Exit Planning:

Preparing for the End from the Beginning

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CERTIFIED PUBLIC ACCOUNTANTS

Walter H. Deyhle, CPA/ABV/CFF, MAFF, CExP^{tm}, CEPA

Partner and Director, Tax and Valuation

John R. Pace, CPA, CVA

Partner and Director, Outsourced Accounting and Advisory Services

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Webinar Objectives

Learning Objective *To provide attendees with a better understanding of exit planning and business valuation*	**Instructional Delivery Methods** *Group Internet-based*
Recommended CPE *1.0 CPE*	**Recommended Fields of Study** *Tax*
Prerequisites *None required*	**Advance Preparation** *None*
Program Level *Basic*	**Course Registration Requirements** *None*
Refund Policy *No fee is required to participate in this session.*	**Cancellation Policy** *In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.*
Complaint Resolution Policy *Gelman, Rosenberg & Freedman is committed to our seminar participants' 100% satisfaction and will make every reasonable effort to resolve complaints as quickly as possible. Please contact kdavis@grfcpa.com with any concerns.*	

Presenters

Walter H. Deyhle, CPA/ABV/CFF, MAFF, CExP™, CEPA

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Exit Planning

Exit Planning

Exit planning defined

Exit planning provides a roadmap that allows the business owner to transfer their business when they want, for the amount of money that they want and to the person they choose.

Exit Planning

The Benefits

Maximize Value

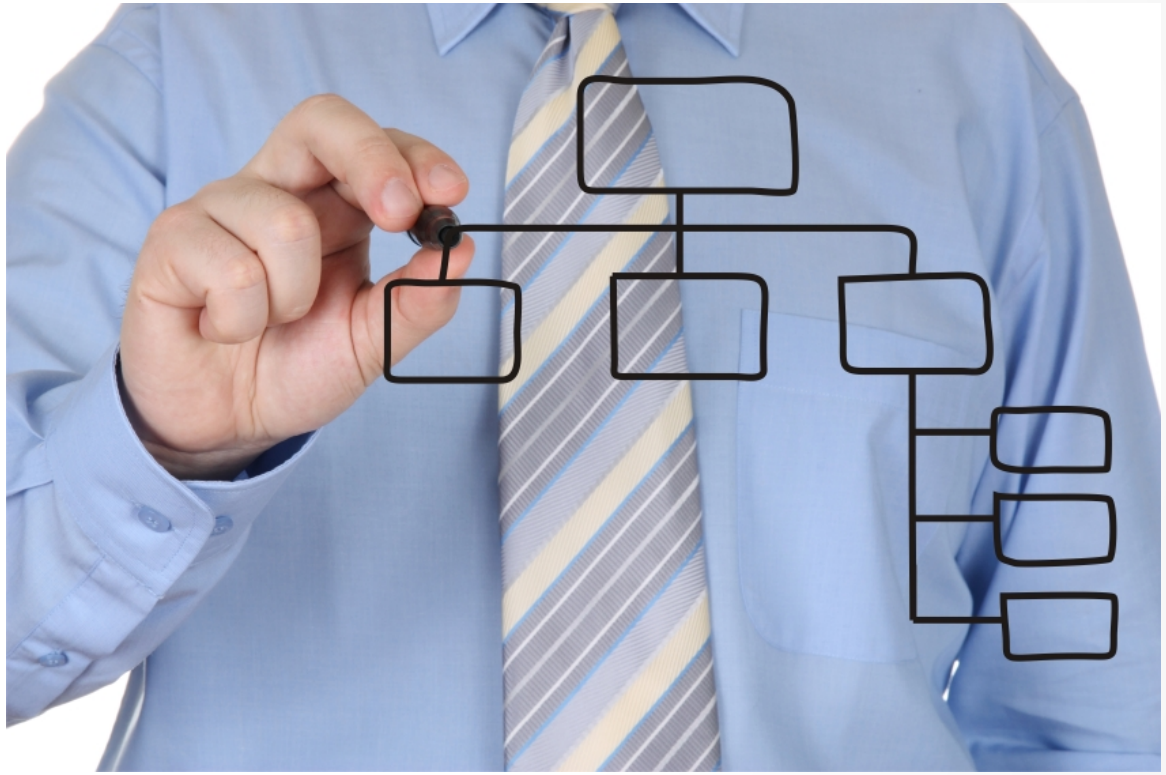
- Higher Business Value

Minimize Risk

- Risk During the Transition
- Risk of Excessive and Unnecessary Taxes

Stay in Control

- Set Your Own Timeline and Terms



Polling Question #1

Are you the owner of a business?

a. *Yes*
b. *No*
c. *No, but I plan becoming a business owner*

Exit Planning

Top 3 Universal Exit Planning Questions

How much do you need from the sale of your business?

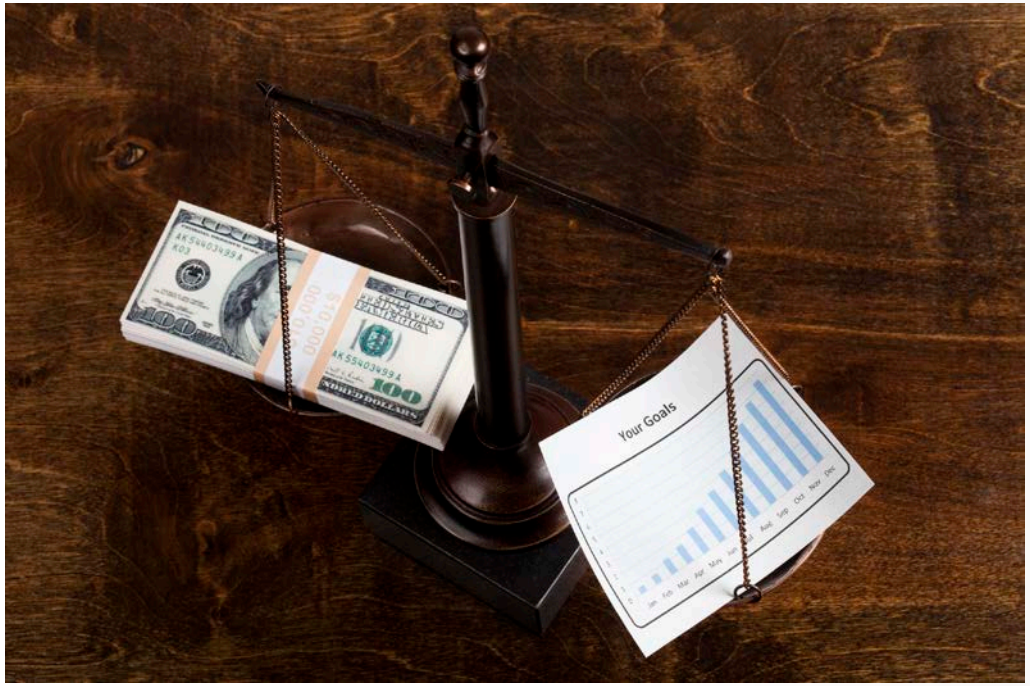
When do you want to exit?

To whom do you want to transfer the business?

Exit Planning

Creating a Plan

1. Your Goals
   - 3 universal questions
   - Other personal/financial goals



Determining How Much You Need

1. Put together the value of all existing assets
2. Project your expenses realistically
3. Run a Monte-Carlo Simulation to determine probability of success

GAP Analysis

The existence of a GAP will determine what steps need to be taken to make sure the family of the business owner is financially secure should something happen to the business owner before the exit plan can be fully implemented.

The existence of a GAP will lead to the implementation of steps to increase the after tax transferable value of the company.

1. Growing Value
2. Reducing Taxes

Reducing Taxes

1. Installment sale
2. ESOP
3. Donor advised fund

Growing Value

Challenge	Solution
Lack of Management Team	Incentive Compensation
Too much personal goodwill	Delegation, add team members
Customer concentration	Sales training, targeting acquisition

Polling Question #2

Do you plan on exiting your business in the next 5 years?

a. *Yes*
b. *No*
c. *I am not currently a business owner*

Transfer Options

Four basic choices

1. Transfer to insiders
2. Transfer to family
3. Sale to an ESOP
4. Sale to an outside 3rd party

Inside Sale

Benefits, Challenges and Overcoming

Top Three Benefits	Top Three Challenges	Overcoming the Challenges
Successor of choice	No money	Minimize tax consequences of transaction
Maintain control	If I sell today, I'll lose control – without getting paid	Maintain control until fully paid
Achieve values-based goals	Business can't run without me	Incremental sale of ownership over several years a. Non-voting ownership b. Purchase by insiders contingent on attaining performance standard such as increasing cash flow
	Business isn't worth enough today	

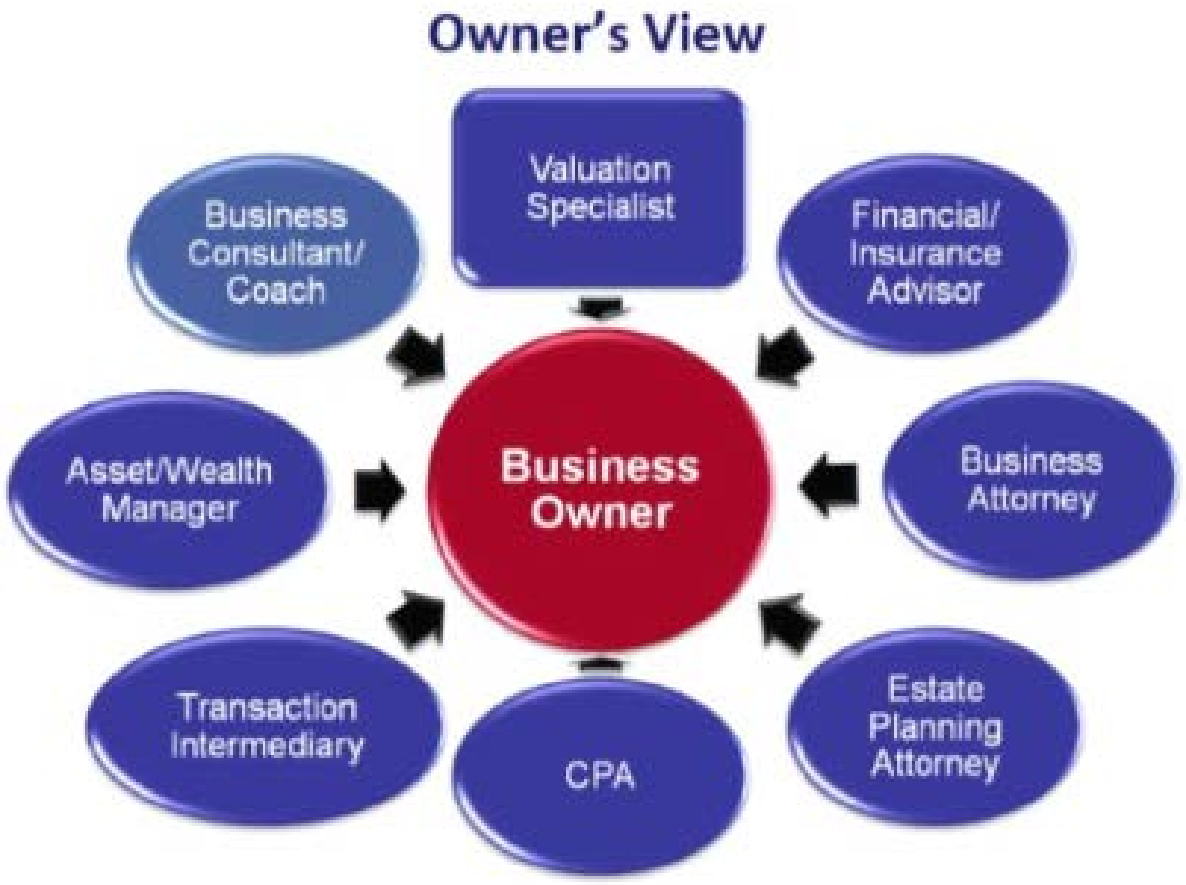
Third Party Sale

Benefits, Challenges and Overcoming

Top Three Benefits	Top Three Challenges	Overcoming the Challenges
Speed	Business Readiness	Pre-sale Planning
Cash at Closing	Likelihood of Earn Outs, Owner Notes	Business ready to be sold
Maximum Price	Values-based Goals May Not Be Met	Owner ready to sell

Exit Planning

Creating a Plan



Exit Planning

Creating a Plan

Polling Question #3

Do you have a written exit plan?

a. *Yes*
b. *No*
c. *I am not currently a business owner*

Valuation

Valuations in the context of exit planning

Valuation

Valuations in the context of exit planning

Valuations for exit planning are typically different that those performed for tax and financial statement reasons

- Emphasis is not on a “hypothetical willing buyer and seller” rather on maximizing value to the owner of the business
- Typically a full SSVS 1 compliant valuation report is not necessary
- Analysis is typically focused on cash flow
- The valuator will also search for comparable companies that have sold in an effort to benchmark your company and to sanity check the value determined via the cash flow method

Valuation

Valuations in the context of exit planning

Cash Flow-based

- Based on historical results
- Based on forecasted results – historical will be better in the context of exit planning

Asset-based

- Seeks to adjust the assets of the company to fair market value
- This method is not ideal in the context of exit planning

Market-based

- Determination of multiples based on:
  - Comparable company sales
  - Public company industry reports and data
- Be careful to understand the data source from which you derive your multiple
  - Different databases have different definitions
  - Improper understanding of the definitely can produce erroneous results

Valuation

Post-Valuation

The valuation is done. Now what?

- Incorporate the value into your financial analysis
- Use the valuation as your guide to increasing the value of your company

Key Takeaways

A proper exit plan can maximize value, minimize risk, and help you stay in control.

A business valuation, coupled with a personal financial analysis, is the first step in the exit planning process.

Overcome your most difficult challenges with the help of an exit planning advisor.

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at the next webinar in our 2017 series

"Unraveling the Complexity of Expatriate Taxation: How Employers Can Achieve Compliance and Promote Employee Satisfaction"

July 25, 2017, 11:00 a.m. to 12:00 p.m.

Q&A

Get In Touch

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

4550 Montgomery Avenue,

Suite 650N, Bethesda, MD 20814

(301) 951-9090

www.grfcpa.com

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instagram.com/grfcpas/

Walter H. Deyhle, CPA

wdeyhle@grfcpa.com

(301) 951-9090

John R. Pace, CPA

jpace@grfcpa.com

(301) 951-9090