

# Pass It On, Inc.

Issue 30

Planning to Keep Families in Business

Since 1947

## Giddyonup, or Giddyonout? - Part 1



The economic and political turmoil of the past three years has taken a financial and emotional toll on most of us, and has led some business owners to decide the time has come to do what they've dreamed and talked about for years. I'm currently advising a second-generation company as they move to the third generation of ownership. Another company has decided to honor a promise to a key employee who has earned the right to own the company with years of loyalty, dedication and creativity. We also have a company that is combining the abilities of an adult child and an enterprising employee to create a succession plan for the company. What should you do?

Hard times can either temper a business and position it for growth and profitability when things turn around, or they can compromise the strength of the company and discourage everyone involved. It's natural to ask the question, "Should I get out now, or should I press on? Credit is due Laura Belle Bundy for a more interesting title.

Here are some factors to consider in answering that very personal question:

- ◆ Are there compelling tax reasons to sell now? Most experts believe that capital gains tax rates will increase in the future, which might lower the tax cost of a sale if completed before the rules change.
- ◆ Are there family members who would like to take over the business, and in whom you have confidence?
- ◆ Do key employees in the company own any part of it? If they can run it successfully, should they buy the company?
- ◆ If the bank is no more cooperative than they've been for two years, will you be comfortable with payments over time from employees or family?
- ◆ Would you prefer to remain involved for a couple of years, to keep an eye on the transition?
- ◆ Do you prefer a clean break where you take your money and run -- into a different lifestyle?

At Pass It On, Inc. we have helped families who own businesses throughout the country to think through the options for developing an exit strategy. We also specialize in accommodating the family dynamics and the financial implications of withdrawing from the family business.

When the most attractive course appears to an internal sale to family, employees or both, we can explain a variety of different strategies that we've used over the 35 years we've worked with family-owned companies. We can also design an entirely new plan that fits your company and your goals. Call us for a private conversation about your company and what alternatives make the most sense for you.



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# Giddyonup, or Giddyonout? - Part 1

To get a perspective on an outside sale, we talked with Ron Chernak, President of First Business Brokers, Colorado Springs (rvc@fbb.com).

“All entrepreneurs will exit their business sooner or later. As in most things in life, the results are usually better for those entrepreneurs that plan ahead for a choreographed exit. A sale to an unrelated third party should at least be considered by most business owners, as it may generate the highest sale price.”

Ron went on to outline the steps he advises for a business owner who is thinking about listing the business for sale:

1. Assemble an experienced team of qualified and trusted advisors. This team would typically include your financial planner, tax advisor, transaction attorney, and intermediary (Business broker or investment banker).
2. Consult with your team to define realistic goals and objectives
3. Allow adequate time to complete a transaction on your terms. It may take up to two years to properly position your business to go to market and nine to fifteen months to complete a transaction after the business is listed.
4. Be committed to the process. Rely on your advisory team to keep the process on track, so you can focus on managing the business.

If you choose to investigate an outside sale, Pass It On, Inc. would be pleased to arrange a confidential, no-obligation introduction to one of the professional brokers at FBB to discuss your specific situation and to provide you with a complimentary checklist to assist you in positioning your business for sale.

If you choose to Giddyonout, we'd be delighted to help you investigate your options and eventually design a strategy that allows you to – Pass It On.

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