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## You're Thinking About Leaving Your Business: It's OK to Shut it Down

### **The Intro:**

You've been running your business for quite some time. Your business has allowed you to be well compensated. Its hopefully given you some flexibility in your schedule to be more present at events that you may have not been able to attend otherwise, given your purpose in your business and personal life. There's been plenty of headaches along the way, but generally speaking, it's been a pretty pleasant ride. You're starting to think about the possibility that you can't run your business forever. You may be starting to feel your age a little more than you used to. As someone who has been strategic in their thinking for as long as you've been running your business, you're starting to come to a realization that you don't have a real plan for the continuation of your business and maybe you don't want one. And that's ok.

### **The Problem:**

If you've been paying attention in the private business world at all the last handful of years you've seen all the stats so I'm not going to repeat them. But one that is worth mentioning – Over 70% of small businesses that list for sale **WILL NOT SELL**. For a myriad of reasons, they **WON'T SELL**. Which translates to- most likely you're not going to be able to sell your business to fund your post-business owning years (aka retirement). If you're like most private business owners we work with, you've been taking and living off a comfortable salary, probably in the range of \$150,000 to \$300,000 and another \$100,000 to \$200,000 in distributions (profits). Maybe you've been saving some of it, but maybe not. Chances are, you're spending a majority of what you're bringing in. Ok, so what's the problem here? Simple. If you can't continue to work for health, personal, or any reason at all... how are you going to continue to pay for your lifestyle you've been accustomed to living all these years? Well, if you're unable to sell your business for at least \$4,000,000, your options are limited.

### **The Solution:**

You must accumulate enough money to live off for the amount of years you're no longer owning/operating your business. It's not going to be easy because you're getting to the ball game in the 7<sup>th</sup> or 8<sup>th</sup> inning when you should have arrived in the 1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup>. A general rule of thumb when it comes to generating income off a pile of cash - for every \$1,000,000 you've accumulated you can safely take about \$40,000 annually. So, for the sake of conversation let's say that you need (want) \$200,000 annually from your investments to supplement your social security, maybe some pension income, and possibly some rental income you're getting from a building you own. Simple math tells us that you need a pile of cash of roughly \$5,000,000.

I'm sure you're thinking, **"That's ridiculous, I don't need that much money."**

Well yeah actually you do. Let's crunch some #'s.

Let's assume you're going to get a total of \$50,000 in social security income between you and your spouse. Let's also assume that you or your spouse get another \$40,000 in pension income. So, we're at \$90,000 of total income so far. We'll make one more assumption that you need (want) about \$300,000 of gross annual income.  
**300 – 90 = 210.**

To safely get about \$200,000 from your investments you need a pile of cash of about **\$5,000,000**. Hopefully you're coming to the same conclusion I am. Everybody's situation is going to be a little different. Getting some clarity on how you're going to successfully transition from owning/operating your business to not doing so while ensuring you have a "large" enough pile of cash comes down to doing some pretty basic financial planning. Things start to get a little trickier if your plan is to sell or transfer your business to family/employees and that's a whole different conversation.

In closing, if you don't have a real plan for what's going to happen to you, your family, and your business when you can't or don't want to work anymore, we'd love to help you sift through the options and get you on the right track.

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