

*Our mission is to shepherd as many business owners as possible to fulfillment of their goals and their ideal lifestyle.*

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BUSINESS WEALTH SOLUTIONS, LLC

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## Ready – Fire – Aim: This Strategy Will Fail You in the End...Literally

By: Joan M Ridley, CFP™, CEPA, CBI

As I meet with business owners, I observe how much they rely on instincts and intuition when making important decisions. They have confidence in this approach because it has worked, or appeared to work, in good times and bad. In the past, if their instincts were misguided, they still had time to recover. But, as the days go by, you are inching closer to the day you no longer wish to work, or cannot work. And because of your decreasing time horizon, every decision you make, every tactic you implement, will have greater impact on your personal net worth which is tied up in your business. How you have lead your business in the current environment has been very telling about how much you depend on your instincts.

### Revenues Are Good—But Profits Are Better

One popular response to this declining economy has been to chase revenues. By that I mean, many of you are introducing new products and services, and are moving into new markets and distribution methods without doing your homework up-front. Many of you could be gambling your net worth, most of which is in your business, on your instincts, timing, and luck. You would do better to make certain that your operations are on sound footing first and then develop a strategy based on research and supported with realistic projections of revenues and expenses.

While you are gambling your net worth on these tactics to increase revenues, those who determine what your business is worth are not so interested in your revenues as your bottom line. Even if you do not intend to ever sell your business to an outside third party, it is the marketplace of would-be acquirers who collectively determine what your business is worth; so their opinions of value, and their bankers' opinions, do matter. While revenues make for interesting cocktail conversation, profits are the basis of serious discussions about value.

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### **Will You Bet Your Net Worth Again**

During the recent downturn you might have let some people go, moved to more affordable space, and, maybe you have been successful at pursuing revenues from new sources. Perhaps you have cut costs as much as possible and are now on more solid ground financially. The market is showing improvement. The question is, what will you do next. More importantly, how long do you wish to work? You could plan now to transition ownership during the up-cycle we are about to enter, or, you could gamble your net worth on the next downturn.

While your instinct has worked well for you while you were growing your business, and, helped you to survive this recent economic downturn, it is likely to be inadequate when you attempt to monetize your business. There are at least three reasons for this. Business owners often respond with disbelief when they hear about the facts and rules that surround ownership transition. A typical response is “I will do it my way”—statements of this ilk could cost you millions.

### **Rules That Instinct Can't Get Around**

There are rules that must be observed in order for you to experience a successful exit.

- How business transition strategies are taxed
- Correct use of strategies to reduce tax
- How the business must be valued for certain strategies
- How your estate will be taxed
- Laws about care of body and assets, absent correctly drafted and executed documents

### **Know and Understand All of Your Options**

There are at least 34 ways to leave a business. Actually there are even more than that if you include the combinations of those 34 methods. Sometimes the best way to leave a business is the right combination such as an ESOP and a management buy-out, or a charitable trust and a third party sale.

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### **And Then There's Your Choice of Advisors**

Choosing your advisors up until now might have been based a great deal on instinct expressed as “who you trust”, or “who you like.” While these elements must certainly enter the equation, the most important must be expertise, experience, and their ability to be a team player.

### **Ready Aim Fire**

If you want to be out of your business during the next up-cycle which is fast approaching, start planning now. You will only get one chance to get it right. A poorly thought out plan, or, a poorly executed plan could find you still working during the next downturn and beyond.

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Joan M. Ridley is president of Business Wealth Solutions, a Dallas-based advisory firm that consults with business owners about how to successfully leave their business. Please visit our website at [www.businesswealhtsolutions.net](http://www.businesswealhtsolutions.net). Call us today at 214-692-9192 for a complimentary meeting to learn how we can help you get where you want to go. Ask for our free Ownership Transition Check-List.