

Business owner succession and exit planning solutions

Investment Banking Solutions



Wealth
Management

Key elements of an exit/transition plan

Business ownership usually represents decades of hard work with strategy and research to make your company successful. But business owners are often unfamiliar with the complexities and the process of a successful succession strategy. Whether you are planning to transfer your business to family members, current management or an outside party, there are decisions to make and issues to address, such as:

- What do you want for yourself, your family members and your employees?
- What are the different transaction structures you can pursue?
- What are the tax implications associated with each structure?
- How much is your business worth?
- What can you do to increase your company's transaction value and liquidity?
- Who are the potential buyers?
- What are the buyers looking for?
- How can you maximize your business' value?
- Where do you start?

What's involved

What is exit/transition planning? It is a proactive process to:

- Help confirm you have a sellable business
- Maximize the value of your business
- Reduce the risk and challenges associated with a transfer
- Reduce the tax ramifications of the transfer
- Achieve your personal, business and financial goals

At RBC Wealth Management, we have a methodical plan to help you develop and execute your exit/transition planning strategy while utilizing an RBC WealthPlan to determine if the sale of your business would be able to support your lifestyle and achieve your life's dreams.

Complicated planning process

Exiting a business you've built over the years is not a straightforward task, and even the savviest business owners are not familiar with the complexities of the exit/transition planning process. Ideally, you should start planning at least three years before you want to transition out, and work with a team of professionals experienced in exit/transition planning with a full understanding

of your personal vision. Frequently though, business owners do not take the time to fully explore and consider all the choices they have available to them. Therefore, as financial advisors and wealth managers, we deliver in-depth advice that can help business owners of all types gain liquidity, diversify wealth, reduce risk and maximize value.

Step 1: Assess the marketplace

Evaluate the market and the industry that your company operates in and look at the broader climate. What's happening with capital markets and consumer confidence levels in your community, your region, throughout the country and even around the world that might impact your business?

Step 2: Assemble your team of financial advisors

Regardless of the size and complexity of your transaction, you may want to engage a banker, a Certified Public Accountant (CPA), an insurance professional, a business appraiser, an estate planning attorney and an investment banker. It is also important to involve your RBC Wealth Management financial advisor, as well as RBC Investment Banking Solutions, which specializes in exit/transition planning.



Step 3: Prepare your business

Review fundamental metrics and important documents; organize a talent management assessment; and conduct an in-depth look at the operations of your business.

Step 4: Obtain a valuation

Make sure your business' financial records and corporate documents are accurate, up to date and audited. Work with your financial advisor to obtain an informal valuation of your business and ask for a second opinion by an investment bank.

Step 5: Structure the transaction

As a wide range of strategies are available to a business owner, it is important to work with an experienced advisory team. Our investment bankers can develop alternative strategies for you to consider—beyond simply selling your business to a potential buyer. These strategies may include:

- Management buyout
- Leveraged recapitalization
- Employee stock ownership plan
- Outright sale
- Private equity
- Initial public offering

A business transition event is very uncommon—often occurring once in a lifetime. Many business owners can work their entire career without being exposed to a transition. As a result, owners find themselves unprepared and focus solely on running their business and handling transaction details, leaving personal planning issues to chance. They miss the most important window of time to take action before a liquidity event is realized. The knowledge of an experienced financial advisory team can help business owners make the right personal planning decisions before and after a liquidity event, allowing for a more successful outcome.

Use all financial advisors available

We work hand-in-hand with you and your financial advisors and provide sound advice, tailored services and personalized attention to help simplify complex decisions so you can remain focused on your long-term vision. This is an ongoing consultative process that helps us meet your wealth management needs with flexibility and preparedness. Following the sale of a business, owners need to transition to thinking long-term. Along with that transition comes a number of challenges, such as selecting a prudent and sustainable asset allocation that meets the owner's needs.

Your financial advisor sees the big picture. He or she understands your succession in the context of your overall financial picture and can help protect the relationships between your personal objectives and business ambitions. He or she will work with your other financial advisors in regard to your priorities and make certain they are reflected in your succession strategy.

RBC Investment Banking Solutions is dedicated to serving business owners with customized advice on how to best achieve their goals and objectives. We have a successful track record working with private companies on evaluating a full range of strategic alternatives, including buy- and sell-side advisory, recapitalization and other corporate finance advisory solutions. Our ability to speak the language of both private business owners and public company corporate executives allows us to structure successful transactions that meet the needs of both parties.

To learn more about business exit/transition planning, please consult with your RBC Wealth Management financial advisor.

www.rbcwealthmanagement.com



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