THE REICHERT COMPANY

BUSINESS EXIT SPECIALISTS

Working Backward: 3 Questions To Ask About Your Planning

Do you remember trying to solve a complex maze as a child? You'd start at the beginning, trace a line toward what you thought was the correct path to the end, only to run headlong into a wall. So, you'd start again, only to run into a different wall. But then, someone who had experience solving complex mazes may have suggested, "Start at the end: It'll take you through the correct path to the beginning."

When planning for your business' future, starting at the end is a valid strategy. "The end," in this case, may be a well-formed plan to fulfill your unique personal wishes: what happens to the business, your target successor, and your family if you die. Few people like to plan for their deaths, but there is power in planning. Rather than death having the final say in how you and your business are remembered, you can position yourself to have the last word with proper planning.

If you choose to work backward in your planning, it's still wise to consider setting goals and determining any monetary gaps you may have between what you have and what you need to fulfill those goals. Once you've established those facts, you should ask yourself three questions as you work backward to impact your future.

Can My Business Continue Without Me?

Many business owners fund their lifestyles with money accrued from their businesses. Whether that comes in the form of a salary, perks, or stock and benefits, the business is the foundation upon which many owners build their lives and their families' lives. For these owners, continued business success is crucial to maintaining the lifestyle they want.

The wall you might run into in navigating this maze is that your business relies on you for success. That is, without you, the business would at best struggle and at worst fail. This often implies that you cannot take long vacations; cannot face long-term, debilitating illness; and, of course, cannot die prematurely, lest your business suffer the consequences. While you may have control over your vacation time, unexpected illness or death is less controllable.

Ask yourself: “Can my business thrive without me?” Unless you’ve had the freedom to take a long break from work—without checking in and without any issues while you were gone—recently, chances are, you are indispensable to your business. If your business cannot continue without you, you might be placing your employees and family members at peril.

Do I Have a Successor Who Could Run the Business in My Stead?

Successful businesses tend to have several employees who could keep the business afloat for a short time if something were to happen to the owner. We call these people key employees. However, relying on key employees to take over at the drop of a hat can be risky. Key employees may be good at their specific tasks but struggle with ownership responsibilities. More commonly, they may not want ownership responsibilities, even if it means more money and influence. Some key employees simply want to be key employees.

Ask yourself: “Do I have someone who can take over the business right now if necessary?” This means either having an internal successor trained and groomed to take over, or having a plan to bring in outside talent to take over. If you don’t, it can be much harder to prepare your business for when you leave it, whether by choice or otherwise. If your business doesn’t have a next in command available, your family, employees, and business might suffer if anything were to happen to you.

If Something Happened to Me and My Business Sold for Full Value, Could My Family Keep Their Quality of Life?

People you care about (family, employees, charities) probably rely heavily on your business’ success to fund their lifestyles. If you were to suddenly leave the business—especially due to illness or death—those people may suddenly lose the means to fund those lifestyles.

Ask yourself: “Will the people I care about most continue to thrive without me?” While it’s impossible to replace your presence, with proper planning, it is possible to continue providing for the people you care about most, regardless of what happens to you.

Working backward can set the groundwork for planning for your business’ future, with or without you. If you’d like to discuss these three questions or any other questions you might have regarding the futures of yourself, your business, or your family, please contact us today.

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