

Build. Bye. Beyond?

A Financial Planning
whitepaper to help you

- Successfully grow your small business
- Prepare for a great business exit
- Plan for a life after the sale

PRESENTED BY
Reddington



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Intro

Lost your business owner mojo?

You're not alone.

Here's where to start getting back on track...



Have you noticed that successful business owners or entrepreneurs often share a common trait?

Opportunity spotting.

Seeing a gap in the market for their product or service.



Those who don't have a traditional 'business' background often thrive, as they tend to think differently.

Provided the business idea has enough demand and they maintain liquidity, there's no reason why they can't successfully grow..

The '**gamechanger moment**' occurs later on. It could be three, five or even ten years after being in business.

Profits may be consistent...

The business itself could be worth a reasonable sum...

But there's something missing...



At the start, these business owners did everything, because they wanted to use their own skillset for themselves and their customers.



But as time goes by, in order to keep growing their business, they hired others to fill their gaps with capacity. But then management, strategy, leadership skills etc. become their day to day. These are crucial, but not necessarily why they founded their business!

Suddenly, their days have now become this - a series of meetings.



Either way, it's got to the stage where they **don't** enjoy running the business. It's running **them**, and not the other way.

Like some giant puppet-master...

We want to help rediscover the energy to drive these businesses on and ensure that they deliver the value and lifestyle we suspect they started out looking for. *

But how?



So

What

Can

You

Do?



Rediscover your 'Why'

It's just one word.

But it helps to stop and think **'why'** you decided to start your own business.

What made you decide to break away and go it on your own?

Maybe you have a product or service that no-one else can offer?

Maybe it was the initial challenge of going alone with no safety net?

Rediscovering your passion for what prompted you to go it alone can help you to set new goals or adjust current ones.

The most common reasons we've heard are:

- Be your own boss
- Working to your own/preferred schedule
- Personal or creative interest
- Second career or side hustle



But as well as these, by far most common one we hear is...

To deliver the life they dream of for themselves and their family, i.e. financial freedom

PLAYING THE GAME OF LIFE



Getting on the property ladder

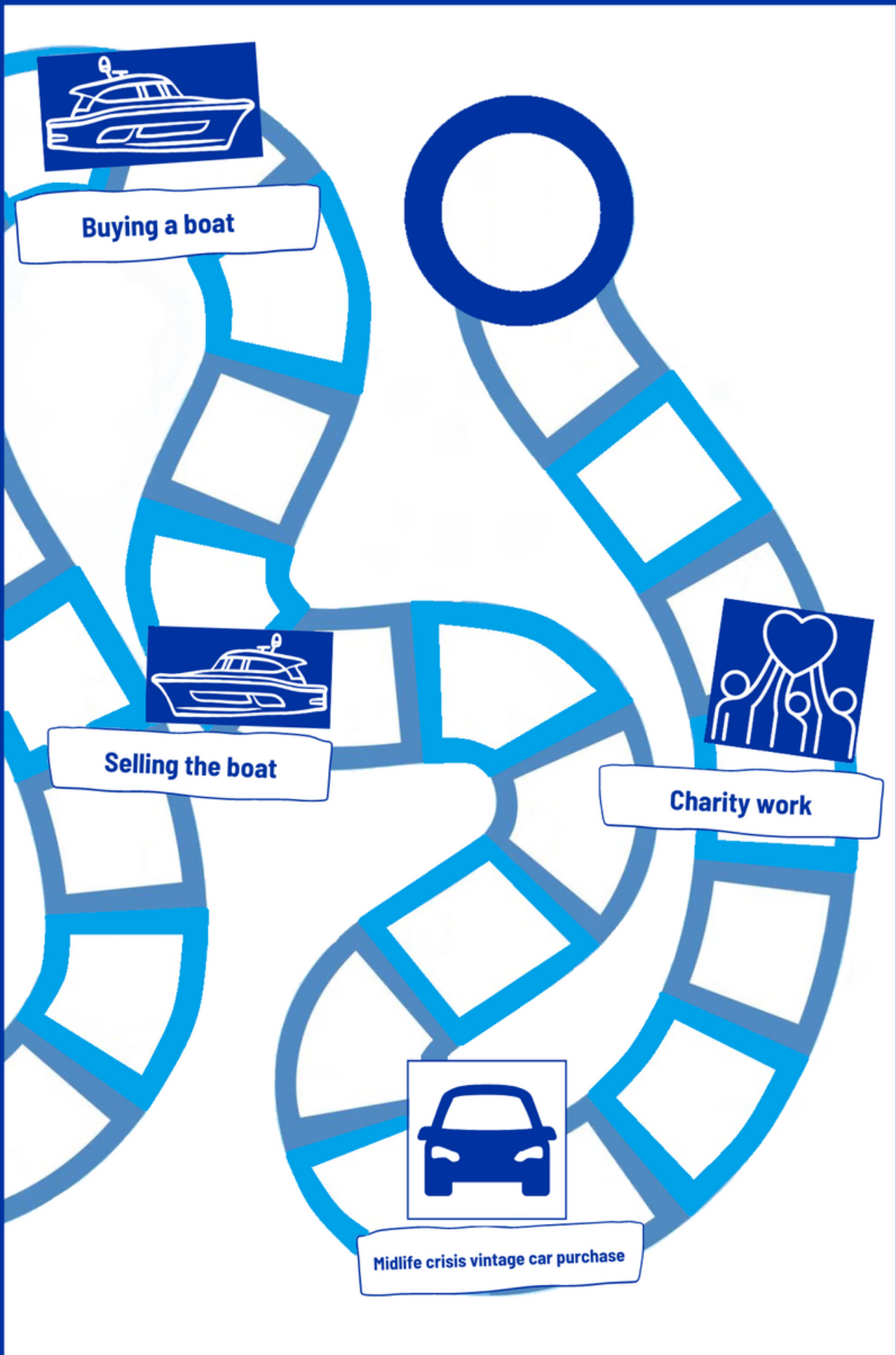


Well-earned holidays



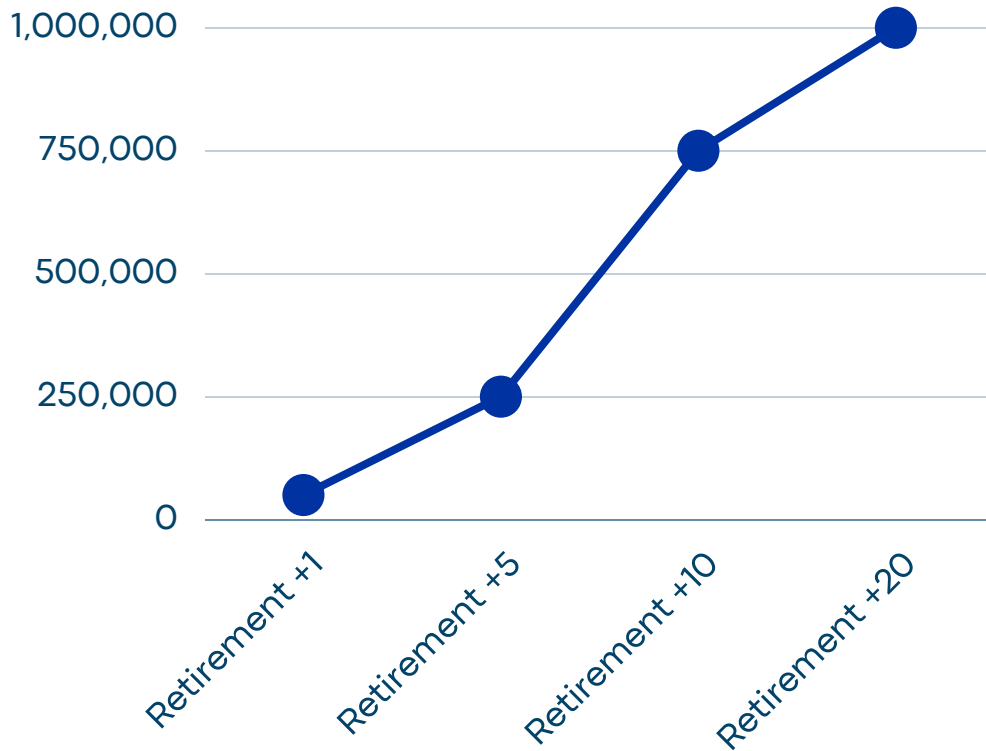
School fees to pay





Time to start thinking about what you want to do after you sell your business

Finding your number



Of course, **your own magic number** (the amount needed to fund your dream lifestyle) and the time/route to get there is individual to each business owner

This is where we as financial planners can help. To help get you to an overall number / position to make that dream an actual reality.


With this number in hand, it becomes clearer what gap(s) there are to fill with your finances and the sort of business value you need to create. Alternatively, what income the business needs to kick out to save and achieve this gradually.

A **business valuation** * is particular to each industry and the environment at the time, but its common the business owner knows the industry they are in extremely well, so knows better than anyone what a business of theirs and what the desired value looks like. They may need some help understanding how to influence the value of your business.




* We can facilitate the referral for the services described.

What financial planning to start doing NOW?



First of all, is **your family protected** in the event that you are incapacitated, and cannot drive the business on?
Will they be able to derive the value they need as a family if you aren't there?

What if your business is generating an **excellent income** already? In this case, you may not necessarily have growth plans. What is the **most efficient way** to extract this and build it up to the number you need?



Do you have any **future financial plans** that may require large amounts of capital?
If for example you're planning a **house move** or **school fees**, you'll need to move cash over.
Carefully, efficiently and gradually.
Do you have a plan for this?

What (if any) **emergency funds** do you have to hand?
This can be either on your own personal or business balance sheet.
Have you got enough to ensure you can ride out any unforeseen events?

Also, have you got emergency fund money sitting in an account, doing nothing?

It may not be required for business growth, and you don't need to take out. But is just leaving it there the best option?

Do you need to **inject funds** into the business to push for growth?
Have you looked at any potential **funding options** that may be available for small businesses?



...and have you spoken to a financial planner recently?

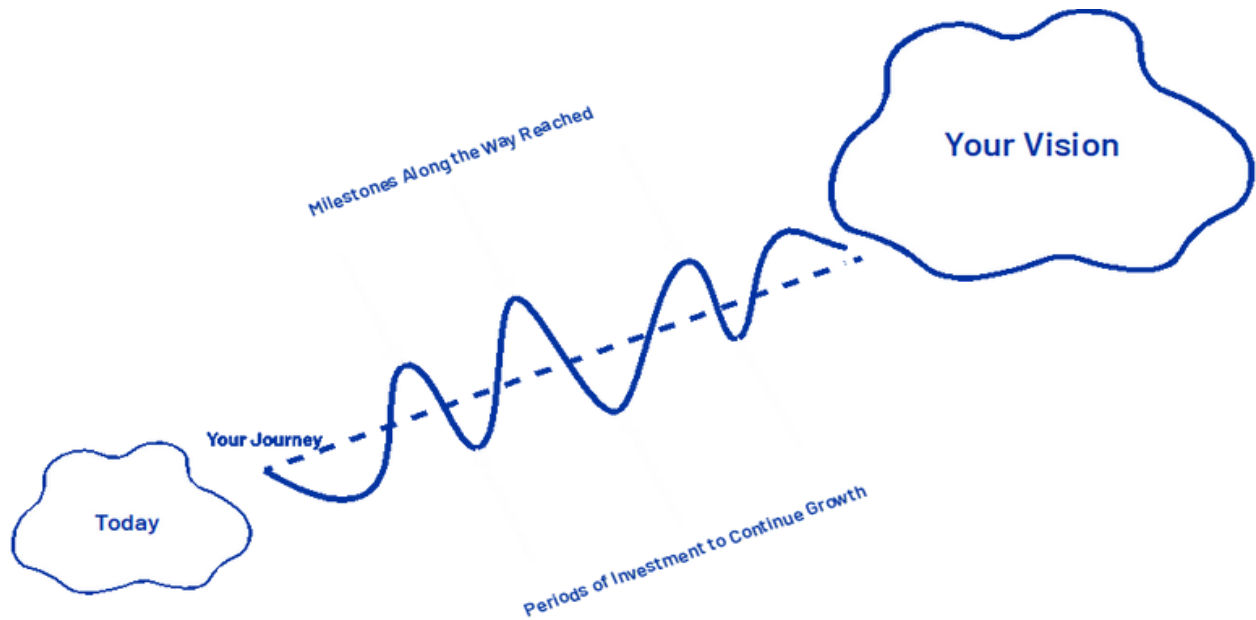
Build

Building a successful business



Which way?

THE ROAD AHEAD



What does your vision for growth look like?
Does it look something like the diagram above?

We all think it's getting from point A to B, but life has a habit of
throwing obstacles in our way.

What type of growth are you heading for?
Or are you unconsciously blocking your chances of growth?

Growth Barriers



*Are you spending enough time working on what it is that will push your business forward?
Or are you constantly being drawn into the day to day of delivering your service / product?*

*Are you the business?
Are you doing everything??
Are you deciding everything???*

Have you got a team in place to help build towards the end game you are pushing for?

Are the processes and systems in place to help the team making the client experience consistent and one of high quality?

Do you need funding of some sort to be able to push your plans for growth ahead?



THE BIG QUESTIONS TO ASK YOURSELF

Do you know who you are targeting as clients / customers and are you marketing towards them?

Are you marketing at all?

Where do your clients come from and where do you get more?!

Do you have capacity in your team to deliver the revenue and growth that you're aiming for?

**Do you have the right blend of skills in the business?
(Remember that, again, you can't do everything!)**

Does your positioning and branding actually align with the clients and businesses that you want?

Are you reluctant to aim big, push yourself and take risks?



Growth Barriers

FIXES



Sort it now while you can:



Go back to the start

Before you embark on your next venture, go back and look over your business idea and marketing plans.

A solid plan means less wasted time and resources.

Mirror mirror on the wall

Self doubt affects **many people**. That being said, you need to be honest with yourself.

Ask yourself - *are you a good leader?*

Do you inspire your team or are you a mini-tyrant?

Failing to listen to others means you could be sabotaging your own efforts to grow without even realising.

Ultimately, the longer you continue lying to yourself or blaming others for your own mistakes, the longer you'll be stuck in a rut, not going anywhere.



Pull your finger out

Resting on your laurels? Relying on a few high-value customers? Inertia. You're not going anywhere and you're not taking any risks. Yes, you can and should take calculated risks. **Only by trying and failing can you learn...**

Bye

Preparing your business for exit



Excel at your exit

Exiting is not just the choice of the business owner.

If it is to continue, you'll need a willing successor or buyer, and no doubt crucially, a party who want to do so for a sum of money that both sides are comfortable with.

Start preparing early to get the best outcome.

You'll find a few of these things coincide with growing your business, but not surprisingly, a healthy growing business, is also an attractive one to buy. *

Who might buy your business? The most common categories:



Financial Buyer

This buyer is more focused on the financial return of their investment, as well as the ongoing cashflow and future exit.

Examples can include either an Angel Investor (if you're a small business) or a Private Equity firm.

Strategic Buyer

More likely to be in the same industry (so either a rival competitor or strategic partner). They're looking for where they can plug in your company's assets / qualities to enhance their own company.



Internal Succession

This could be a buy-out by your existing management team, or (as is quite often the case) a family member who has been brought into the business.

This isn't the type of exit people often start a business envisioning, but it can be an excellent one to consider and develop the potential of early on...

**You will need to talk to a solicitor who specialises in business law to ensure that the process is not only compliant but also runs as smoothly as possible.
We can facilitate the referral for the services described.*

Also consult with a financial adviser to ensure you get as close to the maximum value for your business as possible.



The REALLY important tips about selling you've probably never thought of...

Stop. Look.



Look at all the buyer options available to you before selling.
Yes, you may opt for an external buyer and the majority of owners do.
It could also be less stressful and potentially more beneficial to the business if you sell to your existing employees or family
(there are significant tax benefits for structures such as Employee Ownership Trusts**)

So keep an open mind to ideas around this which differ from what you initially had in mind.



Strength in numbers

Ensure that you build a strong management team around you who can run and grow the business once you've moved on.

Because if you're the one running everything in your business
(meaning all activities, processes and customer relationships flow through you),
it means you have become the business, and the business is worth less when you are no longer involved in it.

Culture



Show you care - make sure to tell your employees that you're planning to sell and move on. Without them you would not be where you are, and a good culture (although fluffy) is essential. Any potential buyer is likely to speak to some of your employees at some point in the due diligence process.

Or just ignore employees at your peril, and assume that they don't care.
After all, what's another owner to them?

Heed the words of entrepreneur Peter Drucker, who said:
"Culture eats strategy for breakfast".

**requires external professionals and advice specialising in this area.
We can facilitate the referral for the services described.



Pitfalls to avoid...

Team players



It doesn't matter how much you think you'll make from the sale.

It doesn't matter who your team are.

If what ultimately binds them all together is a **weak or toxic work culture**, many buyers will not touch it.

Internal affairs



Ensure you have no current unresolved disputes with employees, customers or suppliers.

These will come out in due diligence and lower the value of your company.

In fact, leaving anything unresolved may threaten the sale altogether.

Sort it out so that it doesn't become someone else's problem.

"Revenue Concentration"



If you haven't already, then formalise contracts with customers and diversify your customer base as much as possible.

A diversified and recurring revenue stream could increase your potential valuation (for example, look at Amazon Prime or Spotify subscription)

A business that is wholly reliant on a couple of big customers without any contracts, creates a huge risk for the buyer.

Their entire future revenue stream could be reliant on one-off purchases, at danger of disappearing completely.



Lastly...



Smoothing the transition

Make sure all your processes are written down to pass onto the buyer to use.

Be clear when listing any intellectual property mentioned in the sale.

The new owner doesn't want to rely on one person who knows how the IT system works.

Especially if they're not happy you're selling!

Think of your intellectual property as a product you need to be able to hand over.

You may think it's intangible, but it might be where your entire business value lies...!



Many hands make light work



Make sure you work with professionals (while using your own industry connections) to create some interest.

A little industry buzz with several potential buyers will increase your business value.

Because with only one potential buyer, you could be left in a weak negotiating position...

Forget me not?



Try and keep your eye on the day to day running of your business while negotiations are going on. Now is the time when potential issues arise most frequently.

Because although you'll be occupied solely with a potential exit, it may not happen.

Be prepared to dust yourself off, lick your wounds and start again...



THIS IS THE END (no, really)

PERKS OF PLANNING

Some of the perks of a good exit strategy



First impressions count

A business committed to an exit date with a clear strategy in mind looks better to potential buyers than a business where it's all guesswork or a rough 'date in mind'. Plus, it will spur you on to look at your finances and sort them if needed.

Remember that a business that looks good can also command a better price

Smooths out bumps

A business with a clear strategy where everyone is kept in the loop and knows what they are doing means the likelihood of any 'shocks' to the everyday running should be minimised.



Good for you

Making strategic goals and seeing them through means you're more likely to think about setting goals for the next stage - your life after work, and also minimises the risk of any business exit surprises

The Next Step is to...

Working with a professional *

This will help you understand how you can use your sale value to **fund life after business and leave the legacy you imagined to your family...**

If they haven't already, **get them to look over the ownership structure of the business and examine if you could reorganise it so you can exit with the maximum value after tax. Don't just assume the current business structure is the most efficient to sell it.**

Hopefully, they'll help you to work to understand **what you need to exit for**, to achieve the life after business that you aspire to. This in turn should give you even more of an anchoring to the number you are negotiating for.

Don't focus on the high level sale number alone.

And remember those fees.

These include legal fees and taxes, which all take a chunk out of the final sale value!

Cast a critical eye over your business cash and **plan ahead to extract what you can efficiently ahead of the sale** (without removing all liquidity obviously!!)....



Significant levels of cash in your business may not be always attractive to a buyer. It may flag that you weren't sure how to grow the business further, or ultimately just become their problem to extract efficiently. In some cases it can be taxed as income anyway by HMRC

Think about what you need for **you and your family**. A big life event should provide the opportunity to think **multi-generationally** and plan for that on the way out....

Don't ignore the unique nature of a business sale. This is one of those ideal opportunities where you have the chance to maximise other financial decisions efficiently. Such as **potential Inheritance Tax penalties on your family**.

Sitting on the sale once it's all complete and in your bank account, terrified to do anything? This lessens the impact it can have for you and your family. You also don't want **inflation** eating into the business value you've worked so hard to build up

As we say, **retire TO something not FROM something**.

You need to fill your time going forward

DON'T ignore the fact you have lived and breathed your business likely for years. You will all of a sudden have a life changing amount of money, yes, but a massive void in terms of structure, purpose and a tribe of people with a common purpose in your life.

Questions? Contact us.

reddingtonfp.co.uk

0131 226 7193

email@reddingtonfp.co.uk

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