

Transfer of business ownership



Wealth
Management

A critical choice for every owner

Kerr Wealth Management Group
Kelly Kerr, AWM, CIMA®
Senior Vice President –
Financial Advisor
Consulting Group
303 Pearl Parkway, Suite 380
San Antonio, TX 78215
Phone: (210) 805-1177
kelly.d.kerr@rbc.com
www.rbcwmfa.com/
kerrwealthmanagementgroup

Reality: most business owners do not have an exit plan

What is an exit plan? An exit plan is a comprehensive road map to successfully exit a privately held business. An exit plan asks and answers all the business, personal, financial, legal and tax questions involved in selling a privately owned business. It includes contingencies for illness, burnout, divorce and even the owner's death.

What does a well-designed and implemented exit plan offer business owners?

- Control how and when they exit their business
- Maximize company value
- Minimize, defer, or eliminate capital gains taxes
- Ensure they achieve all their business and personal goals

Sad truth – most owners work “in” their business but not “on” their business

A recent survey showed the number one reason private business transfers fail or only partially succeed is a lack of planning on the seller's part. Despite the tremendous value of exit planning, most business owners do not have an exit plan. In fact, only an estimated 28 percent of private businesses have done any exit planning. Due to a lack of good planning, only 30 percent of family-owned businesses survive through the second generation.

A study of 300 former business owners who sold their companies in the past 12 months showed that 75 percent of respondents felt the sale did not accomplish their personal or financial objectives. (Source: PriceWaterhouseCoopers, *Whose Business Is It Anyway? Smart Strategies for Ownership Succession, and University of Connecticut Family Business Program, Family Business Survey*)

Business ownership transfer options to consider

The decision on the best way to exit a business is one of the most important decisions that business owners face. While the range of options is varied, the four basic ways to transfer business ownership include:

1. Transfer to a family member (gifting or sale)
2. Sell to a third-party buyer
3. Transfer to employees (Employee Stock Ownership Plan – ESOP)
4. Transfer through a public offering (IPO)

Each of these options has distinct advantages and disadvantages which need to be reviewed with your advisors well in advance of any proposed transaction.

Assembling a multidisciplinary team of advisors

In any endeavor, the most difficult challenge is getting the right people in the right place at the right time. By building a multidisciplinary team of advisors, you increase the likelihood of a successful exit and a desirable outcome for everyone.

These advisors include professionals from the following disciplines:

- Wealth planning
- Accounting (CPA)
- Business valuation
- Investment banking/mergers and acquisitions advice
- Lending/finance
- Investment advice
- Mergers and acquisitions law
- Estate planning law
- ERISA law
- Insurance/risk management
- Human resources/employee benefits

RBC Professional Referral Program

While we cannot provide tax or legal advice, we do partner with both internal RBC employees and outside advisors that provide assistance in evaluating your ownership transfer options.

Please let us know if you would like to discuss ways that we might help you and your family.