

Your Business Sale Transition Team

Why Include an Investment Advisor?

BY TODD KROUGH

This is a guest post by Todd Krough

We know what works, yet most don't do what works. Why the disconnect? A recent study by the Twin Cities Chapter of the Exit Planning Institute, a forum of business transition experts, found that 99% of middle market business owners believe having an exit strategy is important for their future. Still, 79% had no written plan and 73% hadn't assembled an advisory board or transition team - even though 53% look to transition within the next five years.

The same study found that transition success rates run at only 20-30%, with 75% being dissatisfied once the ownership transfer is complete. You can choose to be among the elite 25% who experience transition success: *working with a collaborative team of experienced professionals is one of the key drivers of successful transitions.*

Selecting Your Professional Transition Team

Many turn to professionals they already have established relationships with – e.g. corporate, tax, and estate attorneys, accountant, banker. However, if your current professionals lack specific experience preparing for and executing the sale of a business similar in size and structure to yours, it may be prudent to consider involving others who possess that expertise – including an investment advisor. Here again, only one in four business owners include an investment advisor as part of their transition team, even when doing so can positively impact results.

Why an Investment Advisor?

Often, as much as 80-90% of a business owner's wealth has been in the business they own. Involving an investment advisor early in the process enables the development of investment strategies to best ensure an owner's financial needs are met before, during, and after the exit.

Evaluating financial strategies to maximize an owner's post-business lifestyle is vital and often is a factor when considering available exit options and structure. Yet, here again, the striking statistic is that 94% of owners have no written personal plan for their third act. It is important to understand available tax advantaged investments, whether the investment portfolio needs to generate income, how best to fund philanthropic goals or provide education support for children and grandchildren, etc.

The Upshot

You can best ensure your transition success by assembling your personal transition team as much as five years prior to the transition. Consider including an investment advisor early in the process as part of maximizing your transition success and satisfaction.

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Todd Krough is a Senior Investment Officer with Tealwood Asset Management, a Registered Investment Advisor firm. He is also a member of the Twin Cities Chapter of the Exit Planning Institute. With 30 years' experience in the wealth management industry, Todd's client-centered approach successfully tailors investment strategies to align with each client's purpose for their money. Tealwood's proprietary research and investment discipline focuses on high quality businesses trading at a discount to the market. Todd can be reached at tkrough@tealwood.com or 612.767.6756.

Data and information sourced from: EPI State of Owner Readiness Report, 2017 Twin Cities Metro Area, © Exit Planning Institute