

# WALKING TO DESTINY

11 Actions an Owner **MUST**  
Take to Rapidly Grow Value  
& Unlock Wealth

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**CHRISTOPHER M. SNIDER**

# CHAPTER THREE

## Every Hero Has a Flaw

Business owners are heroes. You are leaders in your communities, distributors of many national products and services, and suppliers to many of our public corporations. Yet every hero has a flaw. And when it comes to your business, what's yours? Most likely, you aren't planning for the day you leave your business.

Why not? It seems like common sense that you should be paying significant attention to managing your most important financial asset. One reason is that most didn't begin with the end in mind. Most of you started, bought, or assumed a business for income, freedom, or a sense of duty toward the continuity of the family business. You've been successful, sure, but why stop there? Why not take that next step to create value, which is worth five times the income you generate? That reality is the exact problem that exit planning and value acceleration address. It is the method used to benchmark your business today, make meaningful adjustments,

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*The Pride*

*The Isley Brothers*

*What makes you want to do the best you can?*

*What makes you a better man?*

*What makes you try again before too long?*

*What keeps you standing strong?*

*What makes you say the things you want to say?*

*To make it a better day?*

*It's the pride that makes you feel that you belong*

*It's the pride that keeps you strong*

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and rapidly grow value so that you can monetize the value of your business when you are ready. If that's what it means to plan for exit, why don't more owners do exit planning? It seems like common sense, doesn't it?

*“At some point, the business owner must recognize that success has radically changed his relationship to his company. He must understand that businesses which survive do so because the founder has taken measures to assure the continuity of his company. The business owner must change his role from that of super-employee to that of respected leader and teacher, who must gain his ultimate glory in the accomplishments of those who follow him.” —Leon Danco*

Based on our nature alone, there are predispositions at play that make Baby Boomer owners hesitant to approach exit planning. The idea of leaving your business works against the core value embedded in each of us. Why would I choose to leave behind my successful career and my youth? It is not an easy pill to swallow. And honestly, many (myself included) don't want to stop working. I love my business. But if we're honest with ourselves, there are other reasons at play. Ask yourself these questions:

- Are you afraid of the future? Do you fear getting older?
- Do you need the income from the business to support your lifestyle?
- Do you know what you are going to do once you leave your business?
- Are you worried about word getting out about your plans to exit?
- Are you misinformed about what exit planning is?
- Do you find exit planning confusing and complicated?
- Do you see the clear benefit to exit planning?

- Do you consider exit planning important, but not urgent?

There are many reasons owners don't do exit planning, but when you break it down, it seems to circle around a few central areas of discomfort.

## **BABY BOOMERS ARE AFRAID OF GETTING OLD**

Why does fear come into the equation for a generation so adaptable and comfortable with change? Baby Boomers don't want to grow old. You don't want to become irrelevant. And most of you don't want to "exit." You have spent your lifetime navigating crisis, embracing reinvention (far beyond the capacity of your parents and even your children), and with that, you have accomplished incredible things. You are successful. It's no wonder that you would have a gut reaction to the word "exit." Exit sounds like the end.

In today's paradigm, "exit" is a disconcerting word. I have been advised by some of my closest advisors and partners that I should change the name of my company, the Exit Planning Institute, to strike the "e-word" altogether. Many of my own clients, who are predominantly professional exit planning advisors, believe that they should not even use the word "exit" when talking about exit planning with business owners. "We should use a softer word like 'transition' or 'succession,'" they say, "because owners are intimidated by the word 'exit'." Hmmm.

The truth is these advisors aren't wrong. Discussing exit does prompt a negative reaction nine times out of 10. But what's really going on here? You may be intimidated, but not by the word. The fact is that exit planning evokes fear and negative emotions only because of the way you view it, your paradigm. Changing the word used to define the process won't change the feelings that word evokes.

I'm a Baby Boomer too, and I have challenged myself to never shy away from that word. Rather, I see this as an opportunity to truly connect with my peers, in this case you, to address those fears and redefine the paradigm that villainizes exit planning. I find that exit is only negatively perceived by owners who perceive the word to represent "the end." The end of your youth, which makes you feel like your best days are behind you. The end of your career, which makes you feel like your success is ending too. The end of your life, which also means your last and final separation from all the people and things that you've loved. "The end" evokes these feelings of separation and it doesn't feel good. Talking about your exit makes you feel old.

Why are we so afraid of getting old? Reaching the third act of our lives should be a celebration. If you have planned accordingly, your third act could actually be your best act. That's not to say growing up, being in my teens, meeting my future wife, and my college years weren't great. That was my first act and it laid my foundation. And then my second act, the days of having a family, building my career, and raising my children, was undeniably wonderful. I wouldn't change them for anything.

Now as I get older and approach the days of my third act, times are just as exciting. Just different. And in a lot of ways, *better*. I have more disposable income than before, so I travel more and I drive a nicer car. I don't have to worry about my children as much as I used to, as they are on their own paths now. And in turn, I have gotten to know my bride of 34 years again.

I had this fear that I would have an abundant amount of free time if I distanced myself from being in the business 60 hours a week, but I was wrong. I certainly don't have more free time. If you speak to my wife and children, they will tell you they have never seen me busier. I'm just busy with the things I want to do instead of what I have to do.

My friend and mentor, Pete Christman, is known to many as the "original exit planner." When Pete speaks on the subject of third act planning, he has a simple exercise he likes to do with the group. Give this a try:

Write down the age of the person who has lived the longest in your family.

Now write down your age.

Calculate the difference.

Is that number between 20 and 40 years? If so...now is your third act.

If you exit your business at 60 or even 70, it's likely you will live another 20 to 30 years. And what is important is having a vision for what you are going to do with that time. You fear becoming obsolete, so what are you doing to stay relevant? What are you going to do with your time? Wallow in pity, wishing you still had your business to keep you busy? After all the positive things you have experienced in your life and brought to the world? Your third act won't be dismal if you continue to pursue life with the vigor and enthusiasm of your younger days. Take care of yourself and your health so you can experience your third act to the level that you deserve. And pass on your wealth and wisdom to secure your family's future.

## **BUSINESS OWNERS ARE TRAPPED**

Many owners are trapped in their businesses, unable to unlock their wealth, because they are so reliant on the income the business brings and are financially unprepared for life without that income. Let's face it. Income is one of the many perks of business ownership. You live well. You live in a nice home in a nice neighborhood. Your children have the opportunity to attend private schools. You sit in the best seats at the ballgame or

concert hall. You drive a nice car. You have country club memberships and possibly a second home on the lake or at the beach. You have become a pillar in your community. Plus, once your business is established and your kids have moved out, you have more disposable income.

Some of you may feel some financial freedom. You've arrived! And you really do deserve it. What it took for success in ownership was a lot of personal sacrifice. Your employees will never understand the risks, the missed paydays, the long hours, the times you chose work over family, and the worry and grief that comes with business ownership. You have more than earned your income.

But you spend a lot too, right? And the fact is, you may not have adequate resources outside the business to support your lifestyle without that business income. Let's assume the average owner benefit of 10% of sales. If you sell your business for \$2.5 million, you will clear around \$1.75 million, after taxes and fees. Let's say you invest that entire amount in a reasonably safe retirement portfolio and earn 6% before taxes. What's your new income? Your annual income just went from \$500,000 to \$105,000 per year. So you've worked hard your entire life, and in your last act, you take a \$400,000 pay cut? Ouch.

So it is easy to see that if you haven't planned properly, you are now trapped. You need the income from the business to support your lifestyle. Even if you pull cash out of the business in your later years to invest in retirement, you face the risk of undercapitalizing the business. So what do you do?

Sean Hutchinson, a close friend and industry leader in value acceleration, will not work with an owner who does not have a "growth mindset," meaning a commitment and passion for building a strong company with high-growth goals. This is because of a common phenomenon: when an owner realizes later in life that he has not planned properly financially, he tries to catch up by sucking resources out of the business or transitions it to the children, but still pulls a salary even though

he is not there anymore. And if the business is not growing, that owner is actually decapitalizing the overall value and weakening the probability of the business's perpetuity after he leaves. Not to mention, you will pay the price for that kind of misguided strategy at the time of sale. If you decide to try and sell that business, you will likely receive a below-average, discounted offer (if you receive an offer at all on this weakened enterprise). Or the terms of the offer will require you to financially assume the risks of the buyer. Or you might say, never mind, these buyers aren't paying what I need. I'll just hand it over to my daughter. And in that family transition situation, you pass off an undercapitalized business as a gift to the next generation, making it even tougher for her to succeed. So why does Sean insist you have a "growth mindset" before he comes on board with your business? Because growth is key to unlocking the income trap that keeps you stuck in your business.

## **BUSINESS OWNERS DON'T KNOW WHAT TO DO NEXT**

I was talking with a retired accountant about recent exit planning trends and got onto the subject of why owners don't like to think about leaving their businesses. He got an indignant look on his face that stopped me.

"Are you kidding? It's not just owners, Chris. It's all of us."

"Sure, I agree, but it's a little different for owners," I said, surprised I had hit a sensitive spot.

"Maybe the financial risk is different, but the feeling is the same. I retired and my wife and I moved down to Florida, just like we'd planned. I'm out on the golf course the other day and a guy walks up to my foursome and says to me, 'So who were you when you were somebody?'"



Baby Boomers are the inventors of the 60-hour work week. We found passion and reward in our careers. And now, we all know someone, not unlike my accountant friend, who worked their entire life, retired as planned, and struggled to find real fulfillment. That fact has tarnished our perception of what life-after-business looks like. Even if you overcome fear and are financially prepared, most of us don't know what to do next. It doesn't help that most Boomer owners don't actually want to exit their businesses. You want to keep it as long as you can. It's not just the income; it's your identity. You are the business.

Life-after-business planning feels like a soft topic, and as a business owner, you have a lot of immediate demands that keep you from finding time to really explore that part of your future. And it isn't as simple as figuring out how much money you need to pack up the house, move to the beach, and play golf four times a week. As your future rapidly becomes your present, your lack of attention to this area is the source of your discomfort. Don't just hang it up. You owe it to yourself to plan a third act that sets you up to stay connected with your identity and excel in your new ventures, embracing who you've been and who you want to be... while staying relevant.

## **BUSINESS OWNERS DON'T WANT ANYONE TO KNOW THEY ARE PLANNING TO EXIT**

Shhhh. Keep your voice down. I don't want anyone to know I am thinking of exiting. If word gets out, the employees will leave, the customers will leave, the suppliers will abandon me...are you kidding me?

Several years ago, my partner and I met with the owner of a successful engineering firm. The owner was a 73-year-old, tough, hard-nosed kind of guy.

“Listen,” he said, “I want to make this very clear. I don’t want anyone to know I am considering exiting. The whole place, everything I built, will fall apart if they do.”

“Really?” I said, looking surprised.

“Yeah, really—what do you mean?” he asked.

“Everyone already knows!” I said, “They are probably all wondering what you are doing and, frankly, are afraid because you are leaving them out of the loop! You are 73 years old, for Christ’s sake!”

What do you think would be more appealing to your stakeholders? Being left in the dark wondering when the big news will come (with their most proactive option for survival being a contingency plan for the day your business doesn’t exist anymore)? Or do you think they would find it more appealing to participate in a well thought-out succession plan that addresses the future and maps out an orderly transition?

When I meet with my executives, I make it a point to ask them, “Do you think doing that will make our business more attractive to a potential buyer?” or “Does that new client have any value if we were to sell in three years?” I have them fill out quarterly enterprise scorecards that ask them to rate the value of our intangible capital and provide an analysis. I want my leaders to know that building our business with high market value would be a major success regardless of the endgame. The result of knowing and participating in exit strategy has made my staff stronger leaders and better strategic thinkers. And I’d challenge you to be more willing to be transparent with the leaders you rely on to operate your business. You need to address this immediately so you can start to grow and benefit from the accomplishments of a staff that truly embodies ownership thinking.

## **BUSINESS OWNERS HAVE PRIORITIES THAT FEEL MORE URGENT THAN EXIT PLANNING**

You, as the owner and operator, are often the best employee in your business. Your wisdom and experience are needed, particularly if you have not identified and groomed a successor. The daily success of the business is most likely still dependent on you. You may know that exit planning is something you need to do, but you are too busy solving the problems of today. Exit planning ticks further down your priority list and becomes something you plan to do down the road.

What you need to understand is that every day, you make decisions that impact your exit. You can address this by integrating the principles of exit planning and value acceleration into the daily operations of the business now. Exit strategy is business strategy. It's not a project to be taken on somewhere down the road. It integrates your personal, business, and financial goals and serves as a guide for success. When done correctly, exit planning provides immediate return and benefits on top of what is possible in the future. This is not the common perception of exit planning, since your current paradigm causes you to view it as something else.

Every month, I hold a workshop called the "Owner Roundtable," which brings together high net worth owners and entrepreneurs in the Greater Cleveland area to get educated on how to manage their business value. One of the coolest things about the Owner Roundtables is the collaboration between peers as they discuss their businesses. I observed an interesting exchange between three business owners who all agreed they did not want to exit and would prefer to keep their businesses: Hank (age 52), Chuck (age 61), and Mike (age 66). Hank, the youngest of the three, made the comment that he still felt young and vibrant.

*“I have no desire to exit,” Hank said, “but I would like to set up my business so that if a buyer opportunity presented itself or something terrible happened, God forbid, I would be in a position to harvest that value. Honestly, thinking about disability and death impacting my business value scares the h\*\*\* out of me.”*

Chuck, who had recently turned 61, had a different point of view. Age had snuck up on him and now he was feeling it.

*“It wasn’t until recently that I even thought about exiting,” he said, “and I hate to admit it, but I’m literally feeling older. I’m getting worried about how long I can keep this up. My energy is not what it used to be and I need to sustain that energy level to operate my business. I’m not in a place where I can sell, even if I wanted to, because I haven’t figured out how to get my money off the table.”*

The last owner, Mike, was in the midst of a family transition, bringing his children into the business. He was already a second-generation family owner, and in his eyes, the business had been on “autopilot” for quite some time. Mike thought that after his kids were up and running, he’d start to slow down.

*“I’m shocked: just the opposite happened. Having my kids in the business has brought me back to life. My energy has increased in the family business and I’ve been buying others, too. I’ve never been busier, or if I’m being honest, happier.”*

Exit planning is important and you'd be wise to make it a priority now. It only becomes urgent when you wait. Like the three owners above, you face new concerns, challenges, and opportunities as you approach your third act. Implementing value strategies into your business now will provide you with the independence, choices, and freedom to properly plan how to stay engaged and relevant.

## **BUSINESS OWNERS ARE MISINFORMED**

*66% of business owners have not completed any formal education related to transitioning their business.*

*—EPI State of Owner Readiness Survey, 2016*

Most likely, you are not educated about how to exit your business, let alone what exit planning really is. Why would you be? For most of us, it is a once-in-a-lifetime event. You have no idea how challenging it is and how much the odds are against your successful transition. It's understandable. You don't know what you don't know. Exit planning is simply good business strategy, but few view it as such. This book is a step in the right direction. It's time to educate yourself and change your paradigm so you can change your outcome.

Part of the issue is that many of the advisors you rely on to teach and guide you through the exit planning process are misguiding you. Is exit planning estate planning? Is it tax planning? Is it financial planning? Does it mean selling the business? Or does it mean transitioning it to your children or your employees? Yes, yes, yes, yes.

Exit planning is all of those things and more. Your advisors, most of whom are functional and technical, view exit planning from their point of view. Few advisors treat exit planning with the holistic view that I am

teaching you in this book. They, too, focus on the end. And so does most of the literature about exit planning.

Much of your advisors' misinformation is understandable. Most of them also have functional myopia. Most have a particular expertise, be that financial planning or accounting or law, among many others. Such advisors tend to view the world of exit planning from this functional and technical perspective. On top of that, most advisors don't work well as a team. It complicates the process when your accountant, your attorney, your insurance agent, and your financial planner are giving you conflicting advice. Add your spouse's opinion to the equation, plus the cost of dealing with all these "plans," and you just write off everyone's advice as more trouble than it's worth. Who wants to deal with six different advisors with six different plans anyway? You don't want plans...you want action! You want results!

All of this makes exit planning sound complicated and time consuming. The fact is, exit planning is complicated and time consuming. In the past, we treated exit planning like a project rather than a way of operating. Not having a common framework which fits all the pieces together makes it more confusing. So rather than deal with it, the tendency is to put your head in the sand. But with Value Acceleration, we now have a common definition and common framework to bring exit planning into the present.

## **BUSINESS OWNERS DON'T WANT TO EXIT**

The idea of the Owner Roundtable has spread in Northeast Ohio (and across the nation), so now I have a few different sessions going on all the time, and I use this as an opportunity to invite high-caliber advisors to sit in, and sometimes speak, so they can learn what it means to be an owner.

Two months ago, I posed a question to a group of Baby Boomers:

*“Which of these sounds more appealing to you? Would you rather (a) liquidate your business at some point in the future or (b) keep the business and have it produce an ongoing dividend without you having to be there every day?”*

What do you think the answers were?

What is your answer to that question?

It was unanimous.

Every single one of them answered (b). Keep the business.

Not one of them would exit their business if they didn't have to. The business represents more than your identity; for many, it is your life. The game of business is what you enjoy doing. Given a choice, you honestly wouldn't do anything else. You are already doing what you want to do.

The advisors in the room were stunned. Advisors who make up this industry (left-brainers by definition) have this perception that all owners want out. All the advice and messaging is about making a plan to get you out. But this perspective is wrong. And though these advisors' help is needed, it's unwanted because their message itself makes it clear that they don't actually understand you. If an advisor met with you and said, “Hey, let's make and adopt an exit plan that gives you options. You can keep the business and have more flexibility. You can sell the business at the highest multiple. We'll get you to a place where you have choices,” would you be more receptive to the concept of exit planning? Obviously.

All of the owners said they knew the “number” they needed to exit and live comfortably, but given the choice, they would stay in. Moreover,

they saw the business as the least risky asset in their portfolio. One owner pointed out the recent volatility in the market.

*“Where would I even put my money if I got it out? I don’t trust some third party to manage my asset. If I keep it in my business, I can manage my assets.”*

He is not alone in thinking this. Most owners don’t trust third parties to manage their assets. And as a business owner who has navigated crisis and established success, you believe you are the best steward of your money. In truth, if you did sell and put the money into a diversified, professionally managed portfolio, it would never produce the kind of income you produce in your business today.

There are plenty of reasons why you haven’t started exit planning. Part of the reason is there is too much emphasis on the end. Instead, you should focus on what you can do right now to make your business and personal planning better. If you embrace that, you’ll see major results and have lots of exit options, including sustaining your involvement in the business even longer (which is probably what you want). Get yourself in a position to harvest the value you have built. An investment in your exit is an investment in creating a better lifestyle right now *and* in the future. Now is the time to pull your head out of the sand.



## PUBLIC SPEAKING

*Walking to Destiny* provides a roadmap and concepts which, when adopted, can increase readiness and attractiveness as business owners approach their exit. Chris Snider delivers keynote speeches, trainings, and workshops surrounding the topics of Master Planning and the Three Legs of the Stool, the Four C's, the Five Stages of Value Maturity, and Relentless Execution. This education is for:

- Top-tier professional advisors and consultants dedicated to helping their clients successfully grow and exit their businesses
- Legal, asset management, and accounting firms committed to successful wealth transfers
- Business owners looking to educate their executives and staff on how to grow value in the business and think like owners
- Community leaders wanting to educate their local business owner market on how to successfully transition their businesses
- Industry associations dedicated to preparing their members for succession
- Financial/professional associations looking to educate their members on how to perform exit planning services
- Entrepreneurs wanting to use exit strategy as a business strategy and stage their company for rapid growth and high market value

For speaking fees and availability, please contact Brooke Norman at (216) 712-4244 or [BNorman@Exit-Planning-Institute.org](mailto:BNorman@Exit-Planning-Institute.org).

Chris Snider is a frequent speaker in Chicago, Cleveland, New York City, San Francisco, San Diego, Las Vegas, Phoenix, Dallas, South Florida, St. Louis, Milwaukee, Atlanta, Los Angeles, and New Orleans. Discounts on travel are available for back-to-back bookings.

## VOICE OF THE INDUSTRY

Christopher M. Snider, CEPA, CEO and president of the Exit Planning Institute, creator of the Value Acceleration Methodology™, and managing partner of Snider Premier Growth, is recognized as a thought leader and trendsetter in the field of value acceleration and exit planning. With a message that resonates with entrepreneurs across the country, Chris is a



sought-after speaker for many major companies and trade industries, and the associated organizations that are dedicated to serving the transition and growth needs of business owners.

He built his career as a key value growth integrator for major companies, including The Sherwin Williams Company, FedEx Logistics, Nike, Dell, and Textron. Finding passion in

changing middle market business owners' lives through rapid growth projects, Chris emerged a game-changer, noting a milestone project with a family-owned private company that he helped grow from \$90 million to over \$240 million in three years and successfully selling to a multi-national strategic buyer. Now with a wealth of experience and a proven value acceleration system, Chris has established a family investment company with his son, with ownership stakes in eight lower middle market businesses.

## FOR BUSINESS OWNERS. BY A BUSINESS OWNER.

*Walking to Destiny* is not only your essential resource to understand what makes your business attractive and ready for transition; it is a business owner's handbook to learn how to rapidly grow value and ultimately unlock the personal wealth trapped in your most significant financial asset: *your business*.

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