Considered **1 POINT** Given Some Thought **2 POINTS** Started and Receiving Advice **3 POINTS** Partially Completed **4 POINTS** Mostly Completed **5 POINTS** All Completed and Documented **6 POINTS**

BUSINESS PLAN		SCORE
1	I have removed myself from the day to day running of my business	
2	I know what my business is worth	
3	I know who my ideal buyer is (Score a 6 if you are not planning to sell as an exit strategy)	
4	My Human Resources are up to date and compliant	
5	The company has a Standard Operations Manual which is regularly updated	
6	The company has undergone a full Risk Analysis in the last 12 months	
7	I know what happens during the acquisition process, whether I am looking to acquire or sell	
8	I have a strategic 5-year growth plan and measure my performance against forecast	
9	I know how a buyer or investor will assess and view my business (Score a 6 if you are not planning to sell as an exit strategy)	
10	I know what finance is available to help me grow my business, if required	

PERSONAL PLAN		SCORE
11	I know when I would like to exit from my business	
12	I have a clearly defined exit strategy that I am working on and implementing	
13	I am fully prepared for what life may throw at me, as described in the 7-D's (Deal, Decide, Distress, Disagreement, Disease, Divorce, Death)	
14	I know exactly what I want to do after I exit my business	
15	I have in place a will and Power of Attorney	

FINANCIAL PLAN		SCORE
16	I know what 'My Number' is in order to be financially secure	
17	I have a personal investment strategy to help bridge any wealth gaps	
18	I know how much I need to sell my business for to achieve my financial goals	
19	I have calculated the tax implications upon my exit	
20	All my insurance policies have been reviewed in the last 12 months	

TOTAL		

<p>LESS THAN 71 It is unlikely that you will achieve the exit you want</p>	<p>72 TO 83 Some action has been taken but more work is needed</p>	<p>84 TO 95 An exit strategy has been considered but key areas need attention</p>	<p>96 TO 107 Some areas will need to be implemented and updated</p>	<p>108 TO 120 An exit strategy is in place but will need revising every 6-12 months</p>
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What's next?

Find out how saleable your business is and what you can do to make it more attractive to a buyer, by taking [The Saleability Test](#)

Need help on how to fill this in?
Email Cliff on cliff@businessbydesign.co.uk