

# BUYING VS. LEASING THE COMPANY FACILITY

*By: Glenn and Miles Arnold*

**F**or business owners, real estate occupancy cost is often the second largest fixed expense. We also know that for many, real estate ownership is a great long term wealth building strategy. For business owners (and trusted advisors we rely on), how do we process this decision or understand if this is a good strategy? When does (or doesn't) it make sense to own- and how best to evaluate this important decision?

It's here we think that it's better to ask the right questions than to provide answers. In my 37 years of working with business owners, I have found the best place to begin is with the list of questions we developed and review with our clients, called "[Top Reasons to \(and not to\) Consider Owning the Company Facility](#)". (Click link to view.)

Real Estate ownership is not a solution for all business owners.

But for those where it may make sense, the benefits can be quite rewarding. In reviewing the above list of questions with clients, if the client is able to check off a majority of the boxes, then it may be worth considering. If not, we generally don't see these clients as good fits for this transaction type.



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# THE BUSINESS OWNER'S BUCKET LIST

**W**riting things down is an important part of achieving your goals, both while you're running your business and after you leave it. However, many business owners feel overwhelmed by the idea of writing down their post-exit goals and strategies. Some business owners say to themselves, "I'll worry about this when I need to." But this can be a trap that could create situations that are even more overwhelming down the road.

How can you, as a busy business owner, begin planning for a successful future even if you aren't ready to exit your business? The answer, along with some unexpected benefits, could be to create an informal, written business owner bucket list.

## Starting Small

Planning for your eventual business exit can be a big process. But just as an acorn grows into a mighty oak, starting small can be the beginning of something big.

To start, consider writing down the following questions in a notebook, on your computer, or in your phone.

1. In a perfect world, when would I retire?
2. What do I want to happen to my business once I leave it?

The answers you provide to these questions can be as short, informal, or unrealistic as you choose to start.

The goal is not to create a fully fleshed plan in one sitting. Instead, the goal is to get you to think about potential possibili-

ties while you are still in a strong position to affect the outcomes.

## What's the point?

The process of planning for a successful future, both inside and outside of your business, can take years to execute. Starting early—when you still have control of your business and can leverage your business' strengths—could position you to both execute a strong Exit Plan and pivot more effectively if outside forces prevent you from executing your exit as planned.

For example, you may write down that you want to exit your business in 10 years, transfer it to a family member, and travel the world in retirement. This can lead you to consider several follow-up questions, such as, "Which family member would run the business instead of me?" and "Will my business be valuable enough in 10 years to afford me a comfortable retirement?"

As you build on your business owner bucket list, you can dive more deeply into the ideas and assumptions you have about your eventual exit. But the key is to just get started with something small.

## Good for Now, Better for Later

Another question to jot down is:

3. How much is my business worth, and why do I think that?

Answering this question can go a long way in helping you address assumptions you may have about your business.

When planning for a successful post-exit future, the most important goal for all business owners is achieving financial independence. Failure to achieve this goal upon exiting your business may mean that you need to go back to work for someone else. Few business owners find this prospect attractive.

Many business owners achieve financial independence through various means, but a big part of achieving financial independence comes from the sale or transfer of business ownership.

This often means that business owners must develop their businesses to grow in value to support their pursuit of their financial independence goal. This can be more challenging than business owners think due to common assumptions about business value.

## Reducing Assumptions About Business Value

Businesses that look similar on the outside are not always similar on the inside. As such, using assumptions and rules of thumb could cause you to overvalue your business, which could prevent you from strengthening it so you can sell it for top dollar, which in turn can have a negative effect on your overall Exit Plan.

Many business owners overvalue their businesses based on rules of thumb. For instance, you may see that similarly sized businesses in your area sold for a certain amount and then believe that your business can do the same. However, it's possible that you may not have all the necessary information that went into achieving that sale price.

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## Business Owner Newsletter

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On the other hand, having an accurate business valuation can show you where you are financially compared to where you want to be when you exit. This can help you create and implement strategies that increase your business's value and align your strategies with your exit timeline.

In many cases, if you wait until you are ready to exit your business, you may find that your business is nowhere near ready for you to exit it. Taking steps to strengthen business value long before you are ready to exit not only positions you to exit on your terms but also could make your company stronger while you're running it.

This can open up even more avenues to take control of your professional and post-professional life. After all, if the business is less reliant on you for your success, it could free up more time for you to do the things you truly love in your business, rather than having to do it all.

In short, asking yourself what your business is worth can help you avoid assumptions that can hurt your planning.

### The Big What Ifs

One final question to write down in your business owner bucket list is:

4. What would I do if something unexpected happened to me or my business before I retire?

No business owner wants something bad to happen to them or their business before they're ready to retire. But sometimes, uncontrollable things happen that have profound effects on your future. Having strategies to address and overcome these unexpected events could help you protect yourself, your business, and the people who rely on your business.

Business continuity planning is a powerful strategy that could help address unexpected events that affect your business. Whether you experience an untimely death, debilitating injury, divorce, or other major life event that may negatively impact your ability to run the business, a business continuity plan can help your advisors, family members, and employees implement strategies in your absence.

In addition to serving as a mode of protection for your business, business continuity planning often includes instructions for how to address your needs outside of the business. For instance, many business continuity instructions include information about personal financial accounts, account passwords, and other important documents so that your advisors and family members can still execute your strategies to achieve your goals when you cannot.

Giving your advisors, family members, and employees a strategy for addressing your unexpected absence could

help them survive and thrive, which can also help strengthen your legacy.

### Don't Eat the Bear in One Bite

Creating your business owner bucket list lets you take small steps toward your biggest post-exit goals. It can also reduce the overwhelming feeling you may have about planning for such a big event.

Taking smaller steps toward achieving your biggest goals can help you savor all of the strategies that you'll implement to strengthen your personal and business standing. It can also protect you from starting down a path, based on assumptions, that doesn't lead you to the destination you were aiming for.

Consider starting your business owner bucket list today.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. If you have questions on this topic, we can help with more information or a referral to another experienced professional.

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