

# WHAT'S IT ALL FOR?

A Guide to Business Succession



# Foreword



## **What's it all for?**

Sometimes the most simple questions can be the most revealing. When it comes to business owners, nothing seems to divide them more than asking 'what is your business for?'.

This separates the serial entrepreneur from the family business and from the person with a vision who has put every last remaining pound they can spare into making their venture a reality. For some it's their 'baby' and to be parted from it in the form of a sale is a life-changing experience for them and their family. For others it is one of a series of projects and, after they exit, they will soon be onto the next thing.

When contemplating an exit, the answer to this core question, along with others like 'do you even want to sell?', 'when is the best time to sell?' and 'what will my role be after it's sold?', is crucial to getting what you want out of the exit process, from planning to execution and post-sale.

Many business owners put off this kind of self-examination or perhaps never do it at all. A very British humility can get in the way, a reluctance to 'jinx' a deal before it is signed and sealed. Many are so driven by making the business a success, they simply haven't the time or mental space to think about what comes after.

That is what inspired this report. We want to encourage everyone – from entrepreneurs a year into developing their start-up through to 70-year-olds at the helm of their family business – to consider those questions well in advance of a sale, should one ever happen.

The following guide, the second in our 'What's it all for?' series, is intended to help you navigate what can be a complex and stressful time. We have collated our own experience and insight from supporting multiple generations of business owners, as well as talking to a range of UBS clients who have been through the process. We hope we can help you get the most out of the sale and your life afterwards as you make the sometimes uncertain transition from being a business manager to a wealth manager.

A handwritten signature in black ink, reading 'Mark Goddard'. The signature is fluid and stylized, with a long horizontal stroke extending from the end.

Mark Goddard  
Managing Director, Private Wealth Management, UBS

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## Part One: Preparing for an exit



## Should you sell?

There are many considerations around whether or when to sell a business. Some owners start it all with one eye on an exit, but for others it is more fundamental and more emotional. Every entrepreneur or business owner will want something different. You could sell your business. You could pass it along to your family. Or you might not want to give them full control just yet. There is no right or wrong approach, only what is right for you.

Some have a grand plan hatched over the course of decades. For many it is about life triggers – retirement, ill health, or the need to pass the business onto the next generation.

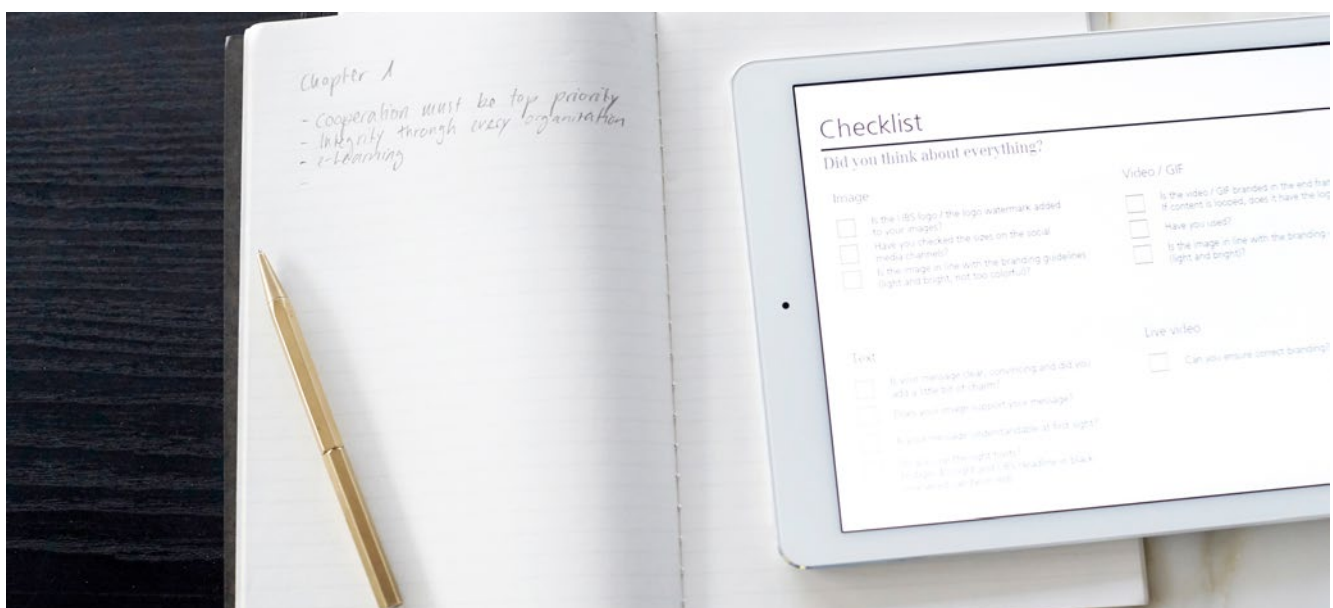
For others, there are more fundamental lifestyle issues. One of our clients that we interviewed for this report recalled the moment when he knew that he needed to sell:

“I had burnt through all my savings and had made a lot of personal sacrifices. I was getting fed up, as was my wife, so I said to my business partner that we had to raise money or stop. We just couldn’t continue as we were”.

Despite this, it can also simply come down to commercial reality and the right external environment. Another of our clients was the CEO and founder of a business that went public via an IPO in 2007. Although he had no immediate plans to exit at that point, when the right offer came in some years later, he felt it was an offer too good to refuse:

“When someone comes in with a price at a fairly significant premium, which they did, there’s not a lot you can do in terms of avoiding it – it made good commercial sense.”

Regardless of the immediate impulse, before embarking on the sale, it is critical that you first think long and hard about what you want to get out of it and what the implications will be for you and your family.





## You, your family and your employees

The sale of a business can have profound effects, going to the heart of who you are and what you do day-to-day. For family members too it can represent a huge change, with new wealth and new status.

As one of our clients put it:

*“It is sad and hard when you sell because you’ve not just invested time and money, you’ve invested a bit of your soul”.*

For some business owners there is a clear separation between the family and the business. Even after exit, some of our clients’ children will be unaware of the true scale of family wealth. However, it will have to become clear eventually and, depending on your circumstances, it may be wiser to be open about it sooner rather than later.

Many business owners are also concerned about the impact of the sale on their employees and will try to ensure that a sale is not detrimental to them. Nevertheless, once the sale of the business has gone through and you are no longer involved day-to-day, it can be hard to avoid some emotional impact:

*“I worked a month and then rode off into the sunset. Part of me was delighted, another part of me was sad, the office was like a second home. I had worked with some people for 20 years, and I felt guilty for abandoning them, I felt like I had let them down because I sold the business”.*



## Preparing for an exit: our three top tips

The sale of a business is an exciting moment in any entrepreneur's life, but it can also be a complex and stressful time. Though no exit process is ever the same, there are general rules you can follow to help you get the most out of the sale.

### 1. Plan ahead

Many business owners put off thinking about an exit until quite late in the lifecycle of their business. But starting to think about an exit early can result in a number of benefits.

If you want to take advantage of Entrepreneurs' Relief, for example, you will need to have held 5% or more of the company's shares for 12 months prior to the sale. This provides potential planning opportunities including involving a spouse or family members who may also be involved in the business. Taking tax advice so that your adviser can check the finer points of how the 5% is calculated is also very important.

If you think you may wish to set up a trust for the benefit of family members, then most clients will find it more tax-efficient to settle shares into trust before they are sold. This is not something that can be rushed through at the last minute, as it requires careful planning.

Understanding the tax effects of the sale on any other shareholders can also be important as you all want to be pulling together as a team when selling.

### 2. Define what you want

Spending time thinking about what you want out of the exit is crucial. Defining your personal goals helps to shape the type of exit you eventually pursue and should ensure a line of continuity from planning to execution and beyond.

Do you still want to be involved in the running of the business after the sale? Are you interested in setting up another business or are you retiring for good? What do you want out of your newfound wealth? What will it mean for your family?

Giving consideration to these types of questions safeguards against feeling adrift once the deal has gone through.

### 3. Communicate with your family

Many entrepreneurs tend to involve their family only after the deal has gone through, not wanting to engage in too much speculation. But the transition from business owner to wealth holder can sometimes be a tricky one. Being transparent with your family as early as possible can help smooth the transition.

For example, if you plan to pass money to your children, setting up bank accounts or family trusts in advance of a sale can be advantageous – and lets them know what to expect.

Similarly, educating them about financial affairs can help to engage them in the process from the start, helping to secure your wealth from one generation to the next.

## Preparing the way

For many entrepreneurs, their business is also their passion. They are consumed by it and it dominates their lives. It can be hard to find the mental space to think about the exit in advance, but early planning can make a big difference.

It is about maximising value from the sale by structuring the business in the right way while balancing more personal priorities. Factors like capital structure, liability protection, tax structure and flexibility, management and control are all important and must be addressed early.

No matter how remote the sale event may seem, the potential for an exit should always be a part of managing the firm. From the beginning, the owner should be prepared to consider the likelihood of a sale, establishing special review processes that ask a central question: "How would X (a tax process, ownership structure, financing arrangement, compensation or benefit scheme) affect a sale?"

## What is the right model for you?

Once you have prepared both mentally and practically for the sale, you will need to begin to consider more technical questions in terms of the structure of the deal.

The need of the owners will usually crystallize into one of three outcomes:

1. Keeping the business, where subsequent decisions involve managing owner or investor-owner options.
2. Opening up to outside shareholders, resulting in an IPO, a merger, or a financial or strategic partnership.
3. A complete exit from the business.

Many entrepreneurs think that an exit means a total exit of the business. In many instances there may be options to follow a partial exit strategy allowing the owner to release capital, to diversify their risk whilst retaining an interest.

The choice you make will not only have implications for the value you realise from the deal, but for you and your family as well. It is a complex decision to take and one which involves weighing up many different factors. In the end, it might simply be down to instinct:

"I had the opportunity to stay but the direction the business was going in was not right for me. I had also been working away from home which meant I had been away from my family a lot. It just didn't make sense for me to stay and I wasn't ready for another big long-term commitment, which had I decided to stay, it would have been... it just seemed the right decision at the time for me, my family, and actually for the business as well... it was just time".



## When should you sell?

There is perhaps no perfect time to sell a business. It involves a trade-off between personal factors and the state of the external market.

Sometimes, when you have become ready on a personal and business level, it is just about finding the right moment. As one of our clients put it:

*"I had been approached about selling before, and hadn't, but the timing felt right. The industry had gone through a lot of consolidation, which was only going to continue, and the company that bought us had been buying half a dozen businesses a year, so I knew they were serious."*

Some of the timing factors include the following:

- 1) Personal wishes: For some owners, wanting to get out of a business may override all other financial or even family objectives. The trade-off will likely be a lower sales price or a sub-optimal deal structure. In the view of many corporate advisors, it is buyers and the market that control timing of sales far more than the seller does. Personal needs can and often do change quickly, becoming the primary reason for the nature and timing of the sale.
- 2) Structural considerations: Certain business exits, in particular divestiture of stock options, often involve contractual obligations that require action within a certain time frame, while external factors like tax or legal regulations may require a sale by a certain time. Impending changes to tax, legal or compliance regulations may also create conditions that necessitate a sale, open a window of opportunity, or close one, so owners and their advisors must monitor the overall regulatory landscape for such situations.
- 3) External factors: Timing can also be impacted by the broader state of the local economy, including the interest rate environment and demand for companies in your specific market. Depending on the sector in which your business operates, there may be specific factors impacting when you decide to sell e.g. increasing consolidation in the industry, consumer sentiment and the availability of other businesses for sale.



## Business development cycles

There are five phases in the typical business development cycle:

- 1. Pioneer phase:** The owner begins the business, taking on most or all of the risks and responsibilities of the new firm. Failure rates are high, and financing sources are friends and family, or are driven by the relationships and salesmanship of the entrepreneur. Operating losses are common as investment in production capacities or product development is necessary to establish the concern.
- 2. Growth phase:** This begins once the business begins to show a profit. Expansion includes a growing employee force and expanding capital needs, often financed through venture capital and/or a private placement of shares to specialized institutional investors. The first outside investors may become part of the ownership structure, increasing the complexity of the business.
- 3. Strategic positioning:** The strategic positioning phase occurs as the firm grows and its capital needs and ownership structure require more specific growth or expansion strategies. A public offering, the sale of parts of the business or merger and acquisition activity may all be considered during this phase of the business's growth because it now has a significant track record upon which outsiders can base their evaluations. The owner may be reaching a stage of life when personal needs may also drive restructuring or sale considerations.
- 4. Consolidation:** As the business matures, the consolidation phase occurs. The business mix may need to be fine-tuned and non-core assets spun off. The industry is constantly changing and there may be an opportunity to acquire a competitor, adding further capabilities. A sale event is a possibility, either in total or in part. Other types of buyout or conversion structures, such as a sale to employees or restructuring, may occur in part to address looming succession issues. Retirement may also be a primary concern if the development of the business has occurred in line with the aging process of the owner.
- 5. Succession:** All businesses are faced with succession events related to their ownership or management. A founding owner may deal with his/her own succession by the sale of the company to an external investor, or by transferring ownership "internally" to family shareholders. In the case of an internal succession solution, family shareholders can stay in management or appoint external management. Sometimes, the death of the owner marks the ownership succession event but this eventuality, too, must be carefully planned for in order to assure continuity for the business, liquidity for surviving family or succeeding owners who may face estate tax liabilities, and financial security for survivors.

## The exit process

The exit process itself requires even more discipline to balance the needs of the business with the needs of the sale process. Many clients immerse themselves in the detail of the exit only to neglect their business, hurt performance and jeopardise key elements of the sale. One of our clients put it in the following way:

“We sat down in January, and by May the papers had been signed and I’d sold, but it had been more stressful than normal as the stakes were high. The negotiation was the first third of the time, and then the due diligence began – 900 lines of questions, and you had to go through that whilst still trying to keep the engine going to hit the monthly targets.”

It is an intense time requiring more hours and more work. Despite that, the outcome is never guaranteed and for many that translates into a fear of ‘jinxing’ the deal, something which can influence your approach:

“I remember thinking that it could derail at any moment. Even at the final stages, their lawyers found something the day before the deal. For that reason, I never believed it would happen until we had signed, and the money had been paid. I had seen people believe it and dream about life afterwards, which meant when the sale hit issues, they would buckle and accept a lower deal.”

For others though, the specifics of the deal and, perhaps, the nature of their personal approach meant that the whole process was a lot simpler:

“It was very straightforward for me, I just backed out of it. I had very little control over the process, it is very difficult to have influence one way or another once someone has put a good deal on the table.”



## What role will you play during the exit process?

Once selling a business has been decided upon, the process typically includes several phases. The preparation phase includes due diligence investigations of both the seller and bidders. An information memorandum or another type of selling document is created, and data processes and documents are created and reviewed for completeness.

Confidentiality during the sales process is also considered and secure guidelines of communication and information control are implemented. In general, preparation can last from six to eight weeks. After the preparation phase, an information memorandum is distributed to potential buyers. The focus here lies on finding the right potential buyers while preserving confidentiality.

Typically, M&A consultants and investment banks have the necessary intelligence and expertise to identify appropriate strategic buyers or potential financial investors. These potential buyers are then presented with the information memorandum and asked to provide indicative bids for the business.

The business for sale will then be screened in a second phase in a full bidder due diligence process in order to assess the validity of the bids. In this phase, which typically lasts six to eight weeks, both sides can get a better insight into the potential deal. The buyer in particular will be able to assess the opportunities and risks of the acquisition target and will eventually have to decide whether they want to offer final bids for the business and enter the negotiation phase.

The final stage, then, is the actual negotiation between seller and potential buyer(s) with the aim of signing and closing the deal. The overall process typically lasts about six to eight months but may take much longer in some circumstances. The use of professional advisory teams is highly recommended throughout the sales process because of the high degree of complexity and the specialization needed in today's business and regulatory environment.

Experienced advisors may well be able to find the most suitable buyers and negotiate the most favourable terms of sale for the business owner. From the beginning, the owner should be prepared to consider a sale.

## A view from an entrepreneur

Every business is either sold or fails. That's perhaps a simplistic view of business succession, but nothing lasts forever and being proactive around issues of business succession gives your business the best chance of long-term survival.

As a financial planner, I'm a big advocate of long-term planning and taking control of key financial issues, rather than allowing them to run their own path. By putting in place a defined plan for your business, you give it a greater sense of purpose. This purpose is something you can rally the shareholders, leadership team and employees around, making it clear how the short-term goals you set for the business fit into the bigger picture.

My own business succession experience is a work in progress. I joined the family business as a second-generation owner in 2002, eight years after my parents formed the firm. For the past sixteen years, I've continued to work with my parents to grow a successful, profitable firm of Chartered Financial Planners. But rather than push for a clean succession from first to second generation, a process of business coaching helped uncover the realisation I wanted to do other things.

As much as I love being a financial planner, my passions lie elsewhere and creating my own new business from scratch had greater appeal than running with an already well established business. But letting go of a business which has been the product of much sweat and tears over a number of years is no easy prospect. Even for my parents – who now in their early 60s want a different day-to-day life – it's proving difficult to let go entirely.

In recent years we've been subject to several takeover approaches, each offering something different but never quite right for us. The prospect of working for someone else for a number of years to satisfy an earn out doesn't suit our entrepreneurial spirits, and there's too much risk associated with accepting shares in another unlisted firm, instead of more tangible cash.

Working with a strategy consultant, we've come much closer in recent months to defining our personal goals as business owners and building this into a strategy for the firm. There's more work to do, but the options have become much clearer and will allow us to explore selling our shares to an Employee Ownership Trust in the future. In the meantime, I've formed the new business I've long dreamt of building, a creative agency and publisher. Putting in place the right leadership and support teams at the financial planning firm allow me to spend more of my time now on building my own venture from scratch.

Based on my own experience, as well as what I know from my work in financial planning, don't wait until it's too late to start thinking about the end game. The thought that goes into starting and running a business need not be divorced from planning what you might eventually want to do with it. Ensuring that there's a strong plan in place which reflects your goals and what you set out to achieve should help both you and your business in the long-term – safeguarding its longevity even once you've moved onto the next chapter.

**Martin Bamford FPFS**  
**Managing Director, Informed Choice**



## Part Two: Life after exit





## The emotional impact of selling

Once the business sale is complete, you will have successfully transitioned from being a business owner to a wealth owner. This can be a profound change and there are powerful emotional impacts:

"I felt very muted...it just felt weird, I felt like I was in the Matrix. I didn't know how to process it. It's like having a baby, the baby's been born but now what? It's all been about the pregnancy so far, now you have to deal with a new reality"

For some it is muted and confusing, for others there is a sense of elation. But many register feelings of depression and a lack of purpose as the main reason for getting up in the morning disappears overnight.

"There's something about being a Chief Executive you miss. You get a lot more invites to events and are often in the limelight (which is good and bad) and in a private environment people aren't as interested in you."



## Redefining your post-exit self

The act of setting up, growing and selling a business takes huge energy, commitment and passion. Some are capable of happily retiring, enjoying their newfound freedom. But for many, that same energy will eventually need a new outlet after the sale.

It can take the form of new business ventures and many of our clients have gone on to become serial entrepreneurs and angel investors as the attraction of the entrepreneurial world still pulls them. Many turn to philanthropic causes, setting up structures such as donor-advised funds or using their business knowledge to establish or help run social enterprises. Some simply want to focus on new or old passions like round-the-world travel or collecting classic cars.

When we spoke to our clients about this period, there was a wide variety of responses. Some enjoyed the opportunity to recalibrate and do many of the things they had been holding back from:

“I had been working hard for a long time. I did nothing, and it was great – people say you get bored, but you don’t – it was wonderful...Just emptying your mind of all the things that kept you awake when you are in business... Just doing physical stuff, getting fit again, enjoying the outdoors, going cycling, playing golf, whatever...its fantastic when you get the opportunity.”

“When I had time off I made a list of 60 things I wanted to do, 20 of which were completely different to anything else I had done”

Others eventually find projects that occupy their time in a way they would otherwise miss – and sometimes that means staying involved in the business you have just sold:

“I’m on 16 boards in 4 continents, I do a lot for charity and I’m building up a property portfolio. I don’t really have a plan anymore, I just enjoy life and see how it unfolds.”

“When the business gets to a size where you need to bring in outside capital, you often get the chance to exit, but I would advise people to consider the possibility of staying in. You have got to manage it differently as you’re no longer the major shareholder, you have others to worry about, but it doesn’t mean it has to be the end.”

During that post-sale moment there is always the potential to go off in a direction you regret. The first piece of advice we usually give our clients is to ‘take some time’ to work through what you want to get out of this new chapter in your life. We have found time and again that this helps provide the time and space to decompress, take stock and work out what truly matters to you.

## The six stages of recovering from an exit

We have identified a journey that consists of six stages that most business owners go through post-sale. Depending on the client, and how many times they may have gone through this process, the journey from start-to-end could take 6 months or 6 years.

6 stages	Client needs / questions
1. Detox	<ul style="list-style-type: none"><li>• A holiday or treat</li><li>• Some space to think</li><li>• Escape and recharge</li></ul>
2. Self	<ul style="list-style-type: none"><li>• Who am I? What do I do?</li><li>• How much money do I have and need?</li><li>• Is my wealth, life changing or life enhancing?</li></ul>
3. Enabling	<ul style="list-style-type: none"><li>• How do I do things?</li><li>• What professional advice do I need?</li><li>• Appoint advisers</li></ul>
4. Family	<ul style="list-style-type: none"><li>• How should I support my family?</li><li>• Who in my family should I support?</li><li>• Ring fence money for property and education?</li></ul>
5. Legacy	<ul style="list-style-type: none"><li>• What do I want to leave for future generations?</li><li>• How should it be left?</li><li>• What do I want to give back?</li></ul>
6. Opportunities	<ul style="list-style-type: none"><li>• How do I get personal fulfilment going forward?</li><li>• Should I do it again?</li><li>• Can I usefully contribute to others?</li></ul>

## From business manager to wealth manager

The sale of a business in many ways marks the transition from being a business manager to being a wealth manager. Even those who, having considered their options jump straight back into another entrepreneurial venture, will have to manage the implications of their new wealth.

There are many different aspects that touch on issues related to your family, yourself and your business. Taking each aspect in turn, working with a variety of experts on each one and tapping into broader networks to which you may now have access, can help owners avoid the main pitfalls. Those may include a loss of oversight, a feeling of being overwhelmed, or in some cases even paralysis, where some owners have found themselves unable to sign the final contracts and transfer ownership.

A healthy first step is to simply get your financial house in order, as one of our clients found:

“We needed to tidy up all sorts of financial garbage that I collected...I am sure everyone is the same, you don't have time to sort things out so they just get filed to deal with sometime later. When UBS took us on, our personal finances were untidy, we had ISAs all over the place and had pensions to sort out...I had always been meaning to get to it but never really seemed to have the time or focus to get it done. The amount of time you spend faffing around with this stuff is ridiculous and that's what UBS helped with alongside some starter investments.”

It will be important, too, to face this reality with your family. For example, a client's business was on the cusp of being sold to a private equity firm, and the client and his wife became immediately concerned about the ramifications for their wealth. They suddenly had many questions: Do we tell the children? What do we do with this amount of money? Should we tell anyone? Are there tax efficient options for the sale of the business? Their three children became curious as their parents attended multiple meetings at UBS. One afternoon after school, one of the children burst into tears. He believed his parents' constant meetings at “the bank” meant they were losing all their money. The reality was very different, yet still hard to fathom for the entire family.

Newfound wealth needs to be effectively planned, invested and managed, while many new wealth stewards find themselves pursued by investment advisors, asset managers and even friends offering a range of investment options.

Choice can itself be paralyzing, and it is important to consider how you will handle these professional relationships and differentiate between various services.

Once you have settled into your new role, it is time to focus on the most important financial decisions that need to be taken. There is no set timeframe and you should take time to ensure that you have considered what is most important to you over the short, medium and longer term. This can take anywhere from several weeks to a year.

The focus on the financial side should be on the development of an individual financial plan that is designed to meet your financial goals and needs. This should eventually result in an investment plan that serves as an anchor for investment decisions many years into the future.

## Strengths of entrepreneurs can become weaknesses of investors

Entrepreneurs often exhibit other behavioural biases that may be detrimental to investment decision-making once they retire as business owners and become managers of their wealth. Here are some of the most common cognitive traps, together with some simple tips on how to mitigate these pitfalls.

**1. Overconfidence:** Entrepreneurs face high uncertainty about the potential success of their business, but still feel confident about their own skills to be successful. This is one of the key characteristics that drives entrepreneurs to surmount obstacles that “normal” people find insurmountable. However, excessive self-confidence may cause entrepreneurs to believe, for example, that they have superior skills in selecting investments. As a result, entrepreneurs can allocate too much of their investable wealth in a way that increases costs or risks often without improving performance.

**Our tip:** If you want to allocate capital to personal investments, we’d suggest starting small and sticking with an area with which you are already familiar.

**2. Over-optimism:** Successful entrepreneurs often think that bad things never happen to them, but only to others. This optimism cements their faith in their business ventures even during difficult economic times, but it may prove excessive when they evaluate investments. This can result in portfolios becoming concentrated in a specific asset class where an entrepreneur believes they have better knowledge e.g. property. They underestimate the risks associated with these investments and expose themselves to issues such as illiquidity and a general downturn in the local economy.

**Our tip:** Investing on a well-diversified basis, including a broad range of different asset classes, may achieve a more robust risk-adjusted return.

**3. Control illusion:** Entrepreneurs frequently control, or significantly influence, crucial success factors in their business environment. However, as investors, control over the markets is quite another matter. This particular bias can lead entrepreneurs-turned-investors to intervene in their portfolio as soon as it deviates from predicted outcomes, with often negative long-term effects.

**Our tip:** Try focusing your investment decisions on a long-term strategic asset allocation, even during volatile stock markets.

**4. Representativeness:** Entrepreneurs often extrapolate from a few observations about new market trends and business opportunities. This emphasis on a small number of recent events that are deemed to be an appropriate representation of a long-term trend is known as “representative bias.” This trait certainly helps successful entrepreneurs spot new trends earlier than their competitors. However, as investors, this bias may unduly emphasize short-lived market trends and lead to trend-following behaviour.

**Our tip:** A better strategy is to seek out areas of investment that have solid fundamentals but are available at a reasonable price.

The value of investments may fall as well as rise and you may not get back the amount originally invested.

## Longer term impacts

Over the longer-term, you and your family will need to come to terms with being a wealthy family and the dramatic change to lifestyle and status that goes with that.

There can be pitfalls. Much has been written about the “inheritors’ dilemma”, where parents’ chief concern is the impact that their new wealth will have on their children:

“No, we don’t hide it from the kids but we do feel it is important to gradually introduce wealth and the idea of being wealthy to them... it’s like alcohol... giving children a glass of wine with a meal as a start and then introducing them slowly to alcohol is sensible rather than them getting nothing and getting smashed at 18.”

“We should be thinking about how to educate our children and grandchildren to allow them to take on economic assets and help them use it wisely.”

Finding a new purpose can be beneficial both for you and your family:

“I did a couple of projects which were not only interesting opportunities but were closer to home. I am sure my wife wanted me out the house, but actually I had started to look for something to do. I was looking for things that I found really interesting...and yes rewarding at the same time.”

It will be a profound and lasting change. However, over time, most business owners find a way to strike the right balance:

“We haven’t changed because of the wealth, in reality the biggest change has been that I am not away as much as I was, I have more time with the family and we just enjoy ourselves together more.”





As we hope we have shown in this report, when it comes to selling your business it is crucial to plan ahead as much as possible. Below we have set out a handy planner to help summarise some of the main points from a professional, personal and financial perspective against different timescales.

	Professional	Personal	Financial
<b>2Y to 5Y before</b>	<ul style="list-style-type: none"> <li>• Monitor industry trends and business cycle to identify good timing for sale.</li> <li>• Build team of trusted advisors for sale.</li> <li>• Fine-tune business model.</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize needs, goals and wishes.</li> <li>• Understand roles of family members and goals.</li> </ul>	<ul style="list-style-type: none"> <li>• Structure wealth and possibly transfer ownership to beneficiaries.</li> <li>• Invest assets to protect them against losses before the liquidity event.</li> </ul>
<b>1Y to 5Y before</b>	<ul style="list-style-type: none"> <li>• Prepare employees and managers for transition phase.</li> <li>• Bring M&amp;A advisory team on board and start looking for potential buyers.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare family members for transition phase and consider a more formal family governance.</li> <li>• Think about your roles after the sale.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce management and oversight responsibilities for financial assets.</li> </ul>
<b>Up to 1Y before</b>	<ul style="list-style-type: none"> <li>• Focus all your energy on getting the best deal.</li> </ul>	<ul style="list-style-type: none"> <li>• Use personal activities to remove stress and relax as much as possible.</li> </ul>	<ul style="list-style-type: none"> <li>• Do not be distracted by your investments. If need be, park them in safe assets.</li> </ul>
<b>Up to 1Y after</b>	<ul style="list-style-type: none"> <li>• Do not interfere excessively with new management if you still occupy a position within the firm.</li> </ul>	<ul style="list-style-type: none"> <li>• Go on a long vacation or take lots of time off with family and friends.</li> </ul>	<ul style="list-style-type: none"> <li>• Separate accounts for taxes, consumption and investments.</li> <li>• Educate yourself about wealth management.</li> </ul>
<b>1Y to 2Y after</b>	<ul style="list-style-type: none"> <li>• Reassess work / career aspirations.</li> </ul>	<ul style="list-style-type: none"> <li>• Settle into your new role and pursue lifetime goals.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic asset allocation that fits your financial goals.</li> <li>• Invest your money along your personal investment plan.</li> </ul>

The value of investments may fall as well as rise and you may not get back the amount originally invested.

## Conclusion

### A considered approach for a changing world

The M&A world has changed dramatically and continues to change at pace. The digital revolution has led to more disruptive business models and a dramatic shortening of the business cycle. More than at any point in history, entrepreneurs have the means to set up and grow a business from nothing.

The profile of business owners is therefore getting younger and the nature of acquirers is changing too. Private equity increasingly dominates the market<sup>1</sup> and, in a knowledge economy, they understand that disproportionate value is bound up in people and culture. This means a 'clean break' is less achievable, sales are often messier, more complex and with more strings attached.

All of this has profound impacts on business succession. We are seeing more nuanced exits and entrepreneurs capable of retiring in their forties or even younger<sup>2</sup>. As we enter a 'second machine age', these changes will only become more pronounced.

Against this shifting backdrop, the tendency to have a 'one-size-fits-all' view of business owners or the sale process feels all-the-more inappropriate. The truth is, there is no single type. The emotions of the exit process are so strong that the way an individual will react or how they will adjust to their new life, is impossible to predict.

That is what we have tried to convey in this report. The process of selling your business should in many ways be a process of self-discovery where you work through what is uniquely important for you, your family and your business. This is what we at UBS work with our clients on day-in-day-out, helping them to consider their long-term goals by providing access to our own deep knowledge as well as our extensive network of experts and former clients that have been there and done it already. It is about answering that broader question at the heart of it all: 'what's it all for?'.

If you can begin addressing those points from the start of the process and follow it through despite all the stresses and complexities, you will end up with a settlement that works for you in the short-term and beyond.

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1 "European Private Equity Outlook 2018", Roland Berger

2 <https://www.startupdonut.co.uk/news/are-entrepreneurs-getting-younger>

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