DON'T LOSE YOURSELF WHEN EXITING YOUR BUSINESS

Eight ways to optimise your wealth

“IF OPPORTUNITY DOESN’T KNOCK, BUILD A DOOR.”

Actor and comedian Milton Berle

This is precisely what many business owners will have done. Then they'll have built some walls, a roof, some extra rooms and maybe an extension or two.

It's no wonder, therefore, that they tend to be very much emotionally tied to the company they created and grew.

All of this means that when it comes to selling or exiting the business – however this may look – most business owners will experience extremely high levels of stress.

The exiting juggle

Many will be trying to deal with a large number of competing priorities at once, from the legal and due diligence processes to selling to the right person and leaving behind colleagues who they have worked with for long periods of time.

Some, on the other hand, will come to recognise that their business isn't right for sale, or will struggle to find a suitable buyer, and may therefore choose to exit elegantly and close down tax efficiently.

Whatever direction the exit takes, owners will experience a number of pivotal moments – ones they have been building up to for their entire careers. Additionally, the business owner may well be aware of the fact that exiting could leave a huge void in their lives.

Falling by the wayside

Because of these pressures, many business owners will lose sight of themselves during the process. They'll often be so focused on exiting that they might neglect their own personal finances. We know, for example, that an 'I can't deal with that at the moment' mentality is extremely common when exiting.

But – the earlier business owners start to consider their personal wealth, and potentially gain additional support from trusted experts, the greater the chances of achieving the best possible long-term outcome for both themselves and their loved ones.

This is why we've created this guide. Read on to discover eight tips on what business owners should be thinking about when leading up to an exit, or immediately after, and the specialists they should consider surrounding themselves with from a personal finance point of view.

1. DON'T LEAVE EVERYTHING TO THE LAST MINUTE

It's crucial to remember that when it comes to personal wealth planning – or any kind of wealth planning for that matter – it's never too late to begin. No matter what your situation, age or life stage and how little planning you've put in place in the past, steps can be taken to protect and even grow your finances.

That said, the chances are, the later you leave it, the more expensive and challenging an exercise it could become. Tax efficiencies could have potentially passed you by, insurance could be more expensive, favourable interest rates could have been lost and other important strategies could take much longer than you expected to execute.

But, by planning as far in advance as possible, not only will you have time on your side, you'll also be able to ensure that you have the right wealth planning team in place to support you.

This will give you the best possible chance of having a savvy and secure financial future – for both you and your loved ones.

Conversely, the later you leave wealth planning conversations, the more money you risk leaving on the table.

> "The secret of getting ahead is getting started."
>
> Mark Twain

2. THINK ABOUT YOUR PERSONAL FINANCES LIKE YOU WOULD YOUR BUSINESS FINANCES

It's commonplace for business owners to be much tighter on their business finances than their personal finances, but this shouldn't be the case.

For example – it's more than likely that you oversaw a whole range of budgets within your company – but do you have one for your household? Similarly, you might have had one-, five- and ten-year plans in the office – but do you and your family have these in place, covering your short-, medium- and long-term goals?

Here are some additional ideas for how you can begin to apply your work mindset to your personal finances:

- Just as you would have made time for your company's financial planning, schedule time in your diary for personal financial planning.
- Revisit your budgets on a regular basis – making sure everything is progressing as planned. If not, assess and make adjustments accordingly.
- Review your income, expenses, savings and investments, and use this to identify cash flow opportunities and challenges.
- Just as you would have with colleagues in your business, ensure that you and your family members are all on the same page financially. Is everyone aware of expectations around spending and/or budgets? Are the relevant people consulted before big purchases are made?
- Finally, make sure you surround yourself with the right people. You most likely had a Financial Director or you managed the company's financial health and long-term growth with the help of a book-keeper or accountant. A personal wealth planner, also known as a financial planner, could therefore be of a similar benefit to your personal finances.

3. CONSIDER THE NEXT GENERATION SOONER RATHER THAN LATER

As we know, when you're exiting a business, you're being pulled in many different directions. Your mind will be on the future of your company without you at the helm, as well as whether your clients and colleagues will be well looked after once you've departed.

And while those considerations are of huge importance, it's vital to also think about your successors from a personal point of view, and if any assets and wealth should be passed on to them – and, if so, how.

Time to slow down

There are several reasons it's best practise to allow adequate time for the following deliberations.

First and foremost, these could be large, life-changing decisions – both for you and the next generation of your family. As such, the right kind of preparation is key.

It's wise, therefore, to carry out the likes of cash flow planning (more on this later) ahead of making any choices, so time should be built in for this to happen – preferably with the help of a wealth planner.

What's more, you'll want to give serious consideration to what goes to whom and when – ensuring that, for example, young people's drive and ambition won't be ruined by receiving large sums of money early on in life.

Here, the likes of trusts can be advantageous. Their purposes include protecting family wealth as well as young and/or vulnerable family members and reducing inheritance tax (IHT) if applicable. But these can take months to put in place – and you'll almost certainly need to work with professionals in order to make sure these are structured both correctly and efficiently.

Additionally, there are different types of trusts available depending on your situation and objectives, so time should be taken to select which ones are best suited to your personal circumstances, specifically the assets you wish to transfer, the beneficiaries of the trust and how and when you wish them to benefit.

Essentially, by planning as early as possible, you're allowing adequate time before having to make significant decisions.

4. TACKLING TAX CAN FEEL TAXING, BUT TRY NOT TO PUT IT OFF

It's fairly unsurprising that one in five business owners dread doing taxes.[1] The process tends to not only be an arduous one, but a costly one, too.

As such, many business owners will prefer to only handle tax issues that have to be looked at there and then, as opposed to ones that could be addressed proactively.

When exiting a business, trying to get your head around the likes of IHT can feel a step too far. But, if the right plans aren't put in place, and the worst was to happen, your family could be liable for an unnecessarily large IHT bill. With help from the right people, however, steps can be taken to counter this.

There are also other tax allowances that business owners can take advantage of – such as Business Asset Disposal Relief, formerly known as Entrepreneurs' Relief – which could help reduce the tax paid by a business owner after a sale.

By looking at your personal wealth at the same time as your business exit plan, owners may in fact approach their exit differently. But, given the complexity of the subject matter, this is something best addressed with the help of experts.

1 https://bmmagazine.co.uk/in-business/one-in-five-entrepreneurs-dread-doing-taxes-with-better-digital-and-mentoring-support-crucial-to-combatting-stress/

5. PERFECT THE CASH FLOW PLANNING BALANCE

When exiting businesses, owners will often receive life-changing amounts of money. So much so that it's easy to get caught up in the idea that your finances aren't something that you'll have to give much thought to for the foreseeable future.

But taking this approach could mean encountering one of two outcomes: that you become unable to fund the lifestyle that you've become accustomed to, or that you end up with a surplus.

Lifetime cash flow planning (also known as cash flow modelling), however, can help by:

- Giving you a true picture of where your finances are right now, and whether they're working in the way you want
- Bringing your future to life by illustrating how your situation and needs might change
- Showing you how much income you could receive from investing your money
- Enabling you to take control by developing a clear action plan for your future, including an investment strategy for your capital and surplus income

- Putting solutions in place to achieve your long-term goals, minimise your tax liabilities and allow for IHT issues that might affect your family

- Enhancing your peace of mind by addressing your worries about the future and giving you confidence that your financial plans are on track

- Answering questions like: Will my assets and savings be enough to support my aspirations? Do I have enough savings to retire early? Or will I run out of money?

For the uninitiated, this can seem like quite a daunting undertaking. But with the right support in place, not only is this an exercise that can be taken off your own desk, but you could be presented with a range of scenarios around what your financial future could look like, helping you plan for decades ahead.

6. PLAN FOR MUCH LATER DOWN THE LINE

When you're selling a business, it's extremely easy to think of life in terms of pre- and post-exit.

But the reality is that post-exit itself will most likely contain a number of distinct life stages. These might include entering into another business venture or a 'softer' working period – whereby you undertake directorships, consultancy or philanthropic work.

Next might come an 'active retirement' of sorts – where you've downed tools entirely but are still extremely active and can enjoy adventurous travel or helping care for grandchildren that may not even exist yet.

Finally, the likes of poor health and assisted living should very much be considered and accounted for. This could mean conversations with loved ones about what would happen should you or your partner need hands-on care, what kind of housing might be appropriate for you in later years, and how this would be funded.

And as unpleasant as these conversations might seem, having them early, and factoring them into cash flow planning, can be extremely beneficial both from a financial and peace-of-mind point of view.

> "Failing to plan is planning to fail."
>
> Benjamin Franklin

7. WHEN IT COMES TO INVESTMENTS, YOU DON'T HAVE TO TAKE UNNECESSARY RISKS

We're all more than aware of the benefits of investing – from beating inflation to making the most of compound interest.

That said, we're all extremely wary of the risks that come with investing, too. And if you've recently come into a large sum of money, when interest rates are high, would you favour a savings account over investments?

What many people don't realise is that the right wealth planner, alongside an investment manager, can create truly bespoke solutions with your best interests at heart. These could for example include fixed income or low risk investment portfolios – therefore allowing people to grow their money but without taking unnecessary risks. Alternatively, you might feel comfortable accepting a greater level of risk in return for potentially more reward.

8. WHAT'S NEXT FOR YOU…?

According to an Exit Planning Institute report, more than 75% of business owners who have exited experience profound regret within a year after the sale.[2]

There could be several reasons that people feel this sense of remorse – from concerns that they rushed into the sale and how much the company has grown since, to how employees have been treated in the wake of their departure.

Other people, meanwhile, feel a real sense of loss upon leaving a business – for example that they've given up their identity and that their life now lacks purpose and meaning.

But, much can be done to mitigate these feelings.

Make time to ruminate

If possible, while still actively involved in the business, take some time to reflect upon what it is about your position that brings you the most reward and joy. Make a physical note of these so that as and when you're looking for new challenges, you have an understanding of what exactly you're searching for.

You may also want to consider asking to be introduced to peers and/or other people in similar positions, so that you can learn from their experiences of life post-exit, and how to make the most of it. Perhaps, for example, you'd like to start angel investing – helping small, new business ventures with funding – or become a non-executive director for a company that you'd like to see prosper.

Know thyself

Finally, you might also find it beneficial to get to know your own values – the principles that you believe are important in the way that you live and work – in the wake of your exit. These can act as an excellent indicator of what in life brings you the most fulfilment.

If you're not sure of where to start when it comes to identifying your values, there are plenty of exercises available online to help you get started. Alternatively, you might want to consider working with a personal or business coach who should be able to help you gain some clarity in this space.

2 https://bhcagroup.com/grieve-it

CONCLUSION

Few people understand the stress that comes with juggling business and personal lives as well as business owners or former business owners, and this pressure will only be dialled up when owners are looking to exit or have recently done so.

But, as we've seen, there's a wealth of extremely important and time-sensitive topics to consider during an exit. And tackling them head on – as opposed to putting them on the backburner – will likely pay dividends and lead to less stress for you and your loved ones in the long run.

Build your support network

Equally important is ensuring that you have surrounded yourself with the right independent wealth advisers – in addition to your business consultants – who can help navigate some of the challenges you may face and help you work towards the best possible financial outcome.

These advisers should be acting purely on your behalf, providing impartial advice on a broad range of solutions and choosing the best options for you as a business owner.

Overall, taking the right steps at the right time and with the right people will ensure that you don't lose yourself during the process of exiting a business.

Canaccord Genuity Wealth Management is one of the top 10 wealth managers in the UK, with £34.6bn assets under management (at 31 March 2024). We have offices in 14 regions across the UK and Crown Dependencies.

We have successfully grown our business and reputation over the years, and now provide large numbers of high net worth clients with expert wealth management to help them reach their objectives. Our investment management and wealth planning specialists work in combined teams to ensure these services work holistically.

We also have a team of specialist business owner advisers (including wealth planners and investment managers) who are dedicated to making sure you don't lose yourself in your sale or exit plans.

To find out more about how we go above and beyond to understand your wealth management needs and aspirations as a business owner or former business owner – and empower you to achieve them – get in touch. We'll be delighted to answer your questions and provide details of our services.

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