

Succession Planning for Small Businesses and Non-Profits



You Have a Business or Non-Profit You Care About!
How to Create a Smooth Transition for Succession

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Introduction



A recent Gallup study determined that 52% of existing business owners surveyed plan to transition out of their businesses in the next 10 years:

- 30% plan to leave in five years or less
- 1/3 plan to transfer their business to the next generation
- 1/3 believe (hope) they will sell the business to a third party
- 1/3 plan to simply close their doors

You are ready to work less, live more, or possibly retire completely. The question common to small business owners and the leadership at non-profits is: who will lead the business or move the organization into the future? How will you find that person? How can you benefit from the financial value that has been invested in the business?

Maybe you planned your children would carry on the business or that you would find someone to buy it. You may have a key employee that wants to buy the business, but does not have the needed money to invest. You may need to find just the right person to take over leadership. It's common for business owners, and the boards at non-profits, to become overwhelmed by these choices and not know where to start.

This handbook will outline a step-by-step approach to creating a change in leadership and ownership for many small businesses and community organizations. It is intended to guide you through a timely approach to a successful transition and move your business into its next generation.

This is what you may expect:

Chapter 1: Organizational Readiness

It is time to paint the house and wash the windows. Just like you might spruce up a house you plan to sell, it is time to see your business as a new owner looking to invest will see it. Just as with an updated clean house, a well operating business will sell for more than you invest in the updates, and make for a smoother, more successful transition.

This guide will help you identify the top five areas to address, set an action plan, and complete the needed tasks in a timely manner.

Chapter 2: Evaluate Your Resources

Succession planning is not a do-it-yourself project. If you are a small business owner, you probably don't have time to take on additional projects. Community organizations often operate at maximum capacity with limited resources. This workbook will walk you through the process of determining the resources needed to complete the updates you have identified in Chapter 1.

Chapter 3: Scrub Your Financials

The process of selling your business is, at its very heart, a financial transaction. You are looking for someone to buy your business using a transitional method that will build a strong foundation for a successful future. For a business to have value to a prospective buyer, the business owner must show the profitability of the business, and *only* the business. Some small business owners will mix personal and business expenses together for many understandable reasons. It's time to separate out all of the personal expenses.

This guide will walk you through the most common areas to review and "scrub" so the business financial information will display only the results of the business.

Chapter 4: Create The Transition Plan

This is the point where you locate the key employee, family member, board member, or new-comer to build the plan around. This is the place where creativity and practicality must combine to make a workable, achievable plan. The resulting plan will be a product of ingenuity and collaboration. This is when you will look to others in the community to help you plan your course.

This guide will outline the steps to creating a smooth transition, where to find assistance, and give you a case study example to help show the possibilities in creating the plan.

Chapter 5: Resources

This approach requires some specific processes. The guide provides resources for setting the plan into action and giving you the information needed to work through the steps involved. In the "Resources" you will find:

- "Action Item" sheets with timelines
- A simple guide to valuing your business, including the basics of a buy/sell agreement; *Compliments of MasterCard, Worldwide*.
- Project Timeline template
- Start-up checklist for the new business owner

- Checklist for closing a business entity
- Resources available at Feather River College

Chapter 1 - Organizational Readiness



This chapter will help you identify the top five “updates” that will help improve the value of your business and increase the success rate for the next owner. This is much like cleaning or painting the house before you present it for sale.

You may be thinking, “*It’s worked this way for 35 years, why should I change it now?*” It is simply a matter of making it work for the next person to sit behind that desk, take that service call, or run those grants. Remember the goal: you want to (fill in the blank).

Task 1: Goal

This is a good time to fill in the blank! Your goal for business/organization transition is: I want to (write your exit goal in the box below):

Some example goals might be: work less, retire, travel, spend more time with family, invest in one’s own health, or be less tied down. This is important so that you will also know where to direct your energies some day when you have completed your successful transition and to keep you moving in a forward direction.

Now that you know what the end goal is, let’s look at what it will take to get there. First ask yourself honestly, “Can someone else do this job?”

Sometimes the answer is no. If you are an artisan who sells his skills rebuilding 19th century wagon wheels, you may be the only person in 2,000 miles who can train someone else to do this. And, if you do, will there be enough market demand in the future for this product? It is easy to fall into the trap of believing that no-one else on the planet can trouble-shoot old cars or create *your* yummy cupcakes as well as you. This thinking simply does not serve your goal.



Task 2: Can someone else do this job?

Can someone else do the work needed to run this business? List out the training and/or skills required and consider options of how the skill may be obtained. Don’t forget about local or regional apprenticeship training programs when considering where skills can be obtained.

Skills/Knowledge needed	Where to obtain skills
1.	
2.	
3.	
4.	
5.	
6.	
7.	

Next, let’s take a close look at the systems and deferred maintenance in the business/organization that may need attention. For example if your office looks like the woman’s at the opening of this chapter, you definitely need a filing system, a scanner, and possibly an industrial paper shredder. The following task allows you to outline some of the more common business systems and to think about how well they are working.

Once you have finished the list, fill in the priority column. Indicate by number the most important tasks; the MOST important will be number “1,” the second most important number “2,” and so on.

You will begin your work with the top five priorities. This will help to provide a manageable list. When those are nearing completion, consider tackling the remaining items on the list.

Task 4: Action

In the “Resources” section of this handbook you will find a sheet called the “**Action Item.**” Five of these sheets are numbered 1 through 5 and one does not have a number. The intent of this workbook is to tackle the top five, but if you need or want to add to the list, there is an Action Sheet with no number that you may copy and continue to use.

Action Item 1 will be the first priority from the list completed in Task 3. Begin each Action Sheet with its corresponding System from the list. For Example:

Let’s say you noted that Inventory was your first priority for improvement. The Action Sheet will start out looking like this:

Action Item 1

START DATE	DUE DATE	WHAT	WHO	IN PROGRESS	DONE
9/1/2014	11/05/2014	Identify and segregate obsolete inventory	Warehouseman		
11/05/14	11/07/2014	List all obsolete items on E-bay (Craigslis) for sale; discount them to cost or below	Owner		
11/08/2014	11/09/2014	Notify customers of items for sale on E-bay (or Craigslis)	Owner’s Assistant		
11/15/2014	11/15/2014	Ship out sold items; donate the remainder	Warehouseman & Owner		11/20/2014

You may not have a Warehouse Director or Assistant. This is an opportunity to contact the Local EDD, a Temp agency, your local Community College, or job board. You may be able to hire someone on a temporary basis to help. Some College programs can place students who help you while meeting their requirement for unpaid internship hours.

Chapter 2 - Evaluate Your Resources



Task 1: Key Employees

If you have employees, you no doubt know them quite well. As small business owners, or working in a community organization, you spend a lot of time with your co-workers. Now is the time to step back and evaluate if there is someone in that group you consider to be a “key employee.” The best situation often occurs when you can identify an employee who has the potential to take over some day or has indicated an interest to someday buy the business.

A key employee is someone who shows promise to be the next *you!* He or she is usually your “go-to” person – the one you can always count on to accomplish the task. This person is often quite an integral part of the success of the business.

This person may be a relative, a sibling, an in-law, a friend, a board member, an acquaintance, a professional advisor, or one of your current employees.

Next, consider whether or not this person may have potential for someday running and owning your business. Remember your goal as stated in Chapter 1! To get there you will need to think of that day when you are no longer at the helm of your ship.

You may find a combination of several employees that have talents in various areas that together might make a good fit for your business transition. One may be an expert in sales, another in purchasing, and a third for customer service and accounting. Diversity does make a business stronger.

Of course keep in mind the work you did in Task 2 of Chapter 1. If your replacement must have a license, special training, or certain skills, you will need to consider this in your evaluation.

If you do not have a likely candidate, consider looking to the following resources:

- Registered Apprenticeships, Community Colleges, and Universities with training programs that fit your business
- Local job placement agencies – someone with management experience that fits your business
- Economic Development Corporations
- Business Recruitment Firms
- Business Brokers
- Real Estate Agents with clients moving to the area for a lifestyle change
- People you meet and know in social, trade, and local civic groups
- A competitor looking to increase his market share by buying yours

Your goal is to get the notion out that you are looking to hire a key management type employee. If you are going to be public about it, be sure to talk with your existing employees to quell their concerns or fears.

Additional sources:

Some Community Colleges operate business transition programs. If that service is available locally, it will be a big help to you in your transition. They may have a person to help you facilitate your business transition.

Look for Entrepreneurship programs that are focused on placement for graduates ready to work for business owners as their mentee.

Task 2: Assess Your Need for Help and Find It

It's fairly simple. Many businesses are run entirely by one person or a couple. You will need to find skilled help to accomplish your "fix-it" list identified earlier. This is also the time to start assessing the possibilities for the person who may become the next business owner.

You may want to hire your first employee or retain an unpaid intern to help you make the improvements you identified in Chapter 1. This person may not necessarily be your future key employee. This will simply be the help you need to accomplish the task.

Example:

You are a plumber. You have never created a website, but you identified this as something that should be accomplished and have prioritized it as one of your top five projects. It may benefit you to contact the local college for students that desire or need

work experience (or internship hours) and are proficient in website development. This may provide you with the help you need to quickly check this off your list.

Additional Tools:

Some organizations find assessment tools useful in helping them identify the talents needed in their employees and to build a team that functions well together. You may wish to consider a tool that measures an individual's strengths and talents.

The Gallup Research team created the *science* of strengths from more than 50 years of research and incorporated this collective knowledge into their bestselling books and assessment tool, the Gallup "StrengthsFinder." These surveys have helped millions of people and business owners discover what they do best. They have developed a tool to help you measure your teams' talents and strengths. The results will help you to look for individuals that have the talents that fit your business and will facilitate your Exit Strategy.

They have also expanded this research to develop the "Entrepreneurial Strengthsfinder." This product is aimed at helping people identify their entrepreneurial talents.

These and other products are low in cost (about \$10 per Strengthsfinder assessment), easy to facilitate, and available to everyone that has access to their online products.

You may learn more at their website:

[Gallup's Strength Center.com](http://www.gallup.com)

Another useful tool is the Keirsey Temperament assessment. The Keirsey tool is the modern version of a Myers-Briggs style personality assessment combined with a Holland RIASEC style career inventory.

What makes the Keirsey unique is the assessment report provides active links to the web databases ONet and Career Builder based on individual career results. It can be used not only to build awareness about one's strengths and skills in the workplace, but also what types of work environments and activities one is most suited to based on personality patterns.

You may learn more at their website:

<http://www.keirsey.com>

Chapter 3 - Scrub your Financials and Approximate the Value of Your Business

Most business owners operate their businesses year-to-year with two goals:

1. Maximize benefits to ownership: Income, assets, owner benefits.
2. Minimize tax liability: Reduce reported taxable income even to a taxable loss through purchases, leases, benefits, depreciation, and other deductible expenses.

The business owner needs to take a different financial approach to successfully:

- sell the business
- maximize the sales price
- provide financing for the buyer



Task 1: Review Your Financial Data

Ideally, for three years prior to selling your business through this exit transition, the business may need to consider implementing the following changes in financial policy:

- Maximize sales and net income (often this is already an ongoing goal)
- Demonstrate opportunity for growth with historical growth trends in profits
- Reduce expenses by:
 - ✓ Removing questionable expenses (example: inventory you took home for personal use)
 - ✓ Reduce or remove excess owner compensation, benefits and discretionary spending (paying for an owner's club membership or personal debt)
 - ✓ Report all income even if the owners have not done so in the past and
 - ✓ Separate personal and business spending
 - ✓ **Start today!**

If you are not sure where to start or if this is even necessary, have a discussion about this topic with your tax preparer, accountant, or bookkeeper. Let this person know you want to show all the profits that this business actually will earn.

This work may be done at the same time you are working through the steps in Chapters 1 and 2. It takes time because you are not going backward, you are moving forward.

Tip: You do not want to change historical financial information if you have already filed a tax return or provided the information to other partners, board members, or lenders. If you have not done any of these, it is acceptable to revise the current year's financials to meet this goal.

You may understand this concept but feel you need a more compelling argument. Here it is:

1. Not including personal or questionable business expenses in your financial statements is the correct approach to business finances
2. It accurately depicts the true income that the business can produce
3. It demonstrates to a prospective owner the opportunity for growth and income
4. It has been proven that you will obtain a higher selling price. This will more than compensate for higher taxes resulting from a higher taxable income, and
5. It helps a new business owner to obtain financing.



To help you better understand the effect income has upon the selling price of your business, it is time to consider how to value a business for sale.

Task 2: Estimate value of the business

Refer to the Resources section of this manual and review the document provided by MasterCard Worldwide titled, "Buying and Selling a Small Business." It provides an easy step-by-step approach to obtaining a value for your business. This document is also available online at this address:

http://www.mastercard.com/us/business/en/pdf/MasterCard_BuySell_Sept21.pdf

MasterCard Worldwide Buying and Selling A Small Business

You may decide to enlist "help" with this project. If so, return to Chapter 2 and review the list of possible resources that may work on this with you.

Chapter 4 - Exploring Your Succession Options

Whether you are considering selling your business outright, creating a family business transition, creating an opportunity for a key employee, planning a change in leadership, or facilitating a succession plan that includes a major expansion, you will need a plan. This may be referred to as a Business Plan, an Exit Strategy, or a Succession Plan. Any or all will work as long as it addresses your goal (Remember The Goal - Chapter 1?).

Your assignment in this chapter involves:

- ❖ Being creative – Rely on the instincts you have developed about your business/organization
- ❖ Being open – There are so many ways to achieve this goal – consider all possibilities with an open mind
- ❖ Being realistic – If your only child is now a Physician practicing in Boston, it is unlikely he or she will want to return home and run the family's plumbing business.

The numbers are almost too large to comprehend. Think about 50% to 70% of the businesses in your community right now. Next consider what your community looks like if half of those were to close in the next few years. That's the magnitude of what communities are facing as early as 2017. Combined with much tighter lending requirements, less available financing, and a lagging economy, its clear small business owners need help like never before, and to stay viable non-profits need long-term leadership plans. If this wave is not addressed aggressively in each community, it can start a downward spiral that will ripple outward and affect entire regions. It's already begun. But it can also be a great opportunity for owners and for young entrepreneurs – with planning and action now, it can be a win-win situation. That's why it's so important to use the tools in this guide to help your business continue even when you no longer wish to run it.

A short recap:

- In Chapter 1 you established your personal goal and took a critical look at the work that should be completed while preparing to transition.
- In Chapter 2 we examined the resources you will need and ways to evaluate your current and future workforce to create the team for the future.
- In Chapter 3 we looked at some of the financial scrubbing to help show your business's true worth and potential.

In this chapter we will establish the Succession Plan.

Hopefully by now you have identified some potential successors. They may be key employees, future key employees, family members, non-family members, strangers, or you may just have “nothing.”

If you were not able to identify a key employee, you are probably looking at a traditional sale of your business. The best approach to finding an outlet for selling your business is to find a qualified broker who specializes in selling your type of business.

The good work you have done up to this point is still valid and will help you to more easily sell your business. Much of what you have done will provide the basis of the information your broker will ask you to provide.

If you are in a leadership role in a non-profit corporation, the remaining work will not be as oriented towards the financial compensation, but in creating the plan to find and train the new leadership.

For the remaining business owners, the fun is starting.

Task 1: Create a Transition Plan

- Consider options: outright purchase, gift/bequest, or a combination of these if you are looking to help a family member or friend.
- If the business is to be purchased, consider financing options including financing from an external party or from the retiring owners on a payment basis over time.
- Establish a timeline for implementation of the succession plan. A timeline tool has been included in the Resources chapter.
- Incorporate mentoring, job shadowing, and realistic timelines for the transition.
- Stress the importance of “follow up” after the transition.



Not every family business will survive and many do fail, primarily due to differing family interests and the inability of the next generation to grow the business. Taking these five steps now will save money and time and will help assure the continued success of your business.

Use “case studies” and successful mentors whenever possible. Business people are often willing to share their success, challenges, and failures to assist others in the process.

Keep in mind that a succession plan can take many different forms. At this point it is a very creative process. Let’s look at a case study that details just *one* of the many possible plans.

Case Study

Great Balls of Fur Dog Grooming

This dog grooming business was started in 1984 by its owner, Wanda Waybright. Wanda has been saving for retirement and is ready to sell her business so that she may spend more time with her grandchildren.

This has been a tough decision for Wanda. She loves dogs and has a steady clientele. Many of her dog owner clients have been using her services since she opened. Wanda recognizes that when she is no longer involved with the business, she may not stay connected with the customers she considers friends. It has been a tough decision that is motivated by her desire to do something else (Goal: spend more time with grandchildren). It will help Wanda to keep her goal in mind as she moves forward with her decision.

Chapter 1; Task 1 – Goal:

Sell my business so that I will have time to spend with my grandchildren and travel with my family...

With her goal set, Wanda spoke to her bookkeeper about the best way to accomplish this goal. The bookkeeper referred her to the Economic Workforce Development Director at Feather River College. **They were able to give Wanda ideas, direction, and provide a succession planning advisor to help her down the path of exiting her business.**

She met with the advisor and was provided a manual (Succession Planning for Small Business). She began following the steps and was somewhat surprised that there was a little more involved than she expected. However, her years as a successful business owner had given her the confidence to know she was up to the challenge and was very grateful to have a clear path to follow. She already had her goal, so next she answered the question:

Chapter 1; Task 2 - Can someone else run this business?

Luckily for Wanda the answer was a strong yes! There was a pet grooming program at their local community college and she had often employed interns from this program. One of the interns was quick to learn and very good with both the animals and their owners. Wanda hired her on the spot. Julie Ryan had been working for Wanda for just over seven years. She was well trained as a groomer, but did not have much experience running a business. Another option available to Wanda was the local college Entrepreneurship Program. There was a steady supply of graduates every year. Wanda considered this as some additional reinforcement that, yes, someone else could definitely run this business.

The next task was somewhat difficult. Wanda had to take a critical look at her business systems. She spoke with her bookkeeper to learn a little more about the kind of information already tracked and what the possibilities for improvement were. She determined that her business could use some work in the following five areas (in priority order):

Chapter 1; Task 3 – Areas for improving the business and its value

1. Website – Great Balls of Fur did not have a website
2. Customer tracking – Even though it was possible to track the customers who frequented the business in her “QuickBooks” accounting software, Wanda had never done so.
3. Inventory – The business sold some supplies. If tracked in the QuickBooks inventory, it would also document where she purchased these items.
4. Email – Wanda decided that it made sense to begin reaching out to customers via email to let them know about new products or last minute openings for appointments.
5. Improve and update signage; the strip mall location was bland and difficult to find on a customer’s first visit.

Chapter 1; Task 4 – Create action sheets for each project

She then created Action Sheets for each of these projects.

Moving on to assessing her resources, Wanda spoke with her **planning advisor, Clint Westwood**, on the best approach for talking to an employee about the idea of buying the business.

Chapter 2; Task 1 - Key Employee

Wanda’s **Succession Planning Advisor** suggested she first reassure the employee that her job was safe and simply offer her the option of considering becoming the next owner of the grooming business. Give the person some time to think it over and discuss it with her close advisors. In some instances, it may be prudent to ask the employee to maintain confidentiality about the conversation.

This is not a time to get into specifics or discuss pricing. It is a time to explore the option and discover whether or not there is an interest.

In Wanda’s case, Julie was excited at the opportunity but felt she could never afford to buy it. Wanda said she understood the concern and hoped that it could be addressed in a way that would benefit them both.

Wanda came away with the potential for a key employee business transition. If this had not been the case, then Wanda would have started looking for other sources of potential buyers (refer to Chapter 2 for sources).

In the meantime Wanda and her team began working on the improvement Action Items.

Chapter 2; Task 2 – Locate skilled help

Wanda knew how to use the Internet but was not at all familiar with how to create her own website. **Clint, her Succession Planning Advisor**, connected her with the college's Entrepreneurship program where they helped her find an intern who could help. *Ivy Leaguer*, a student in the program, worked with Wanda to develop content, purpose, and marketing focus for the site. She also showed Wanda how to easily update the content any time. The intern also introduced her to Constant Contact, an email marketing service (Action Items 1 and 4).

Wanda's bookkeeper helped create forms for obtaining customer information, along with a system for notating customers' names on the sales receipts so that their names and information could be entered into QuickBooks. This will be an ongoing process as clients visit the shop (Action Item 2).

Starting inventory in QuickBooks has been a fairly involved project. She had assistance from her bookkeeper and Julie Ryan. First, they created an inventory code system and notated the items sold by code and description on the sales receipt. In time, they had all of the items they sold entered in QuickBooks and inventory updated on a regular basis as the bookkeeper entered the sales receipts and purchase invoices (Action Item 3).

Once the other four priorities had been completed or were in steady progress, Wanda met with a local sign company and contracted to have new signs made. She was able to tie the look of the new signs together with the updated look of the new website (Action Item 5).

At first, Wanda felt this task would be overwhelming, but once she identified the help she needed and broke the steps down on the Action Sheets, everything moved along very smoothly.

Wanda had a standing appointment once each month to meet with her bookkeeper to go over her financial statements. She had decided early on that she would not have time to groom dogs and do all of the bookkeeping for the business. At first the financial statements made little sense, but over the years her bookkeepers taught her what she needed to know.

Chapter 3; Task 1 – Review your financial data.

Wanda met with the bookkeeper, Heather Chambers, to specifically discuss this concept of scrubbing the books. Heather was quite familiar with the concept as she had done this before with other clients. Heather confirmed for Wanda that there would not be much needed in this process because Wanda had always been quite careful about keeping personal and business transactions separate. Wanda wondered why all business owners would not do that.

Heather explained that some business owners are highly focused on minimizing their tax liability, so they bill as much as possible to their businesses to lower net taxable income. Wanda asked if it was illegal to do so. Heather explained that sometimes it is

blatantly wrong, such as paying for a child's ballet lessons and calling it an expense to their grocery store business. However other times it is very gray, so some bookkeepers and business owners choose to take the deduction as an expense even if it is unclear whether it is actually deductible.

She cited the example of the same grocery store owner who often took groceries home for the family but did not "buy" them from the store. Technically, he did "buy" the groceries when he stocked his store. However this is a good example of the type of expenses that should be "scrubbed" from the financial statements when readying a business for sale. This expense will effectively cease when a new owner takes over, so start now and show the true revenue and net income that the business is making.

Wanda understood the explanation and asked Heather to look carefully at all expenses. Heather said she would let Wanda know if she found anything that should no longer be paid for by the business.

Chapter 3; Task 2 – Business Value

Wanda supplied Heather Chambers (bookkeeper) with the MasterCard guide to determining the buying or selling price of a business. Heather worked through the process using the business' financial data and asset listings. The two also spent time identifying assets that were not recorded anywhere.

Heather used various Internet sites to attach values to used equipment and discounted the cost of older inventory. After some work, they concluded that the business value was approximately \$75,000.

Chapter 4; Task 1 – Create a Transition Plan

Wanda met with her **Succession Planning Advisor** at Feather River College. Her **advisor, Clint Westwood**, assisted her by explaining how a Mentor/Mentee relationship may be created with an incoming business owner that is (or could become) a key employee. Wanda expressed Julie's Ryan's concern that she could not afford to buy the business and asked about business loans from banks. Clint suggested that as part of the process to creating the transition plan, Wanda and Julie meet with a business consultant at their local Small Business Development Center (SBDC) who could advise them on the various funding options available to them.

The result of the plan that Julie and Wanda agreed to was this:

Business selling price: \$75,000

Julie would agree to a regular payroll withholding equal to \$2.00 per hour to be paid into an escrow account for the purchase of the business. Julie works 2,000 hours per year and would accumulate \$12,000 in three years.

Wanda would begin mentoring Julie in all aspects of how to run the business. **Clint Westwood helped them work out the timeline and details of the Mentor/Mentee relationship.**

Wanda had an attorney draw up a buy/sell agreement that provided the following:

- Confidentiality Statement
- Purchase Price (\$75,000)
- Goals and objectives for the next three years
- Partnership % would be awarded at the end of year 1 for 5% in exchange for the payment of \$4,000 then accumulated in the escrow account. This would be repeated at the end of the next two years. By the end of year 3, Julie would be a 15% owner and sharing income at that percentage.
- By the end of year 3 Julie would have been a partial owner for two years and demonstrated her ability to run the business profitably. She would meet the bank's criteria to be eligible for a small business loan.
- The SBDC Consultant prepared them for the possibility that the bank may only wish to loan 70% of the purchase price ($75,000 \times 70\% = \$52,500$). At the completion of 3 years Julie needs \$63,000 ($\$75,000 - 12,000$ paid from payroll withholding) to finalize the purchase of the business. Wanda agreed to work as a consultant by phone for two years at a rate of \$500 per month to make up the difference between what Julie needed to pay her and the bank was willing to loan ($\$500 \times 24 \text{ months} = \$12,000$). This meant that Wanda received slightly more than \$75,000 for the total price (an additional \$1,500).

Selling Price:	\$ 75,000
5% Payment Year 1	\$ (4,000)
5% Payment Year 2	\$ (4,000)
5% Payment Year 3	\$ (4,000)
Needed from a bank loan	\$ 63,000
Actual Bank Loan	\$ (52,500)
Shortfall	\$ 10,500
Wanda's Consulting Agreement 2 years at \$500 per month:	\$ 12,000
Amount Remaining Due:	\$ -
Actual Selling Price Paid to Wanda	\$ 75,000
Difference between Amount owed by Julie and Bank Loan Wanda's Consulting Agreement (\$12,000-10,500)	\$ 1,500
Total consideration received by Wanda	\$ 76,500

- Wanda's consulting retainer made her available to Julie to answer questions over the first 24 months that Julie was a full owner, but allowed Wanda the complete flexibility to travel and spend time with her grandchildren.
- Wanda also agreed to a non-compete for the 24 months following the sale. She also agreed to "fill-in" as a paid employee when employees might be unavailable due to vacation or illness for as long as she pleases. This gave Wanda a way to occasionally see and be seen by long-time customers.

Wanda admits that without the assistance of the [Succession Planning Advisor at Feather River College](#) she would not have developed this succession plan.

Julie never dreamed she would someday be the owner of business where she had been happily employed.

Conclusion: A Positive Economic Impact

Due to the commitment of the team to make this business transition work, the local community benefited in the following ways:

1. A healthy profitable business with a business plan that helped them grow
2. A bank loan and additional investment into the business
3. Retention of two full-time jobs
4. Enough growth to add two additional groomers placed through the local community college program, and
5. A happy retired business owner who is travelling and spending more time with her grandchildren.

Chapter 5 – Resources

Reference files – To be printed

- “Action Item” sheets with timelines
- A simple guide to valuing your business, including the basics of a buy/sell agreement; *Compliments of MasterCard, Worldwide.*
- Project Timeline template
- Start-up checklist for the new business owner
- Checklist for closing a business entity

Feather River Community College:

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