



# Business Succession Planning Process



# Making the decision to sell your business is one of the most important decisions you'll ever make.

According to the Exit Planning Institute's State of Owner Readiness Survey, 49% of owners have done no succession planning at all.

Trost Financial helps business owners navigate the financial complexities of business ownership through to retirement. Our team is here to assist you throughout each step of the succession process. We work in tandem with your attorneys, accountants, and other representatives to ensure that you transition seamlessly across our five essential steps of business succession planning.

## Our 5-Step Succession Planning Process



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# 1. READINESS ASSESSMENT

*When it comes time to exit your business, will you be ready?*

Exit planning must be present tense – what you do today impacts your future business valuation and exit options.

The Trost Financial Business Succession Planning Process begins with a thorough readiness assessment across a range of personal, financial, and professional factors.

Determining succession readiness is done by considering the following questions and creating an action plan for each to improve your value proposition to potential buyers.

We help you answer the following questions:

- **What are your existing relationships with customers?**
- **What is your established company culture?**
- **What are the capabilities and talent level of your current team members?**
- **How do existing structural features (i.e., processes, equipment, inventory) impact your business valuation?**

## 2. SUCCESSION FINANCIALS

Bankers, business brokers and interested buyers require documentation to evaluate the strengths, weaknesses, and valuation of your business. Business financials that are produced for tax purposes are often different than the requisite succession financials that are recast for business sale purposes.

Trost Financial collaborates with your tax professional(s) to properly organize and document pertinent company records and facts needed to establish your business valuation.

Going one step further, Trost Financial determines two critical financials:

**Your Wealth Gap - The difference between your current net worth and your future net worth upon business exit**

**Your Profit Gap - The measure of anticipated additional revenue generated by your business if it is operating at 'best in class'**

Below is a list of financial documents that Trost Financial assists in organizing so that you are able to accurately establish your business valuation.

- **Profit and Loss Statement**
- **Income Statement**
- **Balance Sheet**
- **EBITDA (Earnings Before Interest, Taxes, Depreciation, & Amortization)**
- **Operating Agreement**
- **Forecasts and Projections**

### 3. EXIT OPTION ANALYSIS

Potential buyers can be sourced from either inside or outside of your existing relationships.

Inside options:

- **Management buyout**
- **Recapitalization**
- **Employee stock ownership plan (ESOP)**

Outside options:

- **Intergenerational transfer**
- **Sale to a third party**

Trost Financial guides you through the steps to prequalify interested buyers so as not to waste time in later negotiations. With your Succession Financials in hand (along with your wealth and profit gaps), Trost Financial helps you determine your ideal exit options. Additionally, our financial planning team considers the questions below in preparing you and your family for life after the sale of your business.

- **Will you be pursuing other full-time or part-time professional interests?**
- **At what age are you planning to retire?**
- **How much money do you require to support your lifestyle in retirement?**
- **What are your primary needs, wishes, and wants as you transition into retirement?**
- **How will you use the proceeds of your business sale (other business, investments, retirement, donations, etc.)?**



## 4. NEGOTIATION

It is important to understand your business and exit options, though these are just the beginning of the negotiation toward your final purchase agreement.

- **Number of Qualified Buyers**
- **Timeframe**
- **Outright Sale vs. Majority/Minority Recapitalization**
- **Non-Compete Agreements**
- **Financing**
- **Tax Consequences**

In partnering with your legal and tax professionals, Trost Financial guides you through the negotiation process. Our team highlights areas of opportunity and the financial, legal and tax considerations of the deal that require attention and professional guidance. With the terms of the deal in place, we remain your valued, qualified professional in managing the tax and estate planning implications of the sale.



## 5. BUSINESS TRANSITION

Purchase agreements often include post-closing commitments between you and the new owner(s). Trost Financial guides you through the below considerations to ensure that you and the buyer collaborate effectively to facilitate a seamless transition.

- **How will customer relationships be transferred from buyer to seller?**
- **What proprietary information must be communicated to the buyer?**
- **What is the timeframe to complete the transition?**
- **How much, if any, involvement will the seller maintain following the buyout?**

[Contact us to learn more](#)





## Let's Start the Process!

The team at Trost Financial specializes in working with business owners to navigate the financial complexities of business ownership to, and through, retirement.

### **Contact Us To Get Started**

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**“Be grounded in the past, looking to the future,  
and living in the present.”**

**- Donald G. Trost**

LPL Financial and Trost Financial Services do not offer business valuation services. Please contact an outside professional for assistance with business valuation services.

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