# Seminar Series

## INTRODUCTION TO THE BUSINESS SUCCESSION AND ENDGAME PLANNING PROCESS

BOSS

Business Owners Strategic Solutions

**THE SUCCESSION JOURNEY SERIES**

# DISCLAIMER

## Things my attorneys make me say.

- *This presentation is for informational purposes only and does not constitute legal, financial, or tax advice. Business owners should consult with their own legal, financial, and tax professionals before making any decisions related to business transitions or exit strategies.*
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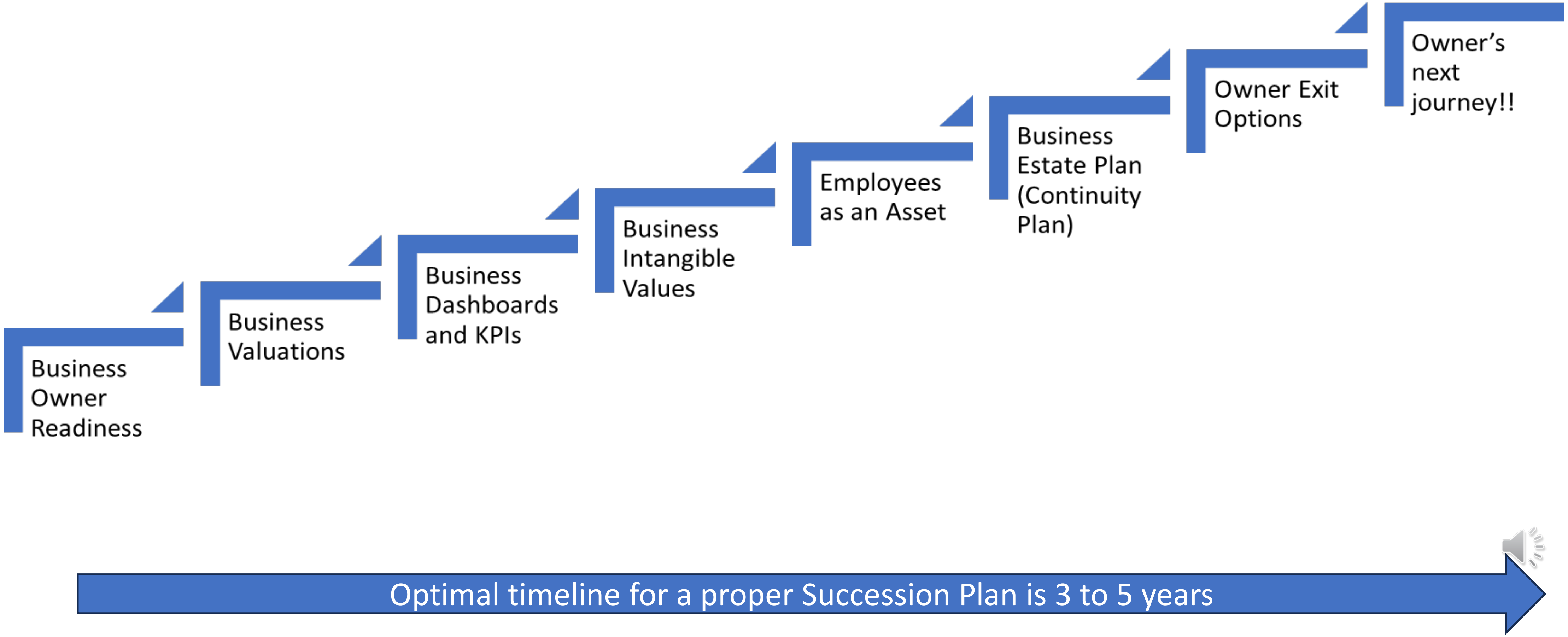
- ***BOSS does not provide any services. BOSS is an educational resource for business owners interested in succession planning.*** *If you are interested in any services, please contact the presenter directly.*
- *The BOSS mission is to empower business owners to transform their enterprises into valuable assets. We provide innovative business coaching and strategic insights to help you view your business through a new lens, optimize its potential for sale, and enhance its overall value. Through valuations and educational content, we are dedicated to guiding you towards sustainable growth and a more profitable future, ensuring your business achieves its highest potential both today and tomorrow when the owner is ready to transition from their business on their timeline and on their terms.*

# OVERVIEW OF THE JOURNEY



# THE BUSINESS AS AN ASSET

**Many business owners tend to see their business primarily as a source of income rather than as an asset.**

- Prioritizing income can generate immediate wealth but may not build long-term value that can be leveraged later.
- A business is similar to any other investment in a portfolio; some investments provide regular income, while others focus on growth potential.
- Often, the business represents a substantial portion of the owner's overall net worth.
- The cash flow from the business enables the owner to invest in additional assets, with their personal wealth closely tied to the business's performance.
- Income is just one factor contributing to the overall value of the business.

**The objective should be to develop a business as an asset with transferable value, potentially created to be sold in the future.**

# UNIQUE JOURNEY FOR EVERY BUSINESS OWNER

**Every business is unique, and every business owner is unique.**

- No two businesses or owners are identical. Each has its own intricacies.

**Understanding the business owner's stage in their journey is essential for succession planning.**

- Some are in the creation phase; others are looking to reap the benefits of their sacrifices over the past 10 years.

**Where you are gives you direction on where to go.**

- Every time you get in the car, you know two things: where you are and where you want to go.
- Business development and planning is no different.

**Evaluating your current position and future goals is critical.**

- For a new business owner: it might mean developing a financial goal within 5 years.
- For a seasoned owner: it may be creating a specific business value within 5 years.

# PLANNING YOUR BUSINESS JOURNEY

**Use your location as a starting point and your destination as the end.**

- Like popular navigation apps, business planning starts with understanding where you are and where you want to go.

**Step-by-step instructions help you reach your destination.**

- A well-structured business plan is the navigation tool for achieving your goals and objectives.

**Adjustments are inevitable but don’t change your destination.**

- Just as a navigation app reroutes you around hazards, you need to be nimble and adapt as conditions change.
- A solid business succession plan allows for flexibility when things don’t go as expected.

**The timeline for success varies for each business owner.**

- A 3-5 year timeline is most common for developing a successful transition and succession to the next stage.

**IF YOU ARE NOT PLANNING, YOU ARE REACTING!**

# THE BUSINESS OWNER COMES FIRST: YOU DESERVE IT

**There are key stakeholders in every business –**

- Employees, customers, vendors, and family members of stakeholders.
- **But unless the business owner's needs are met,** none of the other stakeholders will benefit.

**If the business is not rewarding to the owner,**

- The owner may lose interest, leading to the business suffering.
- When the business suffers, all stakeholders suffer.

**Business owners must take a personal assessment of their lifestyle:**

- This includes understanding the lifestyle they want post-business succession.
- It's not just about financial wealth but also about personal, family, and spiritual interests.

**The Goal: Retire TO something, not FROM something**

- Avoid the "NOW WHAT??" moment after exiting.

# Session 1: Understanding the Business Owner's Needs

### Focus: Determining Lifestyle Costs and Non-Business Assets

We'll discuss the process of understanding the lifestyle costs for the business owner.

We'll also assess the owner's non-business assets and investments.

### The Wealth Gap

The difference between the lifestyle asset needs and non-business assets/investments is known as the Wealth Gap.

### Bridging the Wealth Gap

Once the business owner understands the desired lifestyle and available non-business assets:

- **Option 1:** Adjust lifestyle expectations to be more realistic.
- **Option 2:** Ensure the business value is sufficient to overcome the Wealth Gap and support the desired lifestyle.

# THE BUSINESS’S ROLE IN REDUCING THE WEALTH GAP

**The Business as a Significant Part of Net Worth**

- The business will play a key role in reducing the Wealth Gap when the owner succeeds.

**Understanding Business Value and Industry Markers**

- It's critical to understand your business's current value and industry benchmarks (KPIs).
- These markers help assess whether improvements are needed to increase the business value.

**How to Know if Your Business Will Fill the Wealth Gap**

- If you don’t know the current business value, you can't determine if it will close the Wealth Gap.
- If the value is insufficient, improving it requires understanding the KPIs used in valuation.

**Industry Standards and Market Value**

- The market sets the standards for business valuation through industry benchmarks.

# Session 2: Business Valuation and the Value Gap

**The focus will be on business valuations. Our Presenter will explain generally the different methods used in valuing businesses.**

The methods of valuation and types of valuations vary greatly. One method may be appropriate for one business and not another.

Understanding your business value will help answer whether you have a Value Gap. Value Gap is the difference between the business value and the Wealth Gap. You need your business to be valued at transition to satisfy that Wealth Gap.

Understanding the market multiples and key performance indicators used in the business is essential to improve the business value.

# HOW DO YOU KNOW HOW YOUR BUSINESS IS REALLY DOING?

**Common Misconception:**

- When asked, "How is your business doing?" many business owners respond with: *"It's generally good."* But is it really?

**Are You Comparing to the Right Metrics?**

- Business owners often compare their financials year over year.
- **But** when you're only competing against yourself, shouldn't you win every time?

**The True Scorecard:**

- The true indicator of performance is not just year-over-year comparison, but:
  - Comparing your actuals to **market indices** and **KPIs**.
  - Competing against the **market** and **competitors** is the real test of success.

**Why Business Valuation Matters:**

- Valuations show where your business stands in terms of **multiples**—a range determined by the market.
- The valuation gives insight into the **components** that matter to the market.
- **Where you fall in that range is within your control!**

# Session 3: Creating Scorecards & Dashboards for Business Success

**Overview: In this session we will explore how to create effective scorecards and dashboard that help track business success.**

**Impact on Valuation**: If your business is **underperforming** relative to **market indices** and **KPIs,** it will likely fall on the **lower spectrum** of the Market's valuation multiples**.** Conversely, if your business is **outperforming** the **market indices** and **KPIs**, you are more likely to be on the **higher spectrum** of the value multiple established by the market.

**Control your Position:** Understanding your performance metrics allows you to make adjustments and improvements to **increase** your business value.

**The Ultimate Goal:** The goal is to have an **optimal** business at the time of transition. **An optimal business means an optimal value,** which in turn **reduces the Value Gap** and better positions you for a successful transition

# Understanding and Leveraging Intangible Assets

**Intangible Worth in Every Business:**

- Every business has intangible assets that add value, which may come from:
  - **Human Capital:** Employees' skills, knowledge, and expertise.
  - **Customer Capital:** Customer relationships and experiences.
  - **Structural or Organizational Capital:** Systems, processes, and intellectual property.
  - **Social Capital:** Business reputation and networks.

**Why Intangible Assets Matter:**

- Not all businesses place equal emphasis on these assets, and some may not fully capitalize on them.
- **Understanding the intangible assets** driving your business is essential for maximizing their value.

**The Key to Enhancing Value:**

- Once identified, intangible assets become something you can **protect** and **leverage**.
- Converting intangible assets into **transferrable assets** enhances business value at transition, making your business more attractive and valuable to buyers.

# Session 4, 5 & 6: Understanding and Harnessing Intangible Assets

**Overview:**
In Sessions 4, 5 and 6, we will explore the **Four Capitals** and learn how different types of intangible assets can be harnessed to enhance business value.

**The Four Capitals:**

- **Human Capital**: Employees' skills, knowledge, and talent.
- **Customer Capital**: Customer relationships and experience.
- **Structural/Organizational Capital**: Systems, processes, intellectual property.
- **Social Capital**: Business reputation, brand, and networks.

**Market Professional:** Will discuss **Customer Capital** and **Social Capital**, covering:

- **Market Recognition**
- **Customer Experience**
- **Community and Brand Recognition**

**Business Coach:** Will provide insights on **Structural/Organizational Capital** and **Human Capital**, focusing on:

- Retaining and developing human talent.
- The importance of nurturing and protecting employee value.

# RETAINING AND ENGAGING KEY TALENT

**Recognizing Your Talent:**

- Once you've identified your **key employees** and talent groups, the challenge is **retaining** them and keeping them **engaged**.

**Common Pitfalls in Employee Benefits:**

- Many employers offer benefits that do not engage or motivate employees.
- Offering the **right benefits** that align with what the employee actually wants is the key to success.

**Challenges in Structuring Incentives:**

- **Compensation packages** can be complex and are heavily regulated by the **IRS** and **DOL**.
- Not all benefits can be offered to all employees, and not all employees are potential owners

**Why It Matters:**

- Understanding what incentives and benefits motivate your workforce creates a **valuable intangible asset** for your business.

# Session 7: Compensation & Benefits for Key Employees

Our presenters will discuss various forms of compensation and benefits that can help attract and retain key employees.

There are different types of compensation structures available for key employees. Understanding the pros and cons of executive compensation options is key in building attractive compensation packages.

Ownership is not always the answer. Not all employees should be owners. Would you ask you spouse to marry you out of fear of them leaving? Would you offer an employee ownership to avoid losing them?

Alternatives to actual ownership include Phantom Stock, Change of Control Agreements, Appreciation Rights. These agreements offer fictitious ownership with economic interest without giving away actual equity.

Who are the key employees eligible for Nonqualified Deferred Compensation arrangements?

# WHY YOUR BUSINESS NEEDS AN ESTATE PLAN

**What comes to mind with Estate Plan?**

- Typically, we think of personal documents like: Wills, Trusts, Power of Attorneys and Advance Medical Directives.

**Why does a business need an estate plan?**

- Business owners spend **significant** resources improving their business and creating **transferrable** value.
- They follow a plan to achieve their goals, but **what if the unexpected happens** before the target date?

**The Role of a Contingency Plan:**

- A **written contingency plan** acts as a **pseudo estate plan** for the business.
- Disability or death may impact the business owner, but it **doesn't have to affect the business** the same way

**Key Considerations:**

- What happens to the business if an unexpected event prevents the owner from overseeing operations?
- Planning for these events is essential for **business continuity** and protecting the value built over time

# Session 8: Developing a Written Contingency Plan

**Overview:**

- Our presenter will guide us through the process of developing a **written contingency plan** for business owners to ensure continuity in the event of an unexpected situation.

**Key Topics Covered:**

- **Why a Contingency Plan is Essential:**
    - A written plan documents how the business will operate if the business owner faces an unforeseen event.
- **Key Components of a Contingency Plan:**
    - **Identifying Key Employees**:
        - Which employees will step into leadership roles?
        - What responsibilities will they take on?
    - **Implementation of the Plan**:
        - Who will implement the plan, and who should be aware of its details?
    - **Personal Documents**:
        - What personal estate planning documents (e.g., Will, Trust) are necessary to support the contingency plan?

**Why It Matters:** A well-thought-out contingency plan ensures that the business remains operational and protects its value, even in the owner's absence..

# ASSESSING PROGRESS TOWARDS YOUR ENDGAME

**The Business Owner's Moment of Reflection**

- **Take time to assess**: How is the business performing relative to set goals?
- **Key question**: Is the business operating at its optimal state?

**Freedom of Choice**

- Does the business allow the owner to have the flexibility to make decisions, control time, and transition when desired?

**Ongoing Cycle for Success**

- **Review, Evaluate, Adjust**
- **Continue or Transition**
- Constantly reassess the path towards long-term objectives.

**Action Steps:**

1. Reflect on current business performance.
2. Evaluate if you're meeting personal and professional goals.
3. Decide to continue refining the business or prepare for transition.

# Session 9: Evaluate Freedom of Choice

In Session 9 we will look at the evaluation process.  We will look at the where we started (owner readiness) to business improvements and development.  This will be a panel discussion to have an open forum on the process.

The  business owner needs to assess the plan toward their goal.  The business owner needs to evaluate whether the plan is still progressing or whether it needs to be tweaked.

The business owner needs to reevaluate the Wealth Gap and Value Gap.  Have these gaps closed ?

The business owner needs to take an assessment of where the business compares to the market indices and KPIs.

Has the business hit an optimal state to decide to continue or transition.    Freedom of Choice!

# EXIT STRATEGY CONSIDERATION FOR THE BUSINESS OWNER

**Optimal Business = Multiple Exit Options**

- **Types of Transactions**:
  - **Asset Sale**:
    - Common for third-party transfers.
    - Consider unique industry reasons for a stock transaction.
  - **Stock Sale**:
    - Typical for internal transfers (key employees, family members).

**Key Question: Sell in Parts or as a Whole?**

- **Sell Parts & Pieces**:
  - Could maximize value for certain assets.
  - May appeal to specific buyers interested in key segments.
- **Sell Entire Business (Going Concern)**:
  - Ideal for buyers seeking a fully operational entity.
  - May result in a simpler, cleaner transaction.

**Pre-Transaction Considerations**

- **Leases**: Are new agreements needed with affiliated businesses?
- **Human Capital Protection**:
  - Implement management and employment agreements to retain key employees.
- **Excess Funds**: Should excess cash or other assets be distributed before the sale?

**Final Thought:**

- A successful exit requires thorough planning—consider all financial, operational, and legal aspects before entering a transaction.

# Session 10: Endgame Options

Session 10 we will discuss the various exit options and discuss the pros and cons of each. We will discuss the various exit options – including the tax differences, business challenges and valuations to use based on the endgame option.

We will discuss the pros and cons of each potential acquirer – internal key employee, internal family members, strategic third party or financial third party.

Depending on the business owners needs one transaction may be better than another or one acquirer may be better than another.

# INTERNAL TRANSFERS: A LEGACY OR WEALTH DECISION

**The Most Rewarding Transition: An Internal Transfer**

- **Legacy vs. Wealth**:
  - **Legacy**: Passing the business to key employees or family members.
  - **Wealth**: Maximizing personal financial gain from a third-party sale.

**Challenges of Internal Transfers**

- **Capital Limitations**:
  - Key employees or family members often lack sufficient capital.
  - Difficulty securing liquidity to pay the full business value.

**Funding the Transaction: Beware of Seller Financing**

- **Seller Financing**:
  - Often considered in internal transfers due to buyer's limited capital.
  - **Caution**: This strategy places the risk back on the business owner.
  - **Alternative Funding Options**:
    - Structured earn-outs or deferred compensation arrangements.

**The Legacy Decision**

- Leaving the business in the hands of trusted employees or family can be the most rewarding but comes with financial trade-offs.
- Striking the balance between preserving the business legacy and securing personal wealth requires careful planning.

# Session 11: Internal Transfers: The Good, the Bad and … the Ugly!

Session 11 we will evaluate the internal transfer. Making the tough decision as a business owner .. Legacy or wealth.

We will discuss the pros and cons of internal transfers.

We will focus on third party financing to fund the transaction.

Is seller financing an option and what are the considerations for the business owner?

Balancing the interest of family members in the business and family members outside of the business.

Balancing the internal conflicts of key employees when transfers are to the next generation family member.

# MAXIMIZING VALUE THROUGH A THIRD-PARTY SALE

**Third-Party Sales: A Path to Maximum Value**

- **Selling to a Competitor**:
  - Business owners must consider the possibility of selling to former competitors.

**Financial Buyers and Investors**

- **Private Equity & Venture Capital**:
  - Significant capital reserves looking for investment opportunities in established businesses.
  - Potential for rapid scaling and strategic growth post-acquisition.

**Attracting Interest from Third-Party Acquirers**

- **Business Brokers & Investment Bankers**:
  - Facilitate connections with a broad range of potential buyers.
  - Increase competition among buyers to drive up business value.
  - Provide expertise in structuring and negotiating deals.

**Final Thought:**

- Maximizing the sale price often involves engaging professional advisors to navigate the complex third-party sale process, ensuring multiple offers and the highest value.

# Session 12 & 13: External Transfers Benefits and Burdens

Session 12 and 13 we will discuss third party sales and the pros and cons of selling to a third party.  A business broker will discuss the process of marketing a business for sale.

We will discuss anonymous and marketed sales of the business.

We will discuss the pros and cons of selling to a third party.

We will discuss how to protect key employees with change of control agreements and employment contracts to incentivize transition to the third-party acquirer.

# LEVERAGING SBA & FINANCING FOR BUSINESS TRANSITIONS

**SBA Financing: A Solution for Internal Transfers**

- **Minimizing Seller Risk**:
  - Reduces the need for seller financing in family or employee transfers.
  - Provides a more secure financial structure for the business owner.

**SBA Programs for Business Transitions**

- Multiple programs available to support the purchase of businesses.
- Tailored options for family or key employee transfers.

**Considerations for SBA Financing**

- **Seller Note Subordination**:
  - Seller financing must be fully subordinated to the SBA loan.
- **Eligibility**:
  - Buyers must meet specific criteria set by the SBA.
- **Financial Structuring**:
  - The business must demonstrate sufficient cash flow to service the debt.

**Key Benefits**

- Reduces risk for the seller.
- Provides buyers with more accessible capital.
- Helps facilitate smoother, financially feasible transitions.

# Session 14: SBA & Financing as an Option for Funding

Session 14 we will discuss the benefits and limitations of the various SBA programs for funding a endgame transition

We will have an SBA experienced lenders. He will discuss the various SBA programs available to business owners.

We will discuss the pros and cons of using SBA financing as a funding mechanism.

# BUSINESS ENHANCEMENT SEMINAR SERIES, AND TOPICS OF INTEREST

Scheduled Seminar:

In addition to the succession planning series, there will be other seminars throughout the year on various topics of interest such as business assessments and enhancements, employee benefits, financial planning, tax planning, and business coaching.

If there are particularly topics of interest you would like to share, please email your suggestions and recommendations to info@theoneboss.com.

# SUBSCRIBE AND JOIN THE COMMUNITY

**VISION**
To be the leading catalyst for business transformation, fostering a thriving community where owners harness their enterprise's full potential. Through valuations, targeted coaching, and strategic succession planning, we aim to elevate business value and empower growth. By creating a dynamic membership community enriched with interactive discussions, exclusive events, and cutting-edge educational resources, we envision a future where every business owner is equipped to drive lasting success and achieve their highest aspirations.

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Information about our partners can be found on the website here …

**www.theoneboss.com/boss-partners/**

# NEXT SESSION – BUSINESS OWNER READINESS

**Business Owner Readiness**
**November 18, 2025**
**7:30 am to 9:00 am**
**4417 Corporation Lane, 1st Floor Seminar Room**
**Virginia Beach, Virginia 23462**

## Presenter: Michael Fowler

Mike is a Certified Financial Planner™ professional and a Certified Plan Fiduciary Advisor with more than 24 years of financial Industry experience. He focuses on the needs of businesses and the owners and executives who manage them. He addresses both their personal and commercial needs, with insightful strategies for addressing topics such as employee benefits, estate planning, retirement planning, insurance planning, and business succession. Mike especially enjoys assisting his clients as they enter into a new stage of life, whether it's executives transitioning into retirement, or business owners contemplating the sale of their closely held business.