

## ANDERS BUSINESS TRANSITION PLANNING

# FIVE STEPS TO A MORE VALUABLE BUSINESS

The primary long-term goal of a business shouldn't be income, but value. Increasing company value should be a core goal for business owners, whether they're just starting a business or eyeing an exit. The Anders Business Transition Planning team uses a strategy encompassing five stages that helps benchmark the business, the owner and the transition process to ensure value is maximized for a favorable transition when the time comes.

Below is an outline of the five stages to creating more valuable business: **identify, protect, build, harvest and manage wealth**. As you progress through each of these stages, your value grows.

### STEP 1: IDENTIFY VALUE 🔍

Identifying value is always the first step and is completed through a professional business valuation.

Understanding your business's range of value can benchmark you against others and set the baseline for success going forward. 80-90% of your net worth is likely locked up in your business, and knowing the value range is vital for business and personal planning and estate and tax planning.

### STEP 2: PROTECT VALUE 🛡️

Once you have identified your baseline value, the next priority is to protect that value by mitigating personal, financial and business risks with de-risking action plans and asset protection.

If you were to do nothing else, mitigating risk alone would improve the business value because business valuations are based in part on the real and perceived risks from a buyer's point of view.

Consider what we call the **Five D's: Death, Disability, Divorce, Distress and Disagreement**. Most of us don't think these events will ever happen to us. In reality, there is a 50% probability that you will be impacted by one of the 5 D's, so it's important to be prepared with a strategic business transition plan.

### STEP 3: BUILD VALUE 📈

Once you have protected your value, you can focus on building it.

Building value results from increases in cash flow and improvements to your multiple, which is the number assigned by the private capital market to the value of your tangible and intangible assets and the risks associated with your business.

## STEP 4: HARVEST VALUE

At some point, cashing in or harvesting the value of business is in your future. Harvesting represents the thought of a growing season, where harvesting marks the end of the growth cycle for your particular crop: your business.

There are many business transition options, from internal exits for intergenerational, key employees and partners, to external transitions for private equity, family offices or strategic buyers. It's important to explore each possibility.

## STEP 5: MANAGE VALUE

You should obviously be managing value through the entire process, not just at the end. If you have identified, protected, built and harvested value from a personal, financial and business standpoint, you have managed your value.

If you actively manage value through the entire process, you emerge financially independent of your business, with lots of options when the time comes to transition. It also preserves those options whether or not the transition is on your terms and timeline.



The Anders Business Transition Planning team works with a variety of businesses, from startups to multi-generational companies, on how to create, harvest and preserve wealth in the company for a successful transition when the time comes.

**TALK WITH AN ADVISOR TODAY.**



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