

ACCELERATE

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OUR NEWSLETTER FOR GROWING BUSINESSES

STARTING A BUSINESS IS THE EASY PART. NOW LET'S TALK ABOUT YOUR EXIT STRATEGY.

It takes guts to start a business. But to succeed also takes a strategic mindset.

What does that mean, exactly, and how would you know if you're thinking strategically enough or not? One way is to imagine you're about to put your business on the market. What would a potential buyer hope to see in your business? What would you add or take away to make it more attractive?

We recently interviewed Rob Young, whose company Platform 1 works with business owners on ensuring they get the best possible return when selling their business. Rob's insights into how to think strategically may surprise you. His advice is simple, clear and easily within reach of anyone committed to creating a successful business.

Here's an abridged transcript of the interview. For a full transcript, go to

<http://accelerate.blob.core.windows.net/files/Accelerate%20Feb%202018%20interview%20with%20Rob%20Young.pdf>

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WHAT ARE THE MOST IMPORTANT STEPS TO PREPARE FOR A SALE?

The most important thing to get your house in order . Get your systems and processes in place so the business isn't reliant on the owner, making sure that the business can run as a standalone entity. That is the first consideration and you'd want to talk to your trusted advisors who would be able to help you with that – accountant, lawyer, etc.

Also maximise your profit, making sure that you are not taking decisions to minimise your tax liability – because what you're trying to do is create a profitable business.

WHAT IS YOUR SENSE OF HOW WELL SME OWNERS MANAGE SUCCESSION PLANNING RIGHT NOW?

'Not very well' would be the answer. It is something that people think is going to happen in the future so put off.

One of the things people don't think about enough is that retirement doesn't need to be doing nothing. If your business can run as an asset without your involvement, you don't have to sell it completely, so not selling down 100% of the business is a viable option. You don't necessarily need to sell the whole business.

DO YOU THINK THAT IS ONE OF THE REASONS WHY PEOPLE PUT OFF THINKING ABOUT SELLING THE BUSINESS?

It's 100% the reason and that's why it's a good idea to think about this before you become semi-incapacitated. If you get your business ready for sale when you're fit and active, you will find it's a lot happier to go through with a better outcome – rather than getting to the stage where all you want to do is just get rid of it, you're not maximising the value of your business.

IF YOU DO THAT, WHETHER YOU END UP SELLING IT OR NOT, YOU'VE GOT A BUSINESS THAT IS RUNNING WELL.

Absolutely, and you've got choices. The most important thing when you want to maximise the value of the business is to have choices, and the last thing you want is a lack of choices because you're tired, grumpy, have had enough or just can't physically work in the business.

OF THOSE DIFFERENT OPTIONS FOR SELLING YOUR BUSINESS, HOW WOULD SOMEBODY CHOOSE WHICH IS THE MOST APPROPRIATE OPTION FOR THEM?

Always get advice through your trusted advisor, your accountant, lawyer, etc, an advisory board director, somebody who has a little bit of knowledge with you and your business and talk to them about what you want to do in the future.

The most important thing that I find throughout any transition business is owners not necessarily knowing what they want to do in the future. They think they want to retire but they don't know what they're going to do when they do. Think about what you're going to do in whatever you call "retirement" and make sure it is a viable option for you rather than jumping to some sort of conclusion that you think might be the right option for you, but certainly talking to your advisors is the most important thing to do.

ROB, WHAT ARE THE BIGGEST MISTAKES PEOPLE MAKE AROUND SUCCESSION PLANNING?

Not starting early enough. Generally, an owner will wake up after New Year's and say "I've had a gutsful, I'm going to sell it," and they will ring a broker on the 3rd of January and expect to have the business sold by the middle of January! It just doesn't happen. Planning needs to start two to four, even five years out.

WHAT ARE THE KEY THINGS THAT PEOPLE NEED TO THINK ABOUT AND WHEN?

What options they've got for disposing of their business. We think there are five different ways to do it.

1. Close the business down and sell the assets
2. Sell to a family member
3. Sell to an employee
4. Just a straight sale to an outside party
5. The Platform 1 model.

HOW WOULD YOU CHARACTERISE THE PLATFORM 1 MODEL?

Our model is a gradual buy-out and we go and find the Manager. This is over a gradual period, so we will work with an owner and figure out what kind of individual would be right to run the business. We find that individual and develop a plan where they buy in gradually over 3 to 6 years. The objective is to get the owner out of the business physically as quickly as possible by transferring relationships and processes to the incoming person, so the owner becomes more of an investor rather than a manager.

IRD INTO STAGE TWO OF BUSINESS TRANSFORMATION

IRD's been working hard to be easier to do business with. As you read this, its new tax system is kicking in, giving you new and simpler ways to manage your GST obligations through myIR.

Enhancements include the traceability of GST transfers, and Notifications and Alerts sent when there is something for you to do in your myIR account.

From April, IRD will address more areas, including:

- Withholding Tax
- Gaming Machine Duty
- Fringe Benefits Tax
- Payroll subsidy
- Employment information (PAYE) collected in START.

But the biggest change will be to tax law.

AIM (Accounting Income Method), a new option for calculating provisional tax, allows payments to be based on your actual profit in that period – so if you don't make a profit, you won't pay provisional tax.

WHAT ARE THE NEW GOVERNMENT'S TAX PRIORITIES?



BUSINESS HEALTH CHECK

With the end of the tax year approaching, check your systems and documentation now and plug any gaps. A good approach is to dig out the EOY checklist you got from us last year and use it to identify any information you need to start gathering now. That way, you won't be rushing frantically later when we need the information.

Take Rob Young's advice and check that your business is fit for sale. If it relies fully on you, plan a one-month holiday in a year's time and start setting things up to run without you. Ask us and your lawyer what we'd do differently if we were you. And focus on profitability rather than minimising your tax liability

KEY TAX DATES FEBRUARY 2018

DATE	CATEGORY	DESCRIPTION
5 February	PAYE	Large employer returns and payments
20 February	PAYE	Small employers return and payment Large employers return and payment
20 February	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during January
20 February	N-RWT / Approved Issuer Levy	Payment and return for January
28 February	GST	Return and payment for January

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