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The Role of a Certified Exit Planning Advisor® (CEPA) in Business Succession

As the landscape of business ownership evolves, the need for effective exit planning becomes increasingly critical. A Certified Exit Planning Advisor® (CEPA) plays a pivotal role in guiding business owners through the intricate process of preparing for a successful exit. Let's discuss what the CEPA credential is and what they do, who typically holds the designation, and why their role is pivotal to an owner's exit planning process and overall wealth management.

The CEPA Credential

A Certified Exit Planning Advisor® (CEPA) is a designation awarded to professionals who have completed a rigorous educational program and demonstrated expertise in exit planning strategies. CEPA professionals come from diverse backgrounds such as financial planning, business consulting, law, and accounting, among others. They possess specialized knowledge in business transition planning, including valuation, taxation, legal considerations, and financial planning.

Additionally, they help owners understand the exit process and assist in adapting their business to focus on value acceleration as a core business strategy. They also can provide insights on the various ways an owner can exit, whether it be through private equity, a strategic third-party buyer, an ESOP, or family transition to name a few.

CEPA professionals collaborate with business owners to develop customized succession plans that align and accelerate value in what they refer to as the "three legs of the stool": business, financial, and personal planning.

A CEPA professional can also help clients understand the different value metrics used in the exiting process. They will help review a



business valuation to determine the business's strengths and areas of opportunity it can pursue. Many CEPAs can provide in-depth knowledge on the most tax-efficient strategies for that eventual exit, both for the business and individual owner. They also help clients understand the three different gaps such as:

- **Wealth Gap** – the difference between an owner's overall wealth goal post-exit and their net worth excluding their business value.
- **Profit Gap** – the difference between the amount of profit their business currently earns and what they could earn if considered "best-in-class" in their industry.
- **Value Gap** – the difference between the business value now and the potential business value if they were to become "best-in-class" as it relates to EBITDA.

Why Engage a CEPA?

Planning for a transition is a complex issue that many owners know they need to do, but few have actually prepared to execute. According to The Exit Planning Institute's State of Owner Readiness study:

- Studies show that most business owners believe they should have a transition plan, yet less than half have a written design.
- 70% of businesses that are put on the market do not sell.



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- privately held businesses that are specifically family-owned successfully transition to the second generation and only 12% to the third.

The role of a CEPA is to help business owners maximize their value by understanding what and who they need to help sell their business. A CEPA helps quarterback a team of advisors to best position a business for the long-term. This team helps to strategically increase value, minimize risks, and maintain the legacy of the business.

Many business owners do not know nor understand all of their potential exit options. A CEPA will help them analyze their business and develop specific goals in the process while providing the best possible options to help direct them through that exit.

CEPAs also prepare individual owners for life after exit. Studies show that 75% of owners regretted selling their business after 12 months due to improper planning. A CEPA addresses these emotional considerations and ensures alignment of personal and financial goals early in the exit planning process.

Conclusion

A Certified Exit Planning Advisor® (CEPA) plays a crucial role in guiding business owners through the complexities of business succession planning, ensuring a smooth and successful transition of ownership. By leveraging their knowledge in strategic planning, financial management, and legal considerations, CEPA professionals help maximize business value, minimize risks, and preserve the legacy of the business.

If you're an owner and have begun to think about these different complexities, we encourage you to talk with us about what this process looks like. Like most planning, the earlier the better to fully vet your options for a smooth exit.



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