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How will you retire from your business?

95% of businesses in our country have 20 or fewer employees. Many of these small business owners have tied up the majority of their net worth to provide the capital to grow their businesses.

With these facts in mind, how do you plan to retire from your business? There are several common options that, in our experience, are effective plans for the owner's retirement:

- 1) Sell to an outside buyer and retain a consulting arrangement with the buyer for a period of time. There are a few buyer types in this buy sell arrangement/ contract, and there are risks that are much different than a buy sell arrangement for internal buyers. For example, there are three types of buyers: individual buyers, financial buyers, and strategic buyers.
 - a. The individual buyer's ability to pay and fulfill the agreement can be a question, thus this buyer holds the most risk from the seller's point of view. In many situations, the individual buyer needs a long-term payment plan to complete the purchase and has the highest risk of default on the agreement.
 - b. The financial buyer has the financial capital to complete the purchase and is solely interested in the cash flow of the business. They ask the question, when does my investment show a return and what is the expected rate of return. Their goal is to increase their bottom-line – earnings per share that is reported to their investors.
 - c. The strategic buyer will pay the most generous price and terms for the business in many situations, because there is an advantage to their supply chain i.e. the target business is a major supplier to the company or economies of scale for their company in the long-term.
- 2) Annuitize the business: Hire and train key management to manage the operations and grow the business to allow the owner to reduce his hours in the business for retirement. Create a well-oiled machine and let your key management take your company to new heights with your stewardship, vision and with checks and balances on management.



Some business' values are not high enough to satisfy the financial needs of the exiting owner. In these situations, the sale of the company will lower the standard of living that the owner has become accustomed. In these situations, a viable option is to build a solid management team to continue the cash generated by the owner going forward into retirement. The key managers need to have skin in the game, be a part owner, and have the incentive to grow the company and its cash flow which will benefit the owner and the managers into the foreseeable future. A winning team is critical with this path.

- 3) Sell to family members to take over the management and maintain a salary in retirement. This is another annuity strategy which involves key family members as part of your management team. This strategy is more complicated with the family dynamics and family member perceptions vs. the business roles and responsibilities.

With time and testing of preferable successor(s), family succession can be the optimal path for the seller and his or her family. One issue is that the price and terms of the sale are usually not the optimum results for the exiting owner and after-tax proceeds for the seller compared to selling to an outside buyer. As long as the seller is comfortable with the price and terms, the deal is affordable to the family member buyers, and fair to the seller, then this option is a good result in crafting a strategy to continue the company which sustains the next generation's lifestyle.

Considering a telecom audit? It may reveal hidden savings for you.

Have you had an analysis of telecom services and your telecom system? Depending on the size of your company, your telecom expenses and investment may benefit with improvements in its design. A telecom audit may discover significant savings!

Based on our discussions with several local telecom service technicians, they see many companies especially companies with multiple locations that are paying too much for telecom services or are inefficiently using their system. The savings discovered by a telecom service audit might be significant.

Frequently, more than thirty percent can be saved by auditing the telecom expenses or by hiring a telecom expert to contain costs. Expense management can produce substantial savings for most companies, but it requires a process:

Large telecom service providers do not audit client's bills to ensure that the proper contracted rates are invoiced. The first few steps you can take is to perform some reviews, at least semi-annually:

- Call your local service provider for a "Customer Service Record (CSR)."
- Identify each phone number on the CSR, its specific function (data, voice, alarm system, fax, etc.) rate per minutes and correlate each number with contracted conditions.
- Validate each line by calling it if necessary. There may be lines being billed and paid for that are no longer in use.
- Confirm that the contracted rate is being applied for all services.

Optimizing existing equipment and services may require a telecom expert who brings expertise of the telecom industry. An expert provides knowledge of the current market, rates and providers and can help quantify and qualify services. Their expertise is best used to ask the key questions—what, why, when and how much. We have a local

telecom expert that may be able to assist you with this process. For more information, please call our office to refer you to an expert who could assist you.

Employee leasing helps manage growing businesses.

A popular strategy for small and mid-sized companies is to change their relationship with their employees by leasing them from a PEO, Professional Employer Organization, for their staffing needs. A PEO provides integrated services to effectively manage critical human resource responsibilities and employer risks for clients. A PEO delivers these services by establishing and maintaining an employer relationship with the employees at the client's worksite and by contractually assuming certain employer rights, responsibilities, and risk.

It acts as the employer for legal and administrative purposes and has several compelling advantages for small and medium-sized companies. Here are some major benefits to consider a PEO for your company:

- 1) Relief from the burden of employee paperwork and payroll administration.
- 2) Improve your quality of employees with more competitive employment benefits package that compare to larger companies.
- 3) A wide range of personnel management solutions through a team of professionals.
- 4) Improved employment practices, compliance and risk management to reduce liabilities.
- 5) Assistance to improve productivity and profitability.
- 6) The PEO offer significant discounts to healthcare plans that large companies offer

The PEO organizations are growing in popularity in our local area and nationwide due to the noted advantages to the employees and employers.

The value to client companies is that the use of a PEO saves time and staff that would be used to prepare payroll and administer benefits plans, and may reduce legal liabilities or obligations to employees that it would otherwise have. The client company may also be able to offer a better overall package of benefits, and thus attract more skilled employees. The PEO model is therefore attractive to small and mid-sized businesses and associations, and PEO marketing is typically directed toward this segment.

Regular Pieces

How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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