

ALAN CREEDY

# A Business Roadmap To A Successful Exit



Current Financial Resources

Needed Financial Resources

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Needed Financial Resources

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# It's Not Business...It's Personal

For most of us, **getting ready to exit our business is unlike anything we have ever done before.** Many believe it should be an unemotional business task...but it is not and cannot be.

Most of our adult life has been spent nurturing our business and so our emotions are inextricably intertwined with it. For many in funeral service it is also the culmination of multi-generational stories. Stories of hard work, sacrifice, risks taken, victories and disappointments ...small and large. In all respects, exiting your business...your career...is a momentous life transition no matter how well we prepare. We ignore the emotional side to our peril.

**It is also inevitable.** According to the Business Enterprise Institute some 69% of business owners plan to exit within the next 10 years. Of these, 85% have no one yet in place that can replace their skills and responsibilities. The reality is that **100% of us will exit our business...willingly or not.**

## Preparing to exit

This is a process best approached as answers to a series of questions:

1. **Is my timing right?**
  - ✓ Am I still passionate or just going on momentum?
  - ✓ Are there imminent challenges that will tax our resources or people beyond our abilities?
  - ✓ If I was independently wealthy would I still want to do this?
  - ✓ If I sold:
    - Would I just want to leave?
    - Would I want to stay on?
2. **What is my business worth?**
  - ✓ Can I build value? How?
  - ✓ Do I need time to pay down long -term debt? What's my plan?
  - ✓ Is the business worth as much today as it ever will be no matter what I do?

3. **What do I need for retirement?**
  - ✓ How big is the gap between what I will have in personal resources and what I need from the business?
  - ✓ What do I need AFTER TAXES?
4. **If I had a choice is there someone I would like to succeed me?**
  - ✓ Can my children afford it?
    - How do I get them ready?
  - ✓ Can my employees afford it?
  - ✓ Is there a competitor / colleague / partner who would want it?
  - ✓ How would a third party look at it?
5. **What do I need to do to get it ready for sale?**
  - ✓ How can I get the best price
  - ✓ How can I increase the "curb appeal"?
  - ✓ How can I make myself unnecessary?
  - ✓ How long am I willing to wait?
6. **What can I do to mitigate taxes?**
  - ✓ What is the best deal structure?
  - ✓ Can I / should I lease the real estate?
  - ✓ Am I better off with a lower price and a bigger deferred compensation plan?
  - ✓ With staff and children how can I gift stock? Should I?
7. **If I sell to my children should I include non - participating children in ownership of:**
  - ✓ The business?
  - ✓ The real estate?
  - ✓ Both or neither?

All this boils down to **The Three Universal Objectives:**

- I. How much longer do I want to...or have to... work in the business?
- II. What annual after tax income do I need for a comfortable and secure retirement?
- III. To whom do I want to transfer the business?

This, in turn, translates into **Three Universal Requirements** for transferring the business:

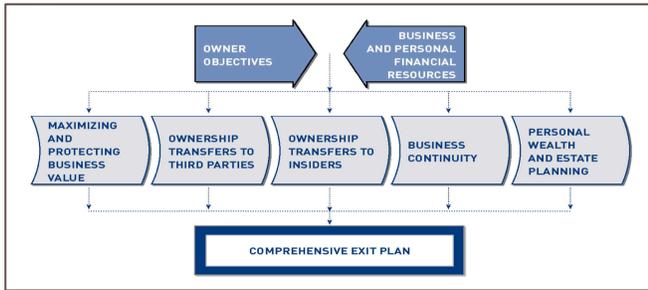
- I. A capable successor
- II. A prepared Business
- III. A ready Owner

# Your Roadmap

Most of us spend more time thinking about what we want to **stop** doing than what we want to **start** doing. Big Mistake! **Retirement may be an event but selling or transferring your business is a process.**

I use a 3 - phase, seven-step process to enable you to be clear about what you want and decide on the best way to get there.

## Our Three Phase, Seven-Step Process:



### Preparation:

#### Steps 1 & 2: Define Objectives and Resources

- The **single most important question** after “*what do I want?*” is: “*what do I need from the business to get there?*” This is the minimum amount defined by the difference between what you need for retirement and what your personal resources will provide. With this information we have a defined target that, in turn, tells us whether we are ready now or have work to do to the after tax cash we must have. This involves your financial planner and me in a comprehensive assessment of your retirement needs and the state of your company, including its current value. This step results in a report (often more than 75 pages) that outlines:

- a. Your basic goals and objectives
- b. Your present resources and the Gap your after tax yield must fill
- c. Unresolved issues
- d. Your preferred successor (if any)
- e. Your timeline
- f. Valuation
- g. Your advisor team
  1. Lawyer
  2. Accountant
  3. Financial Planner
  4. Insurance advisor

**Step 3: Preservation and Maximization of Value** – A few funeral homes today are growing in value. Unfortunately, changes in our market have resulted in many funeral homes struggling to remain stable. Some are declining in value. **Our first priority** is to stop any decline and correct any cash flow issues. The assessment defines the actions necessary and the methods for implementing them.

### Succession:

#### Steps 4 & 5: Succession Strategy

– The final exit strategy is dependent on the ultimate successor. There are **4 basic ways to exit your business:**

1. Sell to children
2. Sell to employees or partner
3. Sell to outsiders
4. Liquidation

As **transfers to insiders** the strategy for selling to children, employees and partners have similarities. They often differ, however, in both structure and tax opportunities.

A **sale to outsiders** requires a careful phased execution in order to preserve and maximize value.

**Step 6. Business Continuity** – While the development of a plan takes months, the process of transition (especially with children and employees) can take years. We believe that until your payment is secured you should not give up majority control. Circumstances like death and illness can suddenly make it impossible for you to continue to play a primary role. We help you develop a plan that will, again, preserve and maximize value in the event you can no longer participate.

### Post sale:

#### Step 7. Wealth and Estate Planning

– With the help of your advisor team we will help orchestrate a plan for managing your estate, equalizing value for non – participating children and securing a comfortable safe retirement for your future.



Alan Creedy has a degree in Psychology with a Certificate in Public Accounting who began his career as a “trouble-shooter” for a diversified holding company with interests in banking, equipment leasing, light manufacturing, insurance, business-to-business and business-to-government enterprises. He learned to quickly analyze core problems, develop and prioritize solutions and implement strategies for quick turnaround.

He began his career in DeathCare thirty-five years ago as President of the financially distressed OGR Service Corporation, the for-profit arm of The Order of The Golden Rule. After five years and the successful rebirth of the company he accepted an invitation to become President of Brown-Wynne Funeral homes and cemeteries. There he built upon the already successful legacy of a highly respected company; ultimately orchestrating the sale of the company in 1990 for 10.5 times EBITDA.

During this period he and Mr. Wynne acquired J.J. Fallon Company, the 28th largest retail florist in the FTD network. He reoriented the company strategy and created new growth and value, and, at the same time, he developed an innovative method of controlling cost-of-goods sold that enabled the company to significantly increase profitability. After the turnaround the company was sold to a private equity firm.

After the sale of Brown-Wynne, Mr. Creedy became president of Trust 100, a company he helped found in 1985. As president he built the company to become one of the largest preneed marketing companies in the nation. He sold the company in 2008

Since the sale of Trust 100 Mr. Creedy has built a successful consulting practice focused on the DeathCare industry. He is an acknowledged expert in funeral operations, finance, staff and cultural development and leadership. He is also an expert in preneed marketing and sales

He is a frequent contributor to industry trade journals and convention speaker and recently served as Chairman of the Funeral Service Foundation.

His Islands of Excellence© Leadership Development Programs and Blue Ocean Tours have helped independent funeral professionals across North America make positive and profitable changes to their business.

#### **Certificates and Accreditations:**

Certificate in Public Accounting University of Illinois 1978

Certificate to administer and interpret the Benchmark Leadership Assessment  
Center for Creative Leadership 2008

Completed training for administering Visual Explorer tools for leading group discussion on sensitive topics  
Center for Creative Leadership 2009

Accredited by Human Synergistics International to administer and interpret:  
Organizational Culture Inventory  
Organizational Effectiveness Inventory  
Leadership Impact assessment  
Management impact assessment  
Life Styles Inventory

Certified Exit Planner - Business Enterprise Institute 2015

