

*Gregory Dellinger*

# EXIT PLANNING

# AND BUSSINESS SUCCESSION

# BIO

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## Profile

- 38 Years Registered
- October 2005 – Joined Raymond James & Associates, Inc.
- Distinctions – Senior Vice President, Investments, Wealth Management Specialist

2018 - 2023 Raymond James & Associates Leaders Club

2016 Raymond James & Associates Leaders Club

2014 Raymond James & Associates Leaders Club

2009 - 2010 Raymond James & Associates Leaders Club

2006 - 2008 Raymond James & Associates, Chairman's Council

2005 Raymond James & Associates, Senior Vice President, Investments

1998 - 2005 Morgan Stanley, Chairman's Club

1994 - 1998 Morgan Stanley, Director's Club

1987 - 2005 Morgan Stanley, Senior Vice President, Financial Advisor, Atlanta, GA

1986 Scott & Stringfellow Financial Services, Winchester, VA, Financial Advisor, Rookie of the Year

1985 James Madison University, Harrisonburg, VA, MBA in Business/Finance, Men's Tennis Coach

1980 - 1984 East Tennessee State University, Johnson City, Tennessee, BAA in Finance, Graduated Cum Laude, Wall Street Journal Award, Four-year Tennis Letterman

Chairman's Council and Leaders Club (as well as Morgan Stanley's Directors and Chairman's Club) is based mainly on assets under management, education, credentials, and fiscal year production.

*(Re-qualification is required annually. The ranking maynot be representative of any one client's experience, is not an endorsement, and is not indicative of advisor's future performance. No fee is paid in exchange for this award/rating.)*

Father of 5 children

Pastimes: Golf, Tennis and Reading

# Tip #100 – Selling A Business Is Like Running A Marathon, It Takes Planning!

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**“Oh no, the sale of my business is not going to make it across the finish line. I should have had it more prepared!”**

Like long distance runners, business owners who want to sell their business need to prepare their company for the big event.

They will need to get through what could be a lengthy process with obstacles, emotions, and the need for energy.

They could even stumble and fall. And if they fall, they have to be able to get up and get back in the race.

Obtaining the advice of a business broker or M&A Advisor as a “trainer” to help them prepare can make all the difference to get maximum value and make it to the closing.



# Tip #99 – “I’m Totally Ready To Sell, But My Business Isn’t!”

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**“You bet I’m ready to sell...but I suppose I should replace our 30 year old printing press, recruit a new production manager and find a few major clients to get our declining sales back up!”**

Owning a business is usually a very big part of the owner’s life. But over time, **managing the business can take a toll on the owner.**

There are so many issues to take care of — employees, customers, products, services, equipment, leases, etc. And **a decreasing energy level can make it even harder to cope.**

Even though most business owners know they will exit their business one day, **many don’t do the planning necessary** to create the maximum value to sell. And when they are ready, it may be too late.

Read [75% of Owners Are Ready for Their Exits, But Their Businesses Aren’t.](#)



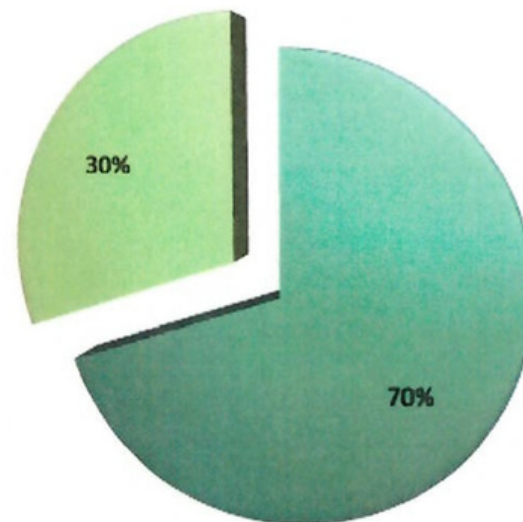
**52% of business owners say they would like to exit within the next 5 years...**

### What Owners Say...

- *"Having a transition plan is important for myself and my business."*
  - 95% Agree with this statement
  - 55% **Strongly Agree!**

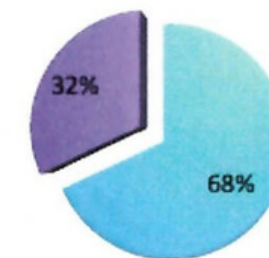
### What's at Stake

- A typical small business owner has **70-80% of his/her *Net Worth*** tied up in the company.



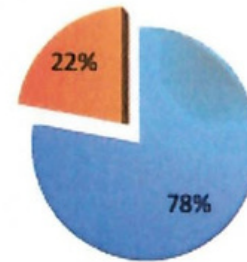
### What Owners Do...

- 68% of business owners in Colorado are unfamiliar with their exit options.



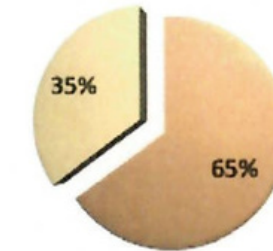
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- 78% do not have a team of trusted advisors to assist with an Exit Plan



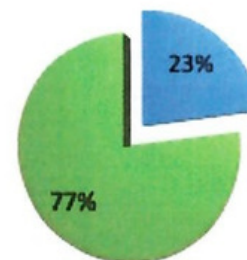
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- 65% Have no documented Exit Plan



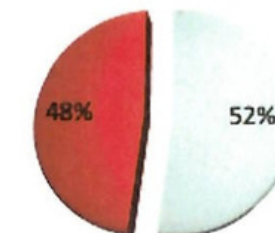
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- 65% Have no documented Exit Plan
- 23% have never even considered a plan
- And 48% of owners have no written *personal financial* plan



## Planning...(Like Brushing, Flossing, and Eating Your Vegetables)

Every business should have an exit plan in mind from Day 1.

If you didn't plan your exit at the time you started your business, the next best time to plan is **NOW!**

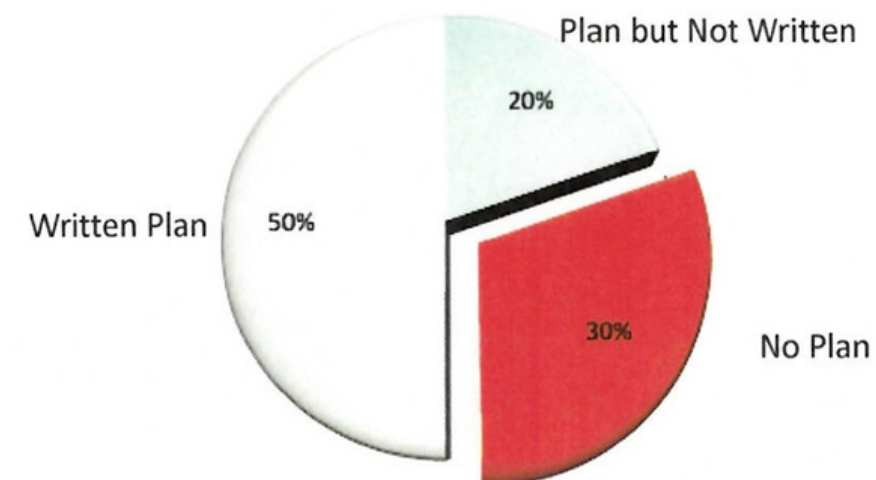
Why?

Because it's impossible to control the timing of an exit or the changes in circumstances that might precipitate it.

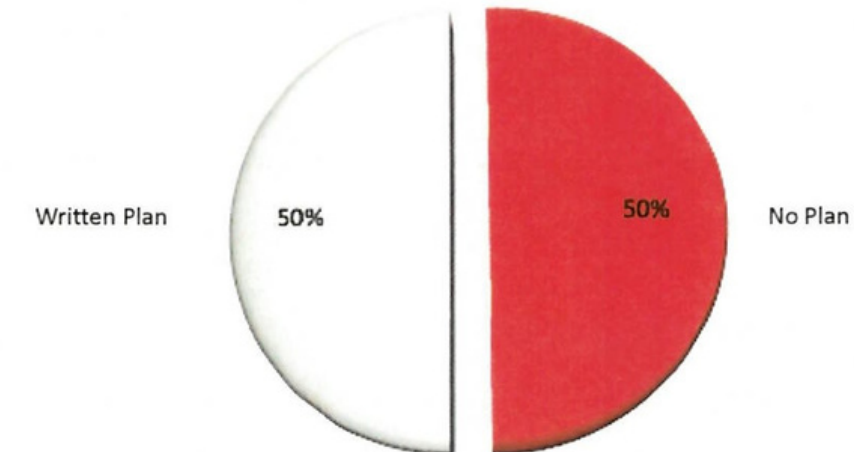
## 51% of business exits are forced by events beyond the owners' control...

- Disability
- Divorce
- Departure of key employee
- Disagreement with partners
- Death

## Documented Contingency Plan?



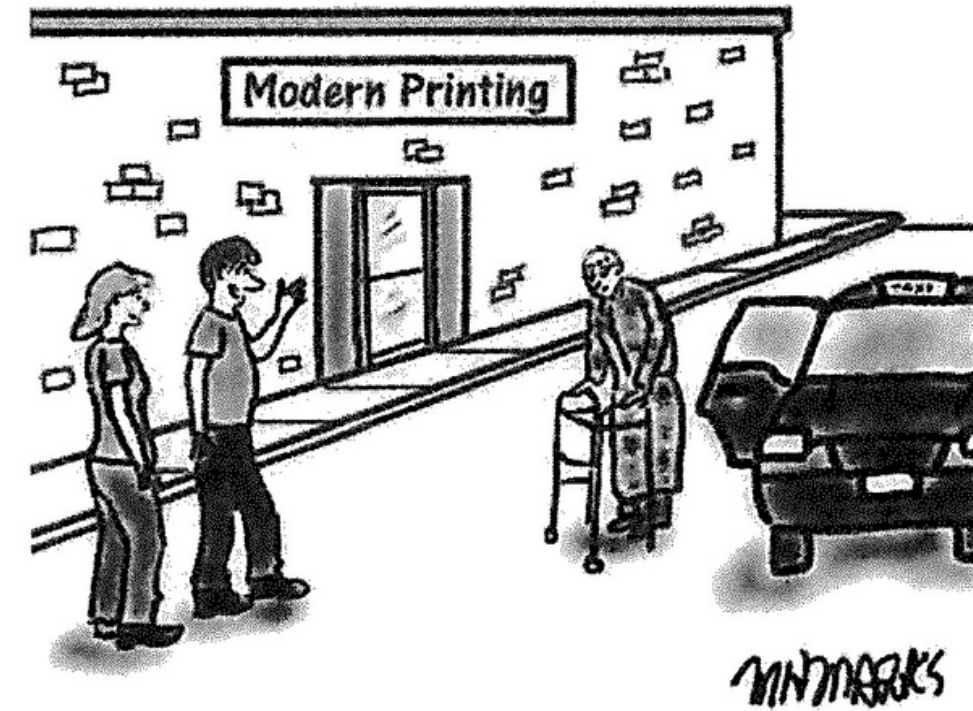
## Documented Contingency Plan?





## Tip #89 – The Owner Of The Business May Not Be Ready To Retire

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**“This company hasn’t made any real changes in 10 years, and our owner still isn’t ready to sell the business!”**

Many older business owners, for whatever reason, aren’t willing to sell their companies.

But businesses can go into decline without new ideas, new direction, and new energy. Not selling the company can be risky. **Too many things can go wrong as the owner continues to age** — health issues, health issues of spouse, or the business can’t keep up with the times.

It can be a tough decision, but **timing is everything**, and waiting too long to sell may have a very undesirable outcome.

## Tip #85 – Finding A “Perfect Fit” Buyer For A Business Can Take Time.

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**“Wow, I love the style, the material and the colors --- but it just doesn’t fit!”**

One of the challenges of selling a business can be finding an individual or a company that appreciates its value and is a “perfect fit” to continue the operation.

But there are so many issues that can affect its desirability – geography, revenues, cash flow, employees, key employees, products, services, property lease, equipment leases – the list goes on and on.

**Business owners must be prepared** to go through a process that can find buyers who seem truly interested, but then find something that doesn’t work for them and the deal falls through.



## Tip #31 – Buyers And Sellers Usually Have A Very Different View Of Business Value!

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"Of course my business is worth what I am asking,  
it has amazing potential!"

Most business owners think their business should be priced more than it's worth — mainly because of all of their hard work over the years.

But they have to realize **there are certain economics and realities that dictate the price.** Besides the various methods of business valuation, the cash flow ultimately must provide the new owner a return on cash investment, ability to service debt and a reasonable salary for the owner and/or manager.

Unfortunately, too many business owners find major disappointment because the marketplace has not accepted their unrealistic asking price.



## Math Exercise

52% of Colorado owners want to transition within the next 5 years...

There are approximately 630,000 small businesses in Colorado...

That equates to 328,000 businesses wanting to transfer ownership...

Their business are potentially worth \$1.7 Billion.



But industry statistics indicate that 70%+ of these transfers will fail...

## Math Exercise

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That equates to 328,000 businesses wanting to transfer ownership...

Their business are potentially worth \$1.7 Billion.

But industry statistics indicate that 70%+ of these transfers will fail...

In addition, hundreds of thousands of jobs tied to these small business would be lost.

So, what's the plan?



### Exit Factor

- Exit Assessment
  - Determine Current Value
  - Projection of Future Value
- Mastermind Program
  - 64% Increase in Value
  - 100% Success Rate Selling

## Tip #95 – Does The Business Generate Enough Cash Flow To Justify The Price?

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**“As soon as the children wake up from their nap, we’ll discuss computing cash flow of a business. You just can’t get them started too early!”**

Buyers will make an acquisition of a business only when it makes financial sense.

There are a few ways to make that justification, but in general terms, the **acid test is to compute the cash flow** to cover debt service, a salary to the new owner, and a return on investment.

A professional advisor can be helpful in **determining cash flow and how to justify the price of a business.**



## **Tip #20 – Business Owners May Have To Finance The Sale Of Their Business.**



**"Well honey, since you're providing financing for the sale of your business, you should at least look like a banker!"**

In today's tough economy, **obtaining financing for the sale of a business can be challenging.**

Banks might not like the financials or might not be able to supply the funds even if they approved of the deal. If a good qualified buyer doesn't have all cash, business owners may have to consider providing some if not all of the financing for the sale of their company.

Of course there can be risks to seller financing, but there are also potential advantages such as higher sale price, a greater pool of buyers and an easier closing process.



## Tip #9 – Business Owners Should Be Planning For Their Own Future.

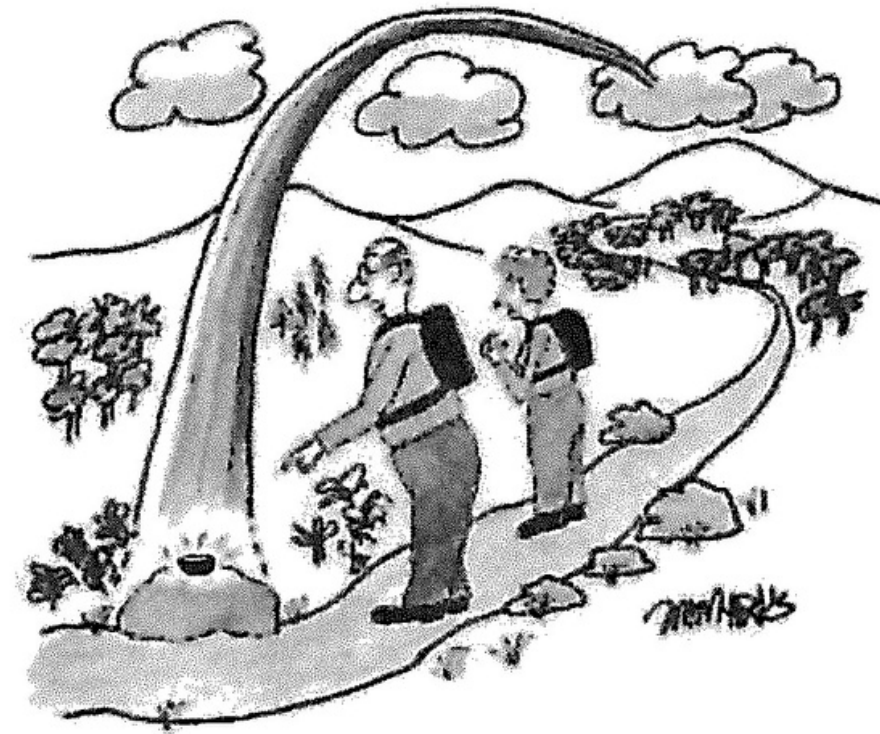


Business owners are so busy running their companies every day, they never seem to have time to plan for exiting the business. But they can't avoid planning for this critical time in their lives.

Presenting a business for sale is very different than managing it with the business owner's personal management style and priorities. It can take years to properly prepare a business for sale to get the highest.

**Business owners should start creating an exit strategy at the earliest possible opportunity!**

## Tip #22 – So, Where Is That Pot of Gold At The End Of The Rainbow?



**"That's it? After twenty-five years of owning the business, that's THE POT?!!"**

**That Pot of Gold will only be there for businesses that have been structured to sell** – easy to read financials, profitable bottom line, key employees in place, growing market, quality products and services – a whole host of issues.

Business owners who are too aggressive on minimizing taxes and fail to show profits might be very disappointed in the value of their business when it comes time to sell.

Business owners need to understand what buyers are looking for and need to put plans in place to get there.



## Tip #58 – “What Will I Do If I Sell The Business?”

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**"Honey, it's past time, and you can do this.  
There's a whole new world out there!"**

Many **business owners** are just **plan afraid** to sell their business, mainly because they don't know what they will do afterward.

This can be a big mistake, because they aren't really motivated to do what it takes to continue to grow their company, thus **jeopardizing the value when they do sell**.

Business owners need to get serious in checking out the many opportunities that can be in their future.

Read the article: ["Is There Life After Retirement?"](#) by David Bohl.

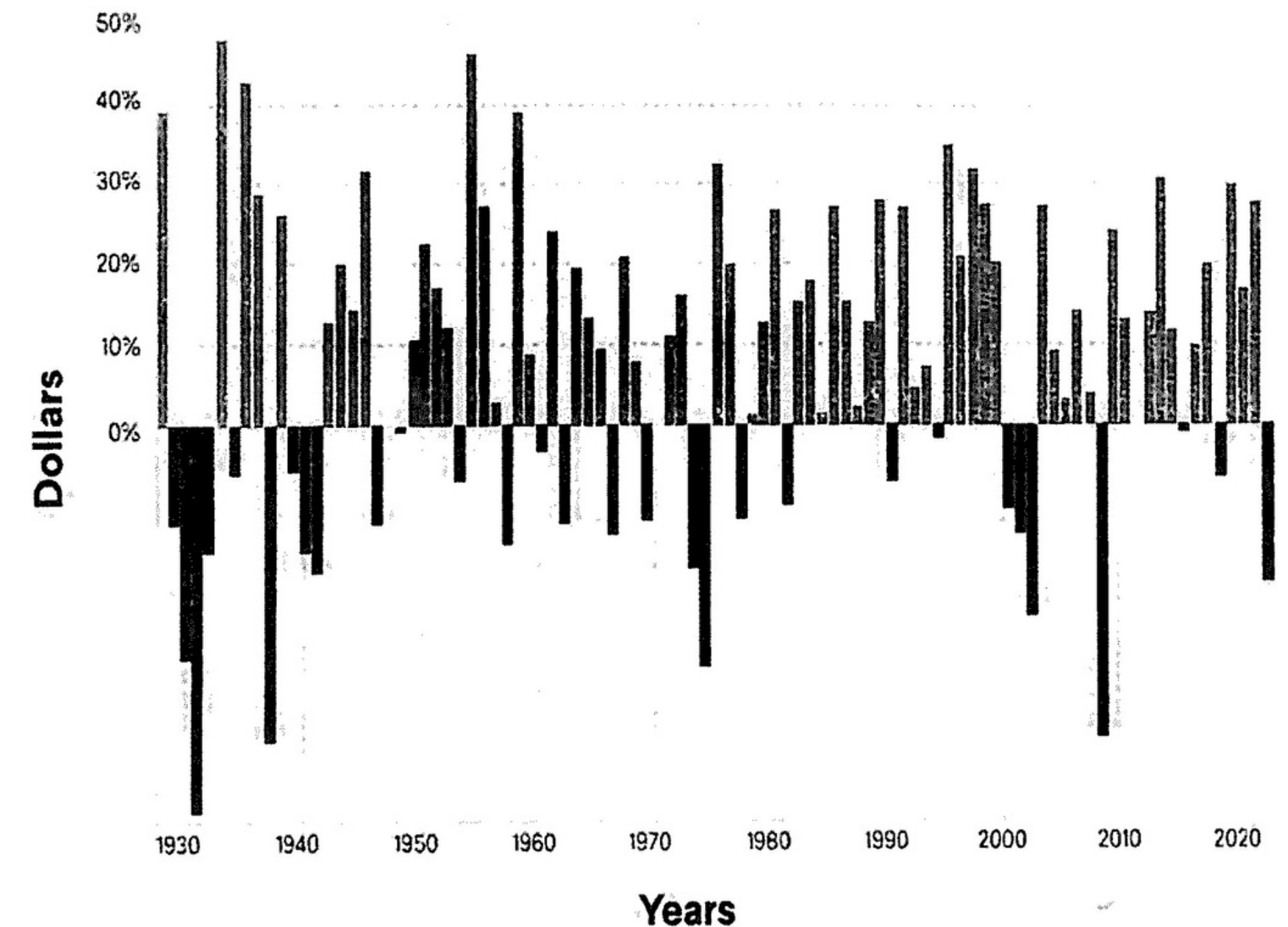


# What Is the Average Stock Market Return?

By Rebecca Lake · March 13, 2023 · 12 minute read

**We're here to help!** First and foremost, SoFi Learn strives to be a beneficial resource to you as you navigate your financial journey. [Read more](#)

## S&P 500 Historical Annual Returns



Investors have been treated to a number of market ups and downs in the past year, but the good news is that the **average stock market return is about 10%** annually in the U.S. over time. Of course, that figure may vary widely from year to year — and it's more like 6% to 7% when accounting for inflation — but it's something to bear in mind when investing long term.

## 5-year, 10-year, 20-year, 30-year Average US Stock Market Return

There is a silver lining to this constant stock market drama. If someone loses big in the stock market, there's a chance they'll gain their money back over time — with time in the market giving many investors an upside over timing the market.

That's because many people typically don't invest in the stock market for just one year. Instead, they invest for the long term in the hopes that the investments they buy today will be worth more years from now when they decide to sell. With that in mind, it may be helpful to look at the average stock market return over the last 5, 10, 20, and 30 years to understand stock price movement.

By looking at shorter and gradually longer time periods, it's interesting to see how different events have impacted market returns over the last three decades.

Period	Average stock market return	Average stock market return adjusted for inflation
5 years (2017 to 2021)	17.04%	13.64%
10 years (2012 to 2021)	14.83%	12.37%
20 years (2002 to 2021)	8.91%	6.40%
30 years (1992-2021)	9.89%	7.31%





# Brokered certificates of deposit

Are you staying invested?

## FDIC-INSURED PREDICTABLE INCOME

THIS WEEK’S RATES:

3 MONTH CD	6 MONTH CD	9 MONTH CD	1 YEAR CD
5.30%	5.30%	5.30%	5.30%

Annual percentage yields (APYs) as of **05/31/2023** . Rates are subject to change and availability. Minimum quantity may apply.

### ABOUT FDIC INSURANCE

Currently, the FDIC limits the insured amount (including principal and interest) for all deposits held in the same capacity to \$250,000 per depositor, per insured depository institution and \$250,000 for certain retirement accounts. The FDIC has permanently increased insurance coverage to \$250,000 for deposits held in all ownership categories, including single accounts, joint accounts and trust accounts. Therefore, excess holdings may not be insured. IRAs and certain other retirement accounts will maintain the \$250,000 insurance coverage.

### ABOUT LIQUIDITY

Funds may not be withdrawn until the maturity date or redemption date. However, the brokered CDs are negotiable, which means that, although not obligated to do so, Raymond James and other broker/dealers presently maintain an active secondary market at current interest rates. Market value will fluctuate and, if the CD is cashed out prior to maturity, the proceeds may be more or less than the original purchase price. Holding CDs until term assures the holder of par value redemption. CDs are redeemable at par upon the death of the beneficial holder. For a detailed overview of these and other risks, refer to the Certificate of Deposit Disclosure Statement at [raymondjames.com/liquid.htm](https://www.raymondjames.com/liquid.htm). Additional information is also available on the SEC Certificates of Deposit website at [investor.gov/introduction-investing/investing-basics/investment-products/certificates-deposit-cds](https://www.investor.gov/introduction-investing/investing-basics/investment-products/certificates-deposit-cds).

# Relevant Points

- Approximately 30-40% of businesses listed for sale actually sell
- Approximately 37% of businesses sell for cash
- Best time to sell your business is during a time of strong financial performance and future strong financial performance
- Most businesses sell for appx 2-4x cash flow
- owner financing - approximately 97% of sellers notes are paid off
- 80-90% success rate if you buy an existing business versus a much lower success rate on a new business (great selling point)
- 6-10 months is the typical time to sell a business
- approximately 60% of people sell their business to fund retirement
- #1 reason small businesses fail is lack of capital
- approximately 10 buyers versus 1 seller (seller's market - high demand)



# QUESTIONS