

# Why Do Business Owners Fear Exit Planning?

By Bob O'Hara

*Editor's Note: This is a very helpful article to share with your small business owner clients. It will also be meaningful to your own practice because the concept of fear and other psychological aspects of exit planning is infrequently discussed.*



Vital not only to their future, but to that of their company, an exit plan is a business owner's best defense against the unexpected. Yet, some otherwise savvy entrepreneurs will delay the process due to fear of conflict, of losing control or of not having enough financial reserve to support their lifestyle post sale or transfer.

With a comprehensive action plan, backed by the support of a team of advisors, even the most apprehensive business owner can see beyond the fear and build a successful future for all involved — self, family and the

business. But first, you must define and overcome the obstacle(s) that have held your exit plan hostage.

## Transition of Authority—Fear of Conflict

For some, the fear of conflict can hold up the works — particularly if the business is family owned and operated or if key employees are not members of the family. An exit plan establishes a hierarchy of authority and some business owners see this as pitting one child against another ... or a child against a highly valued yet unrelated employee. The long-term good of the company is the ultimate goal; the transition of authority must be based on the ability to perform.

An honest assessment must be made of who can best helm the business upon your departure; while you want to believe your children are chips off the old block, they may not have — or want to have — the same skill set that helped you grow your business successfully.

Now is the time to determine if your successor currently exists within the company. Perhaps that individual is not ready for the position today but might have the ability to take over in the future; if that's the case, some additional training may be in order.

Recognize that sometimes, in the name of “keeping the peace” business owners will relegate top level

lated staff member who has been with the company through the good and the bad. Or even worse, some avoid the situation completely, duping themselves into believing that the issue will one day resolve itself naturally. In reality, that rarely happens; instead chaos occurs in the absence of a clear line of authority or succession plan in place and the exact conflict the owner has avoided happens anyway.

### **Loosening the Reigns — Fear of Losing Control**

Fear of losing control is also high on the panic button list. While most owners are realistic enough to recognize they must vacate the helm at some point, fear that the company will fail to succeed in the absence of their leadership can be a driving force to no action. And herein lies the irony — this concern will undoubtedly become reality since the owner failed to plan for his or her certain and eventual departure.

But by identifying and mentoring the key employees that will someday operate the business, the owner allows his or her vision of the future to be embraced by the next generation of management ... while at the same time guiding their direction through experienced counsel. What some business owners fail to grasp is that stepping down as head of a company does not necessarily translate into stepping away completely.

### **Achieving Financial Freedom — Financial Fear**

And then there is the financial fear, the worry that you may not reap enough monetary benefits to truly enjoy retirement. You should recognize that a sound exit plan is not unlike a crystal ball. If properly prepared with the assistance of key professionals, a plan can provide an insight today into your company's future worth, and how that worth will translate into after tax dollars to fund your retirement. The comprehensive exit planning process should also calculate how much you need in non-

business assets to achieve financial comfort independent of your business. Knowing the answers to these questions can mitigate this fear and put the owner on a course to achieving financial freedom.

### **Beyond the Fear Factor**

Once fears are identified, conquered or at least set aside, it's important to realize that no matter how skilled or experienced a business person you are, executing an exit plan is not something that should be done solo. A successful exit plan involves a number of elements — legal, financial, tax, to name a few. It is in your best interest to hire an experienced team of professionals, including an attorney, CPA and financial advisor/planner to assist you through the exit plan process.

Ultimately, your succession plan must integrate your exit desires — when you want to leave, how much money you need after business ownership and who you want to own the business. Exit planning is indeed a long and often emotional process. However, the benefits of a well-thought-out and documented succession plan can be invaluable. By overcoming the fears associated with the eventual “good-bye” everyone involved — you, your family and your key employees — will benefit when it comes time to hand over the company keys at some future tomorrow.



*Bob O'Hara, CPA/PFS, MST, CExp is President/CEO of O'Hara & Company, PC founded in 1995 to address the growing need for entrepreneurs to create a comprehensive exit strategy from their businesses. O'Hara & Company hosts an educational website for business owners at [www.exitplanning-edu.com](http://www.exitplanning-edu.com). The company is located at One Olde*

*North Road, Ste. 101 in Chelmsford MA. For more information please visit [www.oharaco.com](http://www.oharaco.com) or call 978-244-9860.*