



EXIT PLAN & BABY BOOMERS

As an experienced business owner, you have already mastered many of the skills needed to be successful. It probably took some time and you almost certainly made some mistakes along the way but you are here. Unfortunately, history tells us that most businesses don't even have a business plan, let alone an Exit Plan, so we challenge you to take a few minutes to look into the future and consider what your retirement will look like and when and how you are going to arrive there, especially if you are a baby boomer!

So, why is it so important for you to look at an exit strategy now?

The post-war baby boom in New Zealand and in fact around the world created an era of phenomenal national and global, wealth and expansion. We are living in a time of immense change, most significantly social change. Baby boomers, those born between 1944 and 1964, are a driven generation but have also learnt the 'buy now pay later' philosophy.

Baby Boomers are by nature fiercely competitive, having had to fight for everything they achieve due to the sheer number of their peers competing

against them. As boomers became young adults, Boomers' embraced the women's movement, technology and became a service orientated workforce, and embraced a more accessible global economy.

Culturally, Baby Boomers are self-absorbed soul searchers striving for material success, including such things as the quarter acre plot with the three bedroom house and being self-employed. This is evident in the average age of business owners in New Zealand. Boomers



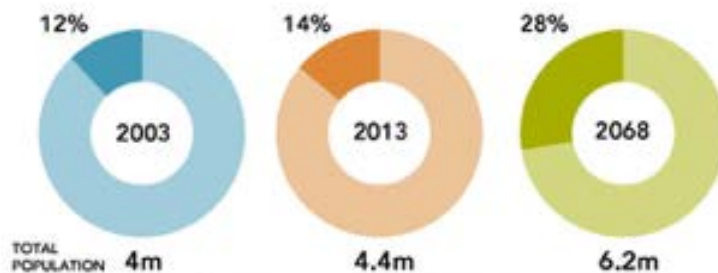
were open to new ideas, took up every fad management program on the market, and are always looking for the next big thing.....sound familiar.

In business, Boomers are generally characterised as strong, determined, workaholics, who are concerned with both work content and material gain. Their work often becomes entwined in their personal lives. They are driven, willing to go the extra mile with the motto 'live to work'. Boomers always arrive early and

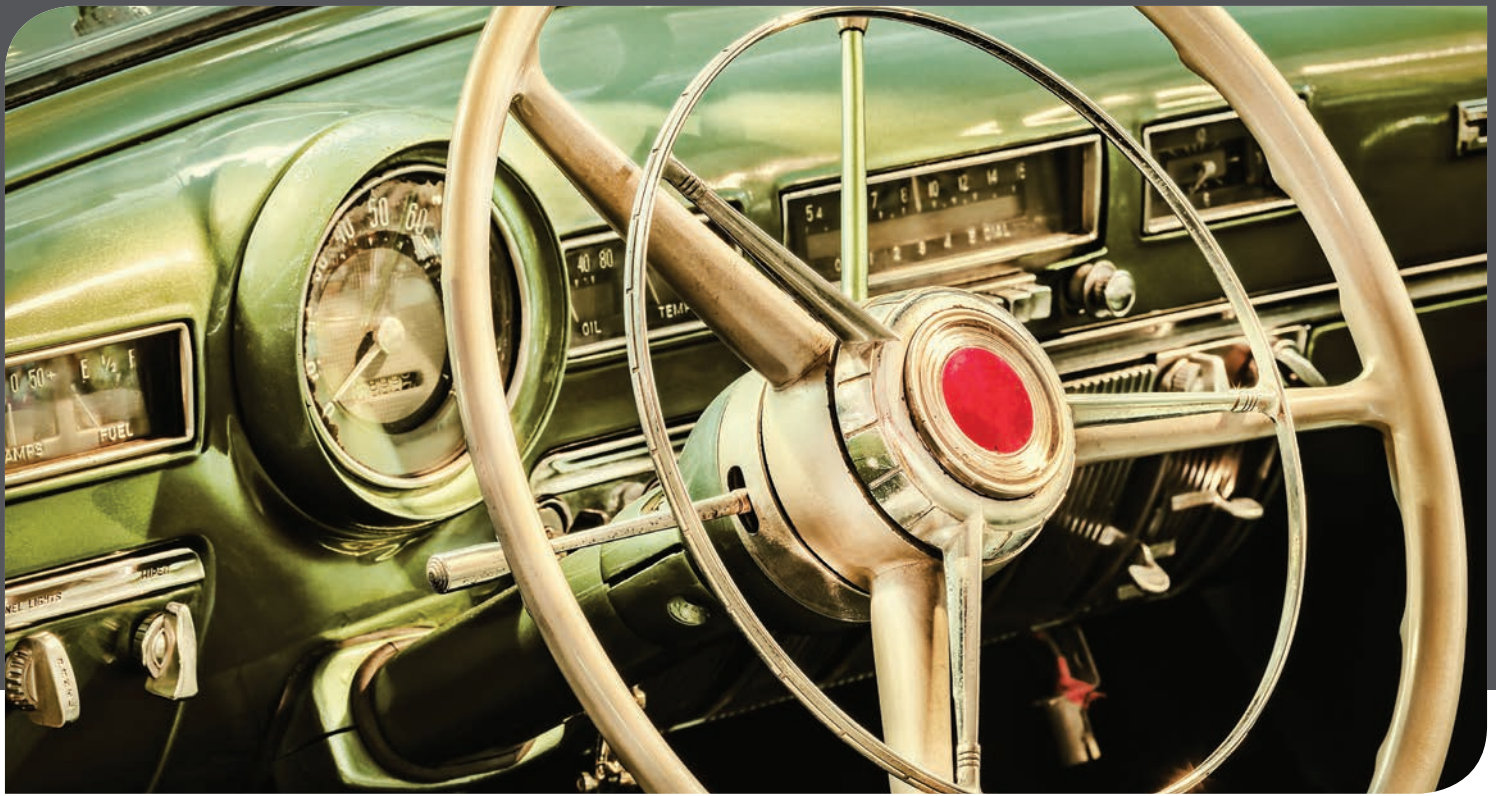
leave late, striving for the accumulation of material wealth as a measurement of their success.

As the population ages and the baby boomers near retirement, they are getting tired, but they are still working really hard, perhaps too hard. Like most kiwi's, they tend not to think about their own mortality, or give a thought to their impending retirement and as such they don't specifically plan for it.

PEOPLE AGED 65 AND OVER % OF TOTAL POPULATION



Source: Productivity Commission based on Statistics New Zealand National Population Projections 2014 Base (Median Scenario)

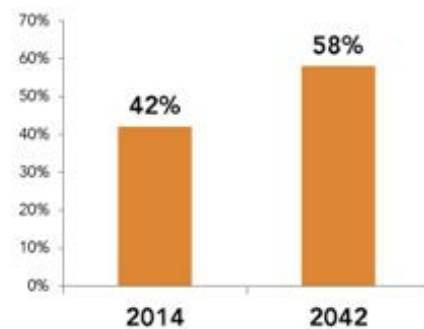


Research tells us that 80% of small to medium size enterprises are family owned, with many already having several generations involved in their businesses. We know that the average age of the owner is 57, so the math really isn't that complicated. Pretty soon there are going to be tens of thousands of business for sale as the Baby Boomers look to the retirement years, where they can finally spend their hard-earned wealth on lifestyle.

It's quite simple, there is going to be an over-supply of small businesses going to market, therefore it will take longer the sell them. Like most other things, the best prepared will sell first and for the highest value.

As people live longer, the world of retirement will change too. Based on projections, the Productivity Commission estimates 42 per cent of the people who reached 65 in 2014 could expect to live to 90 and so have a retirement of at least 25 years. Over time these odds will improve, so a person who retires at 65 in 2042 would have a 58 per cent chance of living to 90.

PEOPLE AGED 65 WHO CAN EXPECT TO LIVE TO 90 (25 YEARS OF RETIREMENT)



Source: Productivity Commission based on Statistics New Zealand National Population Projections 2014 Base (Median Scenario)

Having an exit or succession plan means you have every aspect of your business mapped out as to how you will get yourself to your desired exit outcome.

Exit is making decisions about who will lead your business and who will own it. Those decisions mean you can give your team the benefits of a smooth transition and attract a higher sell price. It will also mean you can minimise tax on the proceeds.



When is the Best Time To Start Exit Planning

Life gets busy when you are running a business, and planning for your future can sometimes be put on the back burner (it's that mortality thing we don't like to think about). That's why it's a good idea to get someone like Exit Strategist to focus on your longer-term plan so you can focus on your day-to-day business.

We recommend giving yourself at least 3-5 years to maximise the potential value extracted when you exit. But when it comes to exit planning, the good news is that it's never too early to start. Starting early means you create a business that is exit ready on an ongoing basis, which is desirable regardless of whether you are ready to exit or not.

You wouldn't sell your house without first spending time and effort preparing it for sale would you? Remember, if your business isn't your most valuable asset, it's certainly the second most valuable, and although sometimes it is hard to see where the value lies, as opposed to bricks and mortar, it needs to be treated with respect in order for it to return as much as possible to you.

What are the benefits of a Business Exit Plan?

An Exit Strategy is a process. A method of identifying wealth improvement and the only way to identify the best valuation and selling model for your business in the coming years.

Through analysing your current business model, it gives you an opportunity to look at your priorities, both current and future, to refresh and re-load.

It gives you an end goal and a clearer vision of the future for you and your business. Investing in developing a detailed Exit Plan is just that, an investment. Every dollar

invested will show a positive return both through the development phase and most certainly the sale of your business.

The Exit Plan identifies risks, continuity strategies and actions necessary to achieve your financial goals when the time comes.



Your Exit Plan will identify:

- Business health check – We look at the financial position of the business in its environment today. We then use this data to forecast what the future might look like and create actions for change and improvement.
- What you are selling – For instance, are we selling assets or the enterprise. Is there a goodwill component and if so how do we maximise this. How do we minimise the tax risk for you.
- Business valuation options – There are three valuation solutions and we will identify the right process based on the results of the Business Health Check, which is the starting point for goal setting and growth.
- Reverse Due diligence – This process looks into the business from a seller's perspective and gives us insight into the strengths and weaknesses of your business to enable us to establish buyer expectations.
- Continuity for the business – This is especially important in the planning phase as it identifies key strategic assets, including human resource, that need managing in order to maintain operations should one or more be impaired or lost. We also do an insurance assessment to make sure you are covered for the worse-case scenario.
- Preparing the business for sale – This is everything identified above, consolidated into one master plan for the specific task of increasing the value of your business and achieving your personal wealth goals.
- When to Exit – Timing is everything and starting today wouldn't be soon enough. It can take a year or two to sell a business and a year or two to prepare a business for sale so if you want the best price and you want to exit in the next 3-5 years you had better get cracking.

This document is designed to challenge your thinking, to drag you out of the moment and to get you to look above the horizon for a few minutes. Retirement is around the corner and we want to help you make the most of it.