



You have successfully grown and managed your agency to a stage where it's desired by others.

Take pride in that as you spend time solving the 4 Cs. Selling is a once in a lifetime transaction; invest the time needed to do it right. Like the many successful agency owners who have navigated this journey before you, it's how you too will know exactly when it's time to cash in.

HOW THE 4 Cs SHAPE YOUR FUTURE

A price is just a number. The number can sound high enough to entice you to sell, but that's not enough. What you really need to know is if that number is enough to fund your future retirement and to let you live your life in the way you desire. Hence, the four Cs:

1. CLOCK

How much longer do you plan on working?

Outlining a timeline for how long you want to work is the first step in the process. The timeline will drive the decisions around compensation closer.

2. COMPENSATION

How much money do you need to support your lifestyle and that of your family?

You need compare that number to your agency's current valuation. You will have more flexibility in the sale amount if you will have earnings after the sale and own assets outside your agency.

3. CULTURE

What is the culture of the agency you are considering selling to?

Study things like the acquiring agency's reporting structure, what role your staff will have and how decisions are made and by whom. Spend time getting to know the team and type of clients at the acquiring agency.

4. CALCULATION

How is your earnout calculated?

This won't impact you until after the deal is signed, but is critical to understand before agreeing to a deal. Know the growth needed to hit your earnout targets and understand how overhead expenses are applied and who is responsible for the calculations.



WHO NEEDS THE 4 CS?

Insurance agency owners who are:

- Looking to grow wealth in advance of retirement
- Planning for perpetuation
- Actively involved in an M&A conversation



STEPS TO HELP ANSWER THE 4 CS

Answering the 4 Cs is not easy. It takes time to think through your situation and desires, and you need to discuss all of this with your spouse to ensure you have a unified vision of the future. But don't let the hard work deter you because selling your agency is imperative to funding your future. To get started you need to:

→ TAKE INVENTORY: FINANCIALLY & EMOTIONALLY

Take a look at your financial position and build out a net worth statement. To help, you'll want to review bank statements, investment accounts, retirement accounts, tax returns and how assets are titled.

To determine if you are emotionally ready to retire, consider hobbies you enjoy, how you would transition the business, how long you want to work, what does your perfect world look like and if you can work for someone else.

→ KNOW THE NUMBER

From a personal perspective, what does it cost to support your current lifecycle (your burn rate), how will your needs change during retirement and what personal expenses are run through the business today?

Get a professional valuation for your agency and consider the different ways you could transfer your business to see what perpetuation plan makes the most sense for you. Focus on after tax values.

→ EVALUATE INVESTMENTS

Understand how well your money is working for you and if the return is commensurate with the risk you are taking.

→ CALCULATE THE SALE

Know the earnout from who is responsible for the calculation to when it will occur and how overhead is applied. Learn the culture of the new agency and what the sale will mean for your employees. Don't forget about the taxes either.

SOLVE THE 4 Cs TO KNOW WHEN TO CASH IN

Successful agency owners have a strategic plan to fund their future. Whether you are actively looking to sell your business or simply want to elevate your confidence in your current agency's success, the 4 Cs provide a guide post for what you want, what you need, and how to confidently move forward.

Whether your goals include buying that lake house you've been dreaming about, travelling the globe or having more time to spend with your family, you can make these desires reality by first coming up with your answers to the 4 Cs. This will provide you with a clearer picture of both the price you want for your agency and a realistic timeline for selling.

*To learn more, contact Jim King, CPA, CFP®, Wealth Manager, and
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