



## Setting Exit Objectives: Step One of The Seven Step Exit Planning Process™

*“When a man does not know which harbor he is heading for, no wind is the right wind.” —Seneca*

The starting point for any type of plan is defining its goals. In the case of planning a business exit that means knowing what it means to “exit your business in style.”

Philosophers, business owners, and successful people from all walks of life understand the critical importance of establishing goals, creating plans to attain those goals, and persevering to see their plans through to completion.

*“To will is to select a goal, determine a course of action that will bring one to that goal, and then hold to that action till the goal is reached. The key is action.”*  
—Michael Hanson

Having worked with owners to create successful exits, we know that it is critical that you establish three principal exit objectives before moving forward with your Exit Plan.

- How much cash do you need when you exit to support the lifestyle you desire? (Do you want to be cashed out when you leave the business or are you willing to receive the purchase price over time?)
- When do you want to leave the company? (Or, how much longer are you willing to remain active in the company?)
- To whom do you want to sell / transfer the company? (To a child? Key employee? Co-owner? Or perhaps to an outside party who can pay top dollar?)

Let’s look at an example of an owner who arrived at his exit date without a plan to reach his goals.

*Ben, the owner of a 45-employee plastic extrusion company had long thought of transferring his business to a son and a key employee but had done little to prepare for that transfer. As tougher economic conditions challenged his company, however, and he reached his 58th birthday, he decided it was time to retire and called me.*

*“Ben, it’s helpful that you’ve established two of the three Exit Objectives critical*



*This issue brought to you by:*

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John F. Dini is recognized as one of the foremost authorities on business ownership in America. He coaches hundreds of CEOs, speaks to national groups of business owners, and writes a weekly column for business owners "[Awake at 2 o'clock in the Morning.](#)"

With over 10,000 hours of face-to-face coaching with entrepreneurs, John specializes in defining an owner's financial and life objectives, and the steps that make them come true. He approaches exit planning in cooperation with legal, risk and tax professionals, focusing on the strategic and operational aspects of a business exit.

For 25 years, John and his staff have worked tirelessly to live their mission. "We are passionate about working with business owners who compete aggressively, play fair, and work to improve their community and the lives of their employees."

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to all successful business exits. You've determined that you don't want to work much longer in the business. And second, you have decided that you want to transfer the business to your son and a key employee."

"But what about the third Exit Objective: how much money do you want or need when you leave the business? And, have you determined whether you need cash or can you accept a promissory note?"

At this point, Ben had two choices:

1. He could retire immediately and try to sell the company for cash—but not to his son and key employee. They had no cash and no bank would lend an amount even close to the amount of money necessary to close the deal. If Ben wanted to sell today and receive an amount that would support his post-exit lifestyle, he would have to sell to an outside third party with sufficient cash.
2. Ben could sell the company to his son and key employee, but wait six to ten years to receive (hopefully) the entire purchase price.

Ben's situation illustrates why setting your objectives or goals, understanding how each affects the other, creating a plan, and then acting to reach those goals is so critical to a successful exit.

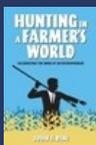
If you prefer to leave your business in style (which to us means leaving your business to the successor you choose, on your timetable and with the amount of cash you desire) you must take time to formulate specific, consistent, attainable goals and objectives.

You must determine a course of action—a plan—based upon those goals, and you must "hold to that action till the goal is reached. The key is action." Without setting goals at the outset of your exit journey, you may drift aimlessly until, like Ben, it's too late.

Don't be an owner who is too busy working *in* your company to work *on* the most important financial event of your business life. We are happy to help you begin by providing you with more information about setting objectives and other Exit Planning topics.

Watch for our next issue of *The Exit Planning Review*<sup>TM</sup>. We will discuss Step Two of The Seven Step Exit Planning Process<sup>TM</sup> — Determining Business Value.

*Subsequent issues of The Exit Planning Review*<sup>TM</sup> provide unbiased and advertising-free information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.



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