

# Business Owner Insights



Preparing for what comes next:  
Life after the sale of your business

# The UBS commitment to business owners

Where you are today is the result of your passion for the business you've built—and a lifetime of work.

But what is your vision for life after you walk away from your business? What you do next is critical for you and your family. This report provides perspectives to help you navigate planning for life after exiting your business. It's a time when you shift your focus to personal fulfillment, wealth planning and more.

At UBS, we help owners and entrepreneurs—in their business and in life after business. Our insights are collated from our own experiences and from multiple generations of business owners. Together we can help you plan for what comes next.



Want to learn more?

For more *Business Owner Insights*, talk to your UBS Financial Advisor.

# You. Your family. Your employees.

Your business goes to the heart of who you are and what you do. Even for family members, your decision to sell your business may represent a significant change in wealth and status.

Some owners have a clear separation between family and their business. Even after an exit, children may be unaware of the true scale of the family's newfound wealth. However, communicating with those who could benefit the most may be important to a successful plan.

## What's going to happen to your employees after the sale?

Many owners assure employees that a sale will have no practical impact on them. However, once the sale has gone through and you are no longer involved in the decisions, it can be hard to know. This may mean a period of tension and uncertainty—which can have an emotional impact on you.

"It's sad and hard when you sell because you've not only invested time and money, but also **a bit of your soul.**"

"A part of me was delighted but another part of me was sad. **The office was like a second home.**"

"I had worked with these people for over 20 years. **I felt guilty abandoning them.**"

# Prepare for your exit: three key tips

In a recent issue of *UBS Investor Watch*,\* we found that 48% of business owners don't have a formal exit strategy in place. Many put off thinking about an exit until late in the business life cycle.

## 1 Plan ahead

Long-term planning is key to any successful sale, because it helps you focus on what's important. Starting planning conversations early with your UBS Financial Advisor, tax professional and estate planning attorney will help you be confident about your future. Here are some strategies to consider:

**Advanced income planning.** As an owner, you've come to count on a certain level of income from business. After the sale, you'll need to replace that income and you may even have to account for certain expenses that were previously run through your business. Understanding the income you need to maintain your lifestyle is a critical first step.

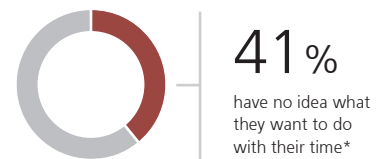
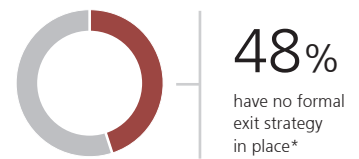
**Legacy planning.** Whatever legacy you want to leave, be certain it's aligned with your overall financial goals. If you plan to set up a trust fund for the benefit of your family or a cause, consult with your attorney or tax professional to see if it may be more tax-efficient to settle shares into a trust before they are sold.

**Tax planning.** Tax considerations are an integral part of the wealth planning process.\*\* Understand the tax effects of your sale and the potential impact on your shareholders. In consultation with your tax advisor, consider taking the time to develop a strategy to minimize your tax exposure.

\*Source: *UBS Investor Watch* Report "Who's The Boss," February 2018 as well as responses to questions not previously published as part of the *Investor Watch* survey and therefore not sourced to a previously published document.

\*\*UBS Financial Services Inc. and its affiliates do not provide legal or tax advice.

## Business owners preparing to sell



## 2 Define what you want

While 59% of former business owners know what they want to do with their time once they walked away from their business, 41% have no idea, according to *UBS Investor Watch* research. Spend time thinking about what you want out of your exit. Define your personal goals to help shape the life you want to eventually pursue.

Think about these questions

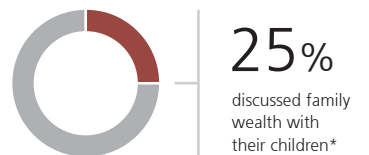
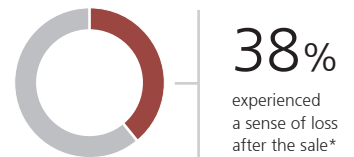
- Do you still want to be involved in running your business after the sale?
- Are you interested in setting up another business?
- What do you want from your newfound wealth?
- What will it all mean for your family?

## 3 Break the silence

*UBS Investor Watch* research shows that only about 25% of former business owners engaged their children and heirs in a conversation about family wealth. Many owners tend to involve their family only after the deal has gone through. Instead, communicate early about what you expect or hope for. This creates a clearer picture and gives everyone involved a chance to contribute.

If you plan to pass money to your children, consider setting up bank accounts or family trusts in advance of a sale—and fill your children in on the details. Developing a family governance structure, ranging from formal to informal, can help align common values and your overall family mission. By educating them about your financial situation in advance, you can help to secure your wealth for generations to come.

### Former business owners



# The power of emotions

Selling your business is about letting go. This can be a profound change with powerful emotional impacts. For some owners, it's confusing. For others, there's a sense of elation. Many talk about feelings of depression and a lack of purpose. *UBS Investor Watch* research finds that 79% of business owners feel a sense of accomplishment after selling their business; however, 38% experienced a sense of loss.

"I had been working hard for a long time. At the beginning, I did nothing, and it was great. **People say you get bored, but I didn't—it was wonderful.**"

**"There's something about being the CEO that you miss ...** you're often not in the limelight, which is good and bad. In a private environment, people just aren't as interested in you."

**"Just emptying my mind of all the things that kept me awake when I was in business.** Just doing physical stuff, getting fit again, enjoying the outdoors, going cycling, playing golf, whatever ... it's been fantastic."

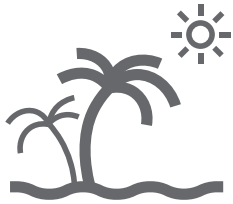
"I felt very muted. I didn't know how to process it. **I had to figure out how to deal with a new reality.**"

# Redefine your post-exit self

Setting up, growing and selling a business takes considerable energy, time and commitment. It's crucial to find an outlet for all that energy and free time after the sale. Reflect on your passions and plan what's ahead and what you want to accomplish.

## What comes next?

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48%  
Traveling more\*



Spending more time with family and friends\*

43%



Having more free time for hobbies\*

35%



Giving back to my community or causes\*

26%



Enjoying a high standard of living\*

22%



Starting a new business venture\*

11%



Reinvesting in other business ventures\*

10%

\*Source: UBS Investor Watch Report "Who's The Boss," February 2018 as well as responses to questions not previously published as part of the Investor Watch survey and therefore not sourced to a previously published document.

# Planning for life after the sale: the six stages

## 1 Recharge

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- Is a vacation or dream purchase needed?
- Do I need some space to think?
- Is an escape and recharge needed?

## 2 Self

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- Who am I? What do I do?
- How much money do I have and need?
- Is my wealth life-changing or life-enhancing?

## 3 Enabling

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- How do I do things?
- What professional advice do I need?
- Do I have the right advisory team?

## 4 Family

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- How should I support my family?
- Who should I support?
- Should I set money aside for home purchases and education?

## 5 Legacy

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- What do I want to leave for future generations? For my employees?
- How should it be left?
- What do I want to give back?

## 6 Opportunity

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- How do I find personal fulfillment in the future?
- Should I do it again?
- How can I best contribute to others?



# Managing your newfound wealth

When your business sale is complete, you will have transitioned from being a business owner to a wealth holder. Think about how your new wealth will touch you, your family and your business and plan for it along three key strategies shown below. Your UBS Financial Advisor can help you organize your financial life along these key dimensions.

## Liquidity strategy

To help provide cash flow for short-term expenses



The next 3 years

## Longevity strategy

For longer-term needs



4 years to lifetime

## Legacy strategy

For needs that go beyond your own



Now to beyond your lifetime

Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.

# Challenge your strengths

Business owners and entrepreneurs often lean into behaviors that can negatively impact the investment decision-making process. As you transition away from your business, a structured approach to wealth management will be critical.

Here are some common traps that can lead entrepreneurs to bad decisions. Your UBS Financial Advisor can work with you to tailor an investment strategy to your needs, objectives and comfort with risk.

## Overconfidence

Business owners may often face uncertainty about the potential success of their business but still feel confident in their own skills to be successful. This confidence drives entrepreneurs to surmount obstacles that many may find insurmountable. However, overconfidence can cause entrepreneurs to believe they have all the answers when it comes to their investments. As a result, they may allocate too much of their wealth to investments that don't reflect their true risk tolerance.

## Control illusion

Business owners are used to exercising control or significant influence as key success factors in their business environment. However, as investors, control over the markets is another matter. Since nobody has control over the markets, it may make sense to work with an experienced financial advisor in order to avoid making mistakes that can lead to long-term negative effects.

## Overoptimism

Many business owners are often optimistic by nature. This optimism cements their faith in their business ventures even during difficult economic times. But this optimism can prove excessive when evaluating investments. As a result, a portfolio can be overly concentrated in a specific asset class, which can lead to an increased level of investment risk.

## Representativeness

Business owners often make an educated guess about market trends and business opportunities. This emphasis on a small number of recent events that are seen to be an appropriate representation of a long-term trend is known as representative bias. While this trait can help a successful entrepreneur spot new trends earlier than the competition, it may overly emphasize short-lived market trends and lead to trend-following behavior.

# Prepare your family

Over the longer term, you and your family will need to come to terms with being wealthy and the dramatic changes to lifestyle and status. Here are three ideas to help you prepare your family.



## Talk with your family about your wealth

Gradually introduce wealth and the idea of being wealthy to your family. Discuss how family members may be challenged to adapt to new circumstances.



## Teach your children

Educate your children and grandchildren about your finances so they can grasp their new responsibilities.



## Find a common cause

Look for a fulfilling cause that you and your family will find meaningful and rewarding.



# Your next step: Let's start the conversation

Thinking about what comes next involves a range of personal, wealth management and family concerns. Whether your transition is a few months or a few years away, it's important to start planning for how you want to live your life after transitioning your business.

Together, we can create a strategy to manage your newfound wealth. It starts with answering the broader questions as part of what we call: *Advice. Beyond Investing.*

Let's have a conversation about  
what comes next for you and how we can help.

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