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## SMALL BUSINESS OWNER NEEDS ANALYZER

### INTRODUCTION

#### *EXIT PLAN*

- a. What is an exit plan that will allow you to leave your business the way you want and how do you create such a plan?
- b. There are many types of businesses and business owners, as a result, each business owner's exit plan will vary; yet almost all exit plans contain common elements.
- c. Discover how to minimize tax consequences to you, to the business and to the new owner upon transfer of your ownership.
- d. Discover how to structure the transaction to guarantee that you receive the monies due to you.

#### *EXIT PLAN QUIZ FOR BUSINESS OWNERS*

- a. Do you know your primary planning objectives in leaving the business, such as:
  1. Your departure date (retirement)?
  2. The income you need from the sale of your business to achieve financial security?

3. To whom do you want to leave your business?
4. Do you know how much your business is worth?
5. Do you know how to increase the value of your ownership interest through enhancing the most valuable asset of the company - the employees?
6. Do you know the best way to sell your business to a third party which maximizes your cash, minimizes your tax liability and reduces your risk?
7. Do you know how to transfer your business to family members, co-owners or employees while paying the least possible taxes and enjoying maximum financial security?
8. Have you implemented all necessary steps to insure that the business continues if you don't?
9. Have you provided for your family's security and continuity if you die or become incapacitated?

#### ***CREATING AND PRESERVING VALUE***

- a. Most business owners are so dedicated to making money that they have little or no time to spend on creating and preserving value for their business
- b. Even so, it is time you find the time to begin work on your exit plan

#### ***EXCHANGING OWNERSHIP FOR MONEY***

- a. Inevitably, every business owner will sooner or later leave the business
- b. Yet few owners think about that event as they build and run their businesses
- c. In no other event is the need for planning so obvious and the lack of planning so evident

- d. One of the following scenarios will occur:
1. You will transfer ownership of the business during your lifetime because you want to retire. Without planning, you may well have to liquidate; but with planning, you will be able to sell the business to a third party, to key employees or co-owners, or to family members - all at minimal tax rates
  2. You will die or become disabled and the business will have to be liquidated unless business continuity arrangements have been planned and documented

***MEETING PERSONAL AND FAMILY NEEDS***

- a. You likely have no available market to which you can sell your business
- b. You need an exit plan should you unexpectedly die or become disabled
- c. Your business and family must continue even if you don't. Business continuity planning, estate planning and personal wealth accumulation, all reviewed annually, are critically important
- d. A business continuity plan provides the means for dovetailing ownership interests (such as death, retirement) and valuation and provisions for payment
- e. Without financial security and independence, you will never be able to leave your business
- f. Estate planning provides the mechanisms to continue the business and your family's lifestyle should you depart from the business unexpectedly

***GOALS FOR BUSINESS OWNERS ONLY***

- a. You have to decide how you want to leave your business and how that is to be achieved

- b. The rest of the planning process and all tax planning and implementation is dedicated to reaching the objectives you establish

**INITIAL OWNER-BASED DEPARTURE OBJECTIVES CHECKLIST**

a. Financial Exit Objectives

- 1. Leaving the business in style means, for me, having \$\_\_\_\_\_ of annual after-tax income for the rest of my (and my spouse's) lifetime

b. Personal Exit Objectives

- 1. I plan to work until \_\_\_\_\_
- 2. At that date I will no longer be an employee of the company, although I may want a large portion of my retirement income stream to come from the business

c. I Intend To Transfer The Business To:

- 1. The following child or children (Yes or No). If yes, who?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 2. The following key employees (Yes or No). If yes, who?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 3. My co-owners (Yes or No)

- 4. A third party, known or unknown (Yes or No)

5. I intend to pursue the following activities after I leave my business:

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**SUCCESSFUL BUSINESS PLANNING**

- a. Use experts (CPA, Valuation Firm, Financial Advisor, Business Succession Attorney, etc.)
- b. Plan for the transition with your experts
- c. Anticipate taxes and how to pay them
- d. Plan your own retirement

**QUESTIONNAIRE**

TYPE OF YOUR BUSINESS

- Office Professional
- Retail
- Service
- Wholesale
- Other \_\_\_\_\_

NAME OF BUSINESS

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TYPE OF OWNERSHIP

- Sole Proprietorship
- Partnership
- S-Corporation

{ } C- Corporation

{ } Limited Liability Company; elected tax  
status \_\_\_\_\_

DO YOU HAVE EMPLOYEES?

{ } No

{ } 1 to 5

{ } 6 to 10

{ } 11 to 15

{ } 16 to 25

{ } 26 to 50

{ } 51 to 99

{ } 100+

IS YOUR BUSINESS REQUIRED TO BE BONDED?

{ } Yes

{ } No

IF YOU WERE TO BUY YOUR BUSINESS TODAY, WHAT WOULD YOU PAY  
FOR IT?

\$\_\_\_\_\_

HAS A FORMAL EVALUATION BEEN COMPLETED FOR THE VALUE OF  
YOUR BUSINESS?

{ } Yes

{ } No

DO YOU OWN OR LEASE THE BUILDING FROM WHICH YOUR BUSINESS OPERATES?

{ } Own

{ } Lease

WHAT WOULD YOU LIKE TO SEE HAPPEN TO YOUR BUSINESS WHEN YOU RETIRE, BECOME DISABLED OR DIE?

You have four options:

1. Transfer of ownership to your children or other family members by gift, sale or inheritance

{ } Yes; if yes, which? \_\_\_\_\_  
(gift, sale, etc.)

{ } No

2. Sell your ownership interest in the business to other co-owners or employees. Especially with smaller businesses, a common retirement plan technique is to have a younger and active person or persons buy into your business while you are still active. Upon your retirement, the younger person(s) will purchase your remaining business interest

{ } Yes

{ } No

3. Sell your ownership interest in the business to a third party - this option becomes necessary because you failed to create a market for your ownership interest by sale to your family, co-owners or employees. This option often becomes a bargain sale for the buyer - and is the only alternative to liquidation; on the other hand a sale to a third party:

a. Results in cash to the owner

- b. Minimizes financial risk at your exit from the business
- c. Eliminates family succession issues
- d. Allows for a speedier exit from the business; you may need to contact a business broker or an investment banker
- e. **20% of businesses are for sale, but only one out of four actually sells**

{ } Yes

{ } No

4. Liquidate your business - sell the assets, collect outstanding accounts, pay the bills, and keep what is left, if anything. This is a VERY BAD CHOICE if your business is a service business. Liquidation should be used only as a last resort. Don't even consider this

{ } Yes

{ } No

If you do chose liquidation, what sources of income would your dependents have available while the business was being liquidated?

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WHO WILL ACTUALLY RUN THE BUSINES AFTER YOU LEAVE?

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DO YOU HAVE AN ESTATE PLAN THAT WILL TRANSFER YOUR BUSINESS INTEREST?

{ } Yes

{ } No

DO YOU HAVE A WRITTEN BUY-SELL AGREEMENT?

{ } Yes; if yes, how is it funded?

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{ } No

ARE THERE ANY "KEY" EMPLOYEES OR CO-OWNERS WHOSE DEATH, DISABILITY OR RETIREMENT WOULD HAVE AN ADVERSE IMPACT ON YOUR BUSINESS?

{ } Yes

{ } No

IF ELIGIBLE, WOULD YOU BE INTERESTED IN USING BUSINESS DOLLARS TO PAY FOR CERTAIN INSURANCE COSTS FOR YOU OR YOUR KEY EMPLOYEES?

{ } Yes

{ } No

IF YES, WOULD YOU BE MORE INTERESTED IN THE BUSINESS:

{ } Receiving its dollars back when the employee leaves the business?

{ } Receiving an income tax deduction?

DO YOU CURRENTLY OFFER A DEFERRED COMPENSATION, STAY BONUS OR SALARY CONTINUATION PLAN FOR THE KEY EMPLOYEES OF YOUR BUSINESS?

{ } Yes

{ } No

***CREATING VALUE IN YOUR BUSINESS THROUGH THE KEY EMPLOYEES***

When you ask yourself, "What is the most effective way to create and build value in my business?", the correct answer is: "Finding, keeping and motivating key employees."

There are several important reasons:

1. Properly motivated by a profit-based incentive plan, key employees do increase the value of your business
2. Key employees often become potential purchasers/owners when you decide to retire or move on to another venture
3. If you decide to sell to a third party (or gift the business to your children), the continued existence of a stable, motivated management team will increase the purchase price

The future of your business is in large measure tied into how securely the key employees are tied to your business. This is so whether you transfer your business to a child who is not quite ready to run the business, whether you sell to your key employees, or whether you sell the business to an outside party.

DOES YOUR BUSINESS CURRENTLY HAVE A QUALIFIED RETIREMENT PLAN?

{ } Yes

{ } No

IF YES, WHAT TYPE OF PLAN DOES YOUR BUSINESS CURRENTLY HAVE?

{ } Simplified Employee Pension Plan (SEP)

{ } SIMPLE IRA Plan

{ } 401(k) plan

{ } Keogh Plan

{ } Profit-Sharing Plan

{ } Defined Benefit Plan

DOES YOUR BUSINESS CURRENTLY OFFER LIFE INSURANCE TO YOUR EMPLOYEES?

{ } Yes

{ } No

DOES YOUR BUSINESS CURRENTLY OFFER HEALTH INSURANCE TO YOUR EMPLOYEES?

{ } Yes

{ } No

DOES YOUR BUSINESS CURRENTLY OFFER DISABILITY INSURANCE TO YOUR EMPLOYEES?

{ } Yes

{ } No