

## Five Questions With: Bill Entwistle

"Some owners will need to postpone the sale of their business and focus on increasing its value to meet the gap."

By [Rhonda Miller](#) PBN Staff Writer Posted 5/14/13



*Bill Entwistle has more than 25 years of experience as a CERTIFIED FINANCIAL PLANNER™ professional. He formed W.A. Entwistle and Associates in 1991 and in 2010 re-branded his firm as Entwistle Financial Life Planning to reflect his holistic approach to serving his clientele. He has experience in risk management and tax and financial planning and is a transition-planning consultant. Entwistle has a bachelor's degree in finance from the University of Rhode Island.*

**PBN: There are signs that the economy may be in recovery mode, even though the growth is at a slow pace. How does this affect baby boomer business owners approaching retirement age?**

**ENTWISTLE:** The first major group of Baby Boomers reached age 65 in 2011. Every day thousands of business owners turn 65. If the general economy continues to improve and earnings recover, this change in the marketplace could result in an oversupply of businesses for sale. In fact, a 2008 Inc. Magazine article estimated that more than 65 percent of all small businesses would hang up a "for sale" sign in the subsequent five-to-10 years as a result of retiring Baby Boomers. This means that up to 10 million businesses might be changing hands in 2013.

**PBN: What effect will this have on the value of those businesses?**

**ENTWISTLE:** First, from a purely supply-and-demand standpoint, if the market is flooded with small businesses for sale, their individual valuations might continue to trend down. For most business owners, their business represents upwards of 80 percent of their total net worth, so this could have a negative impact on their retirement planning. In addition, many business owners have experienced setbacks in the past few years as a result of the recession. Some owners may be well advised to make every effort to grow their businesses back to pre-recession values before selling.

**PBN: What should small business owners be doing today to prepare for a business transition and protect the wealth they have accumulated in their business?**

**ENTWISTLE:** Whether a business owner is considering a transition out of the business today or in the next decade, he needs to follow a process that will increase the chance of success. The first step is determining an owner's transition goals. These goals may go beyond maximizing value at sale to include minimizing taxes, retaining control or leaving a legacy. Most business owners diligently created a business plan when they started their business, so it makes sense to develop a transition plan for the exit from their business. Transitioning out of a business should be a process, not an event. Performing a "value gap" analysis is an important component of this process.

**PBN: What is a "value gap"?**

**ENTWISTLE:** A "value gap" is the difference between a business' fair market value today and the price a business needs to be sold for to fund the owners' pre-determined post-sale lifestyle. Many business owners tend to underestimate the magnitude of this gap. It's important to remember that there will be taxes and other fees, such as legal, accounting and brokerage, deducted from the sales proceeds. In addition, many business owners are accustomed to living "out of their business." In other words, the business pays many personal expenses such as cars, dinners, memberships and travel. That will change when they retire and sell their business.

**PBN: What are some ways business owners can minimize the "value gap" if one exists?**

**ENTWISTLE:** Some owners will need to postpone the sale of their business and focus on increasing its value to meet the gap. This would also be a good time to build up personal assets outside the business to include retirement accounts and other personal investments. Others will need to readjust their post-sale lifestyle to meet the gap. That may include paying off any existing personal debt in advance of a sale. Still others, who are ready to sell and not willing to stay and grow, may consider pursuing meaningful work for a paycheck or even starting another small business to generate funds to close the gap.