LIVING LEGACY
FINANCIAL & INSURANCE SERVICES

Business Owner Newsletter

RECIPE FOR SUCCESS: BUILDING AN ADVISOR TEAM

Just like every business is unique, so are the plans owners have for transitioning out of business. Their financial and values-based goals, the desired exit path, and their timeline are all specific to their personal and professional situation.

For these reasons, there is no one advisor that can successfully manage an entire Exit Plan from start to finish on their own. A team of experienced professionals is needed to successfully build and execute on the plan to meet the owners' objectives.

Whether you want to take the lead in designing the Exit Plan and coordinating the team on execution, or you want to focus on performing your area specific tasks, there are opportunities for every type of advisor to make a significant difference in the lives of their clients.

By being in a network of advisors that can be called on when the time is right, you can save time by working with advisors familiar with your process, open up doors to working with new clients, and ultimately differentiate your practice from others that do similar work.

What other advisors are needed for an Exit Plan?

While this list is not exhaustive and does not include specialties within a profession, these are the most common advisors included on an advisor team involved in Exit Planning.

- Financial Professional
- Insurance Professional
- CPA
- Valuation Specialist
- Business Attorney
- Estate Planning Attorney
- Transaction Intermediary
- Wealth Manager
- Business Consultant

When developing your network, there are certain characteristics you'll want to look for when determining if a particular advisor will be effective on an Advisor Team.

1. Does the advisor have experience in their profession? This perhaps goes without saying, but you'll want advisors experienced in their profession in a variety of planning situations.
2. Does the advisor have experience with owners? Consider not only the number of years the advisor has worked with business owners, but also the type of work they do. For example, there is a difference in the experience of a CPA that does tax returns versus a CPA that works with owners on strategies for tax mitigation.
3. Is the advisor willing and able to offer suggestions informally? Oftentimes, Exit Planning Advisors will seek guidance from members of the Advisor Team over whether a recommendation is feasible before pursuing action or officially engaging the advisor on a plan.
4. Is the advisor deadline-driven? One of the key aspects of a successful Exit Plan is the owner leaving when they want. That is dependent on the Advisor Team delivering on time to not delay the entire planning process.

When is the Advisor Team involved in the planning process?

It would take more than the standard length of a blog post to list out all the possible scenarios in which each advisor type may get involved in an Exit Plan, especially when considering each unique exit path. However, we do want to showcase a few of the more common scenarios. For more on creating a comprehensive Exit Plan, check out this blog post on the BEI Exit Planning Process and working with an advisor team!

A financial professional will look at the business owner's personal goals and lifestyle to determine how much is needed from the transfer of the business to meet that financial need.

Additionally, they can look at the current resources to determine if there is a financial gap between where the owner is today and where they need to be at the exit event. They are looking to answer if there is enough capital and assets, given the chosen exit path,

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to ensure financial independence from the business.

A CPA has a key role when determining the pros and cons of each exit path, specifically with regard to structuring the transfer to minimize taxes upon exit. CPAs are also involved in the valuation of the business for the purpose of buy-sell agreements, cash flow projections, and preparing financial audits for potential buyers. Having someone on your team to help the owner not only get the highest number for their business, but make sure they get to keep the most from that, is valuable to all members involved in the process.

It's important for an insurance professional to look at the amount of coverage needed to fund lost income if the owner dies prior to their exit from the business. They will also review the estate plan to ensure consistency between the exit objectives and existing resources and make any modifications necessary for business continuity. An insurance professional will also analyze the need for key-person life insurance as part of preserving the business value.

Regardless of if the owner desires to transfer to an insider or sell to a third-party buyer, you'll need an attorney on the team to draft necessary legal documents. For insider transfers, an attorney can support with purchase agreements, buy-back agreements, incentivizing key employees and designing buy-sell agreements for the new owners. In a third-party sale, you may need several specialized advisors, such as an M&A specialist, investment banker, or business broker.

These advisors will perform pre-sale due diligence to ensure a business is ready to go to market and negotiate the sale of the business. An attorney can also work with the owner on Non-Qualified Deferred Compensation plans to motivate and keep key employees as part of promoting business value.

Key Ingredients to Building an Advisor Team

Start building your team early. The earlier you have advisors in place, the easier it will be to get aligned in what the planning process looks like and each advisor's role in that process.

As you can see just from the few insights provided in this blog, there is a lot to consider for each Exit Plan, and you will need to coordinate the activities of those advisors to ensure the recommendations are designed and executed in a way that allows the owner to leave their business when they want, to the person they choose, and for the money they need.

MEET OUR TEAM

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