

Dr Lisa Lang

From: Dr Lisa Lang Theory of Constraints [drlisa@scienceofbusiness.com]
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To: Dr Lisa Lang
Subject: POOGI - Part 62 - 7 Questions cont (Part 2 of 2)

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You will get \$1000 off the \$4995 price and a longer free trial of the software. The software is web based and allows you to coordinate geographically distant resources. If you do project based work, but not super complex (like building airplanes) then you may be a candidate. Examples include: engineering firms, design firms, marketing companies, software, web design/SEO services, recruiting, internet marketing, and a whole bunch more. If you want to be considered, please reply to this email and tell me a little about your company and why I should choose YOU for this test! To get an idea of how the manufacturing one works, see www.VelocitySchedulingSystem.com and this one will be similiar but include software.

POOGI #62: We are continuing our series based on [The Goal](#) by Eliyahu M Goldratt and the [Theory of Constraints](#). {This series was co-written with [Brad Stillahn](#)}

Brad: Next, we have a choice. Most business owners have a desire to transfer the business to one or more "insiders", but the business may be worth more and the business owner would make more money sooner if the business was sold to a third party. So, it's helpful to choose one or the other for exit planning. Choosing one initially doesn't mean that you

can't change your mind later:

4. Do you know how to sell your business to a third party and potentially pay the least possible taxes?

5. Do you have any plans on how you will transfer your business to family members, co-owners or employees while paying the least possible taxes and enjoying maximum financial security?

Dr. Lisa: And why do you say that transferring to insiders yields less money or takes longer for the business owner when compared to a third party sale?

Brad: Most businesses are not saleable. They are too small, not profitable enough, or have some other issue(s). No business broker or investment banker will waste their time representing a business that buyers won't buy. If a business is valuable enough to be sold to a third party, the process takes time to execute and there are plenty of pitfalls, but business owners that can sell to a third parties usually do. The threshold is somewhere between \$5 and \$10 million in business value, depending on market conditions and the quality of the company. These business owners cash out, and with proper planning, can still take care of the insiders they want to.

But it is valid to transfer to insiders. The problem is that most family members, co-owners, and employees don't have any money! What is required in this case is an elegant exit plan, because it will be the current and future cash flow of the business that is needed to fund the business owner's exit from the business, in conjunction with the ownership transfer. I find it interesting that rather than selling for maximum value as in a third party sale, transferring for the lowest defensible value is the best way for the business owner to maximize after-tax cash in a transferring to insiders.

Dr. Lisa: Transferring to insiders sounds complicated.

Brad: It doesn't need to be. In either case, a sale to a third party or a transfer to insiders, the business owner needs professional help. But we aren't done with the questions that need answering. The next two are related:

6. Do you have a continuity plan for your business if the unexpected happens to you?

7. Does your family have financial contingency plans if the unexpected happens to you?

Dr. Lisa: In TOC, we say the first rule of management is to "be paranoid". So this has to do with business continuity and personal wealth and estate planning. Are most business owners prepared?

Brad: Some are but most aren't. And even if a business owner did a buy-sell agreement, or estate planning, chances are that was years ago and the documents are out-of-date. Exit Planning requires a team of advisors, coordinated by an exit planning professional. Creating an exit planning roadmap, implementing it over time, and keeping it up-to-date is crucial for the business owner that wants to meet his or her retirement objectives.

Want to have an Exit Plan? Go to <http://www.scienceofbusiness.com/exitplan.aspx> and take the first step.

Here's to maximizing YOUR profits (and selling price of YOUR business)!

Dr Lisa

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