



Exit Planning Information & Education For America's Business Owners

The Exit Planning Review™ is an opt-in, bi-monthly newsletter published by Business Enterprise Institute, Inc.

This issue is provided to you by your JD Ford & Company professional, [Joseph Durnford](#).

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Issue 83

Thinking About Transferring Your Company To Insiders

Part One

Business owners decide to sell their businesses to insiders (co-owners, a key employee, or group of key employees (KEG-Key Employee Group)) for many different reasons. Rightly or wrongly, some believe that their companies aren't attractive to outside third parties. Others make this choice because they want to "reward" longtime employees with business ownership or want to give Key Employees the same shot at financial security they had. Still others have already made vague promises of ownership or believe the only way to continue their legacy is to transfer to key employees. Another group believes that a gradual sale to Key Employees will motivate those employees to increase the value of the company. Whatever the reason, we suggest that before you choose this exit path, you consider the subjects raised in this, and the next, issue of this newsletter.

Learn About The Transfer To Insiders

It is not particularly easy to transfer business ownership to key employees, children or other quasi-paupers without taking a great deal of risk. These transfers can succeed, however, with: 1) proper planning, 2) a well-managed company, and 3) given time. Proper planning begins with knowing what to do. You can read *The Completely Revised How To Run Your Business So You Can Leave It In Style*, (especially Chapters Four and Seven), attend workshops and seminars on the topic, and meet with your advisors-especially the person who sent you this e-newsletter.

Test Your Assumptions

Do the key employees that you assume will want ownership really want to be owners? Many motivated, loyal employees want to remain employees. They don't want to take on the stress, sleepless nights, and specter of financial disaster that you carry. To succeed you, key employees must possess the same spark that motivated you each day to make something of your business-no matter the risk or personal cost.

In addition to desire, do your key employees have the ability

to run the business without you? Good, even great, management and key employees do not equate to good, even passable, successor ownership.

Don't be surprised if one or more of your Key Employees declines to buy stock-even under the most favorable terms. It is difficult, if not impossible to know what fires burn within your key employee group until you present it with a concrete proposal.

No More Promises

If you have made any promises (even vague promises) of ownership to one or more of your employees, you will have to handle those promises as you design your transfer of ownership.

Consider Age Of KEG Members

Keep in mind that if a member of your KEG is older than 50 or so, he or she may not want to spend years acquiring stock only to turn around and sell it-probably via a long-term installment note and at a value not substantially greater than the purchase price. Instead, that employee may prefer to receive ownership-type benefits via a Phantom Stock or SAR plan. Do you know when each of your would-be successor owners plans to retire?

In the next issue of this newsletter, we'll finish this discussion of subjects you need to think about before you decide to make the transfer to insiders. If you have any questions, or want more information, about insider transfers, the advisor who sent you this newsletter is experienced in Exit Planning and can help you.

*Subsequent issues of **The Exit Planning Review™** discuss all aspects of Exit Planning. The provider of this Newsletter (durnford@jdford.com) offer you unbiased information about what you most need to know - **How To Run Your Business So You Can Leave It In Style™** .*

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