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A Letter to Current Business Owners from Your Successor *Andrew Whitehair, CPA*

Dear current business owner considering retirement,

I have seen many articles and presentations on business exit planning, but they typically all share one thing in common. They are all from the perspective of and focused on the needs of the outgoing owner. What about the other side of transaction? What about the incoming owner? Regardless of whether you sell your business to an outsider, groom an internal candidate, or gift the business to your children, your potential successors all have one thing in common: They will likely be significantly younger than you.

Especially in the case of a transfer to your children, your successor likely belongs to an entirely different generational cohort that may not share your worldview. The media is awash with terms such as “Generation X”, “Generation Y”, and “Millennials”, and depending on whose classification you use, I could fall into any one of those generational groups. It does not matter what group you stereotype me into, the important point is that I am younger, I do not necessarily share your values, and I want to take over your business.

The business exit literature focuses on your concerns:

- After you transition your business, you want to have sufficient assets to live comfortably in retirement.
- You want your business and your life’s work to continue long after you leave.
- You want to exit your business under your terms and on your schedule.

I can certainly understand your concerns, but as your successor who will be funding your retirement and ensuring your business continues long after you leave, I have my own concerns. Concerns that maybe you have not considered because the world has changed significantly since you were in my place.

First, I am a bright, motivated, young individual with a strong work ethic and a desire to change the world. However, with 78 million “Baby Boomers” closing in on retirement, what distinguishes your business from the rest of the market? Why is your business the right career opportunity for me? What have you done to boost your organization’s value and establish a sustainable business model? There will be many business opportunities over the coming decades, so how do I know I am making the right decision staying with your organization? Only the best positioned businesses will survive the inter-generational transfer, so I want to make sure your firm is set up for the future and I am buying into a winner.

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Although I want to buy into a winning company, there is a major problem. I am capital poor and heavily indebted. Between 1950 and 1970, a typical public university education cost a family approximately four percent of an average American family's income. Now, that figure is 11 percent. I know what you're thinking. Your debt is your problem, not mine. It is my problem, but it is your problem too if I cannot come up with the cash to buy your business. Consulting firms have begun to speak of gaps between the number of Baby Boomers looking to sell their businesses and the amount of private equity capital available to fund those purchases. The early 2000 tech bubble bust and the 2008 financial crisis hit your portfolio and business hard, but they also crippled my salary and dampened my economic prospects. Salary freezes and cuts early in one's career typically have a disproportionate impact on one's lifetime earnings. You deserve a great retirement. I hope to retire someday too, but will I be able to retire if I am drowning under massive amounts of debt and reduced income? How can we structure this transition to meet both of our needs?

Lastly, I have been accused of being narcissistic, having a sense of entitlement, and being part of "Generation Me." You may be annoyed that I want to be CEO before I have (in your eyes) paid my dues. Perhaps that is a bit presumptuous of me, but I do want to be included in important discussions about your business. I want to be a leader and contribute to your business, but all of my over-education and delayed adulthood have not taught me much about being a leader. I want a seat at the table, but I need your help to get there. Share your plans and goals with me, show me the importance of grunt work, and give me the flexibility to contribute to those goals. Most importantly, my helicopter parents gave me trophies just for showing up, and I have not experienced failure. Give me the opportunities to experience failure now when the stakes are low rather than when I am running your business. I'm the future of your business, and although I may not say so, I absolutely need your coaching and guidance to make sure your business is successful.

The outside buyers may not be available when you are ready to exit. In fact, they may not be available at all. Identify me now, and start grooming me tomorrow. Identifying and training a successor is hard work, but it is a key component of a successful business exit strategy. You have spent a lifetime mastering the skills needed to run a successful business, but now is the time to start imparting that knowledge to me. I am your successor, and it is both of our futures on the line.

Sincerely,

Your Younger Successor

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