



Business Transition Advisory Services

Key Considerations Before Exiting Your Business

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One hundred percent of business owners will exit their business. This can happen as part of a strategic plan or as an unexpected event. Early strategic planning typically results in a more successful outcome for the business owner and their family, and it is never too soon for an owner to begin planning for this eventual exit. For example, some tax planning strategies may have a reduced benefit or even be unavailable if not implemented well in advance of the sale. Missing out on these opportunities can mean less money in the business owner's pocket and a smaller transfer of wealth to children or other intended beneficiaries in the future. Regardless of where you're at in the business transition process, below are key considerations for your strategic plan.



Exit Timeline

Our most recent [Owner Transitions in the Middle Market](#) research report conducted in partnership with the National Center for the Middle Market found that a majority of the surveyed business owners spent one to two years preparing for a transition. And, while most of the surveyed owners (76%) had positive feelings heading into the transition planning process, many of them (71%) also entered into the process with negative feelings, such as anxiety, worry, frustration, and sadness.

These feelings are understandable and common. Business owners often devote their lives to creating and growing their businesses, and a sale or other exit event is a major life change that conjures mixed emotions.

Developing a realistic timeline for your exit, with the assistance of your team of professional advisors, can help to reduce stress and make sure you have sufficient time not only to prepare the company for sale but also to accomplish desired tax and wealth transfer planning goals.



Type of Exit

Do you plan to sell your company to an outside party, such as a private equity firm or strategic buyer, or perhaps to an inside party, such as your management team or other employees? Or is it your goal to transition ownership of the business to your children or other family members, whether by gift or sale?

There are Pros and Cons to Each Type of Exit

Some aspects to consider include:

- ✓ **The importance of maximizing the sale price** (more likely with an outside buyer) versus benefitting key stakeholders such as family members or employees.
- ✓ **Receiving all of the sale proceeds up front** (common with an outside buyer) versus receiving sale proceeds over time on an installment basis (common when selling to inside buyers or family members).
- ✓ **Your willingness to hold an equity position in the business after the sale** (often required by private equity buyers in the form of rollover equity).
- ✓ **The strength of your management team.**
- ✓ **If applicable, a realistic assessment of family members' abilities to run the company.**





Maximizing Value

It is extremely helpful to have a realistic assessment of the value of your business early in the process. Investment bankers and valuation experts, especially those with experience in your industry, can be particularly helpful with this step.

Before beginning the sale process in earnest, it may be beneficial to allow extra time to improve one or more aspects of the company's performance, with the goal of making the company more attractive to buyers and increasing the future sale price. **Areas of focus may include:**



Performance

- Sustainable and verifiable earnings and cash flow.
- Realistic growth strategy.
- Unique market position, product, and technology.
- Established and diverse customer base.



People

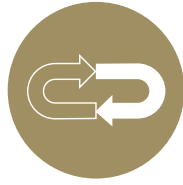
- Stable, motivated management team.
- Non-reliance on owner for future growth of business.
- Salaries and bonuses aligned with industry standards.



Processes

- Accounting and financial records up-to-date and ready to deliver to buyer.
- Non-operational expenses cleaned up.
- Financial controls in place.

Receiving an unsolicited offer to buy your company can be flattering, but the lack of competition tends to favor the buyer. In many cases, a seller will have much better leverage to obtain an appropriate price, deal structure, and cultural fit by engaging an investment banker to run a competitive sale process where potential buyers are forced to put their best foot forward.



Planning for Life After Exit

What will your life look like after the sale? Are you headed into retirement, or will you put the sale proceeds into a new business venture? Or perhaps, like 87% of the owners surveyed in our recent Owner Transitions in the Middle Market research report, you'd like to retain some role in your company post-sale. Creating an action plan can help you mentally make the transition from your current endeavor to the next stage.

Additionally, comprehensive pre-sale planning can give you a better understanding of your future spending needs and how much you will need to realize from the business sale in order to support your desired lifestyle after exit. For instance, you may have expenses that are handled through the business but serve both business and personal purposes (like a cellular plan, life insurance premiums, or vehicle expenses). Once you sell your company, those expenses will become your responsibility. Tackling this topic early can help to reduce potential stress during the sale and avoid surprises later.

A well-crafted business transition plan takes some time and careful consideration and is most successful when a business owner assembles a team of experienced professional advisors early in the process. What can seem like an overwhelming undertaking up front can become a manageable series of tasks when the right advisors are at your side.

BTAT Can Help Prepare You for the Sale of Your Business

Navigating a business transition or liquidity event is complex, both financially and emotionally. Whether you're selling the business or passing it down to family, Fifth Third's Business Transition Advisory Team can work alongside you and your outside advisors to help optimize your financial and business outcomes. We have extensive experience working with teams of professionals during business transitions and taking the lead as the liaison among these advisors and between you and your team. We encourage our clients to take their time making decisions and to rely on the expertise of their team. The Business Transition Advisory Team is there to offer support throughout the entire process. We would welcome the opportunity to assist you and your family in reaching your goals through a successful transition.

Please reach out to your Fifth Third Private Bank Advisor if you would like to discuss whether you might benefit from planning ahead in anticipation of any potential business transition.



Email us at
BusinessTransitionAdvisoryTeam@53.com



Call us at 866-488-0017

About Fifth Third's Business Transition Advisory Team

Fifth Third's Business Transition Advisory Team (BTAT) is a Private Bank Team solely dedicated to financially and personally preparing business owners for their business transition. Collectively, we have provided deep education and expert advice to hundreds of business owners through significant transition events benefiting generations to come.

*Data as of December 31, 2023.

About Fifth Third Private Bank

We bring more than 165 years of experience as trusted advisors to high-net-worth and ultra-high-net-worth individuals and families—with over \$36 billion in managed assets and named one of the World's Best Private Banks by Global Finance for the sixth year.

Contributing Authors



Morgan Luddeke
*Senior Vice President and Director
Business Transition Advisor*



Sean Obermeyer
*Senior Vice President and Director
Business Transition Advisor*



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53.com/privatebank

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