

Exit Planning: The Five Key Elements to Firm Perpetuation

During my 30-year law career, clients would occasionally ask me when I wanted to sell my practice. My answer, during each of those 30 years before I made my exit was the same, “five years from today.” When you want to leave is inextricably tied to when you are financially able to leave the business. I was certainly emotionally ready, but just as certainly as many others, financially unprepared.

Three years ago, I finally cashed out and moved on from my law firm. In my “post-sale life,” I started a new company, Business Enterprise Institute, Inc., to teach business owner advisors how to help their clients exit their businesses in style. My observation during the past few years is that most insurance agency principals don’t want to actually exit their businesses. Whether that is the case with you, or if you actually do foresee leaving your agency someday, it is important to plan to plan your inevitable business exit—voluntarily or otherwise.


So what can you do as an insurance professional to establish an exit plan that supports firm perpetuation? First, you need to be aware that there is a process that can provide you with a road map leading you out of your business and into your new life while your business continues to thrive. After you personally begin this process, then you can easily adapt it into your agency to help your business owner clients cash out and leave their companies in style. The first step is to begin setting the five key elements into place to support a successful exit plan and your firm’s longevity.

Written exit plan with accountability. When I started doing exit planning more than 30 years ago, the success I achieved with helping my clients meet their exit objectives was hit or miss. I soon realized the reason for my inconsistent success was that a complete exit planning process did not exist. A complete process needed to be developed, which included a written plan and an action item checklist that created accountability for the client and advisors involved with the deal.

An experienced advisor team. As owners struggle to successfully exit their businesses, they need trusted and experienced advisors to guide them through the exit planning process. That “trusted advisor” can be you as you plan for your firm’s exit, but it also can be you as you help your clients leave their businesses. My experience is that exit plans are seldom finalized, let alone implemented, without the guidance and facilitation of at least one advisor with training and experience in comprehensive exit planning. Most advisors (probably like you) lack comprehensive, multidisciplinary-based exit planning experience, so it is important to bring on an experienced exit planning professional as part of your advisory team, or undertake the training yourself to quarterback the process of exiting in style.

Strong cash flow. Strong cash flow prevents exit plans from taking a dead end turn, and establishes the financial credibility for the exit plan. It is important to the overall process because it helps to determine how much cash a company has to fund the owner’s departure, especially during a transfer to employees or children. For insurance professionals in particular, it is important to have sustainable business cash flow apart from your direct efforts. In order for your firm to continue after your exit, processes, systems and a strong management team need to be in place so that strong cash flow will not only fund your departure, but also the continuity of the company.

Strong management team. What makes buyers pay top dollar for businesses? More to the point: If you decide to sell your agency, what can you do to get top dollar for your business? The number one value driver for your agency is your management team. For many insurance firms, this “team” consists of one person, generally the producer. To build a championship organization, however, the management team should include people with a variety of skills who can successfully run the business after your departure and collectively do all that you do now.

Time. Unfortunately, the valuable experience owners develop over the course of their business lives does not equip them to leave their businesses successfully. Experience, learning and “trial and error” all require time—a luxury most owners do not enjoy as they approach the end of their ownership lives. Once most owners begin to think about leaving, they want out sooner, rather than later. Make time your ally by starting your exit plan now and focusing on preparing your agency today for your inevitable exit. 

John Brown (www.exitplanningforadvisors.com) is the president of Business Enterprise Institute, a single-source provider of exit planning education, marketing support and plan design for business owner advisors. He is also the author of the book, “How To Run Your Business So You Can Leave It In Style” and “Cash Out Move On: Get Top Dollar—And More—Selling Your Business.”

