



Knowing What You Have to Get What You Need

For many business owners, building their successful businesses began by accurately determining what they had. Whether their businesses provide products, services, or ideas, the success they experienced didn't come to them blindly. It likely took years of refinement, study, and analysis to figure out the best way to establish and deliver the thing that makes the business successful. The same is true when discussing business exits.

As owners set their business exit goals, they may find that the resources that they currently have do not allow a financially independent business exit. That is, if those owners were to exit their businesses with their current resources, they would likely need to go back to work at some point to stay personally solvent. For those owners, a business exit is less a retirement and more of a headfirst dive into a pool of new challenges and opportunities. When they dive headfirst into that new phase, they want to make sure there's enough water in the pool to keep them afloat after they've jumped.

Owners who exit their businesses on their terms and who can dictate how they spend their post-exit lives tend to show similar patterns of action. After they establish what their business exit goals are, they evaluate the resources they currently have versus the resources they believe they will need to achieve a financially independent future beyond the current business. The difference between what you have now and what you need for financial freedom is called the *Asset Gap*.

Sometimes, the Asset Gap is small or non-existent. Many owners believe that they fall into this bucket. They believe that they have more than they will need or that their businesses are worth more than they are. However, it's much more common for owners to discover—sometimes too late in the process of exiting their businesses—that they've overestimated what their businesses are worth to a potential buyer while underestimating what they need to live the post-exit life they desire. How does this happen?

Overestimation of the business' value occurs when owners take a biased view of their companies and



**Peter Racen, CLU®, ChFC®, CASL®,
CFP®, AEP®**
peter.racen@nm.com

**Northwestern Mutual Wealth
Management Co., LLC**
www.peterracen.com
424 S. Woods Mill Road
Suite 110
Chesterfield, MO 63017
[314-744-5270](tel:314-744-5270)

assume that their companies are worth as much or more than similar companies, possibly based on an assumed rule of thumb that doesn't really exist. It makes sense that owners fall into this mind-set: They've often built their businesses from the ground up and have reaped the benefits of their success. Because they've put so much work and money into the business, they tend to put an overly subjective value on the business. When they look to find buyers, they can be surprised—and sometimes offended—when the value of the business to them doesn't reflect the value of the business to the potential buyer.

Underestimation of post-exit needs occurs when owners assume that they can live on less than what they currently spend. However, the opposite is usually true. Do you plan to downsize your house, get rid of your nicest car, travel less, and avoid new hobbies or business ventures? In short, living on less after exiting is often an unachievable and unbelievable myth.

Do you know what your business is worth objectively? Do you know how much money you'll really need to exit your business on your terms? Do you have an accurate estimate of how long you'll likely live after you exit? Do you feel comfortable predicting how the markets will do far into the future? If not, contact us today. We work to help business owners find out what they have so that they can take steps to turn it into what they need.

The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial advisor. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial advisor. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.

This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.

Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Peter Andrew Racen is a Representative of Northwestern Mutual Wealth Management Company® (NMWMC), Milwaukee, WI (fiduciary and fee-based financial planning services), a subsidiary of NM, and federal savings bank. All NMWMC products and services are offered only by properly credentialed Representatives who operate from agency offices of NMWMC. Representative is an Insurance Agent of NM and Northwestern Long Term Care Insurance Company, Milwaukee, WI, (long-term care insurance) a subsidiary of NM, and a Registered Representative of Northwestern Mutual Investment Services, LLC (NMIS) (securities), a subsidiary of NM, broker-dealer, registered investment adviser and member FINRA (www.finra.org) and SIPC (www.sipc.org).

The products and services referenced are offered and sold only by appropriately appointed and licensed entities and Financial Representatives. Financial Representatives and their staff might not represent all entities shown or provide all the services discussed on this Web site. Not all products and services are available in all states.

Peter Andrew Racen is primarily licensed in Missouri and may be licensed in other states.

CA License: #0D29950

AR License: #3201464

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

The Chartered Advisor for Senior Living (CASL®) designation is conferred by The American College of Financial Services.

©2018 Business Enterprise Institute, Inc. All rights reserved.