

# The Titan Times Newsletter

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## Masterful Quotes

“Embrace what you don’t know, especially in the beginning, because what you don’t know can become your greatest asset. It ensures that you will absolutely be doing things different from everybody else.”

*-Sara Blakely*

“Challenges are gifts that force us to search for a new center of gravity. Don’t fight them. Just find a new way to stand.”

*-Oprah Winfrey*

“If we did all the things we are capable of, we would literally astound ourselves.”

*-Albert Einstein*

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**Business Development Group, LLC**  
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## The 5 D's That Force Owners to Exit Their Businesses Hurriedly

Did you know that 79% of business owners have no written transition plan and 48% have done no exit planning at all? And on top of that, roughly 50% of all business exits are involuntary and are forced by dramatic external factors. You need to have a well-thought-out plan of what happens if something unexpected happens to you or someone in your family, directly impacting your business.

Owners need to plan for how they want to walk away from their business not only in a perfect scenario, but also in a worst-case situation. Throughout the exit planning process, it is critical to consider the following scenarios that force owners to exit their business hurriedly, and often leaving value on the table. They are often referred to as the 5 D's: Death, Disability, Divorce, Disagreement and Distress. We often think that a Will addresses the needs upon the death of an owner. If your partner or spouse passes, do you have the ability to continue their job at the level they were performing it? If you're put in a position where you need to stay home to take care of a suddenly sick or disabled family member, what will happen if you are forced to exit your business due to your inability to come into work?

It is important to run through the tough questions about what you want to happen to your business if you have to exit your business prematurely. Statistics have shown that in the four years following an owner's death, sales declined 60% on average and employment fell 17%, resulting in a decline the overall valuation of the business. Additionally, two years after an owner's death, firms are 20% more likely to fail or file for bankruptcy. It is important to have a plan in place to avoid these issues happening to your business in your sudden absence.

(continued)



## Upcoming Federal Deadlines

### December 2022

- 31st | Individuals: RMD's must be taken for Individuals age 73 or older
- 31st | Contribution to Employer-Sponsored Retirement Plan for 2022 (401(k), 403(b), 457 or Federal Thrift Savings Plans)

### January 2023

- 16th | Individuals: 4<sup>th</sup> quarter 2022 estimated tax payments due
- 31<sup>st</sup> | Due date for certain 1099 Forms to be sent (unless a weekend)
- 31<sup>st</sup> | Due date for employers to send W-2 Forms



What do you want your family, clients and management team to know? What do you want to happen if you die or become disabled? What should happen if you or your spouse wants a divorce? What happens if there is a disagreement between business partners? An unplanned exit can not only impact the day-to-day operations of your business, but also the tax and legal aspects of it, along with the value of your company. You need to create contingency plans for each of the 5 D's to be properly prepared for any unplanned scenario.

While each of these unplanned events will undoubtedly be treated differently, an important step to take is creating and communicating the action plan for each contingency. This is done through a contingency letter, which serves as a playbook that is a shorthand to your operating agreement and your estate planning documents. Your contingency letter should outline what you, as the owner, would like to happen if you can no longer operate the business.

Have you planned for these contingencies? Part of the role Titan Business Development Group's Certified Exit Planning Advisor plays is to educate the business owner on how to de-risk the business. Some of the largest risks to the business can be planned for and some cannot. These are events that are usually out of your control and can ruin the value of your business.

## The 5 D's

<b>Death</b>	Imagine right now; you are in the middle of an intersection and are T-Boned. What do you want your family, management team, and ownership team to know? What happens to your loans? Are the beneficiaries on your assets and life insurance correct? Who should family and management talk to for advice? Do you have a documented plan for those impacted by this event? What obligations does your business have to your estate for the value of your shares?
<b>Disability</b>	Now imagine that you had a stroke and cannot talk or write. Does your family know where your important papers are? Do you have a power of attorney for financial and medical matters? Do others have essential passwords that enable them to pay your bills or interface with customers, vendors, etc.? Will this event invoke a purchase of your shares? How will it be paid? Who has the right to vote your shares?
<b>Divorce</b>	Your spouse announces that he/she has grown apart from you and now wants to end your marriage while the two of you are still friends. How will your shares be valued in a divorce? Do you have a prenuptial agreement? How will the changes in your finances impact the cash needs of the company? Do you know your options on how to create a non-adversarial process to make the decisions needed to unbundle your financial affairs at the end of a marriage and mitigate the impact on your business?
<b>Disagreement</b>	When multiple partners enter into a business, is it all roses and rainbows? They rarely prepare for conflict with a productive exit clause. Like all relationships, business partners sometimes decide not to co-own a business. How will your interest be valued? How will it be paid?
<b>Distress</b>	The last couple of Covid Years, in particular, have taught all of us some painful lessons regarding business interruptions and external threats we could never imagine. Many businesses suffered disruption to their business's productivity and the delivery of their products. What was the strength of your back up system? What insurances did you have to cover business interruption? Good contingency planning includes risk reduction strategies and policies to protect against everyday disaster situations, including data breaches, property disasters, supply chain disruption, work safety incidents, and critical employee loss.
We can work with you to create a plan that will "De-Risk" the negative impact of these events. We will help you assess what you currently have in place, what you may need to do as your systems grow and change, and why this process should be reviewed annually.	



## People Remember the “Little”

So here is a keeper: People always remember the "little things you do!" It's true. You could send a client a finder's fee for \$150. for a referral they gave that panned out for you, but that is not nearly as memorable as doing a nice, small gesture for them. It could be something like making a cd of classic songs you know they would like or maybe some classic tv shows on DVD that are their favorite and that they have not seen in ages.

Maybe you are an artist and you can draw an incredible picture for them. They will usually be blown away by any genuine gestures like these. It reminds them of one of the reasons why they do business with/befriend you. It shows that you have a genuine interest in them and their well-being. It's like someone saying, "I use XYZ bank because whenever I go up to the drive through, they always have a dog biscuit for my puppy or a lollipop for my child!"...The little things matter!!

My challenge for you is to look at all your clients and think of something memorable you can do for each and every one of them. Something that will make them smile and that they will not forget. Have fun with it and be creative. Remember the saying: "People may forget what you say or what you do - but they will never forget how you made them feel!"

Question: When is the last time you sent a prospect or client a handwritten thank you note? Probably a long time, right? Well, guess what? Handwritten thank you notes are very important and valuable. They are from the heart and show that you have taken the time to thank them for the time they spent with you or perhaps the business they gave you. Again, make sure it's handwritten and written by you (not someone in your office!) The fact that few people do this anymore means you will really stand out like a diamond in the ruff!

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