Just An Idea
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Do You Have An Exit Strategy for Your Money Machine?

Over two decades ago Stephen Covey wrote a little book entitled *The Seven Habits of Highly Effective People*. International acclaim and over 25 million copies later, his principles continue to be priceless. This book is fast becoming a timeless classic like Dale Carnegie's *How to Win Friends and Influence People*, first published in 1936. I believe my great grandchildren will be beneficiaries of the wisdom in these books.

Covey's second habit is this: "Begin with the end in mind." This simple saying brings out the idea that if we know where we are going, we generally follow a much straighter path to get there. I have no idea who first said it, but another way of stating Covey's principle is this: "If you don't know where you are going, you will arrive somewhere, but is it somewhere you actually wanted to be?"

Many small business owners create a money machine that produces a nice income in exchange for their labor of love. They enjoy a comfortable standard of living, and like most Americans, they look forward to the day when they can retire from working in their business to enjoy their remaining years "living life". Often, their retirement strategy is very simple: sell the business and live off the proceeds of the sale.

Unfortunately this simple retirement plan often just doesn't work out. Business owners toil in their businesses for years, believing that because it is theirs and they love it, somebody else will think it is just as valuable as they do. Most small business owners seriously over-value what they have. When they get to the point of starting to seriously think about selling the business, its market value is far less than what they thought. In reality it might only be worth the book value of the assets of the business.

Why does this happen? Typically it happens because the business owner did not embrace Covey's second habit: "Begin with the end in mind."

Most small business owners who work extensively in their business didn't buy a business, they started a business. Why is this true? Because most people with the money to buy a business did not buy it in order to secure a job. They invested in a business to get an appreciating asset or a cash flow, preferably without the requirement that they work in the business at all, much less full time.

In my first article in this series I asked what you might pay for a really efficient money machine, one that prints Franklins instead of Lincolns. The answer is, those looking to invest in money machines will pay top dollar for good ones. But those who will pay top dollar are not in search of a job. If your money machine requires them to actively participate in running it, they won't pay a premium. They are looking to buy an asset, not a job.

If your business requires your constant participation to make it print money, then you better have a stronger retirement portfolio than the value of your business. If not, your only choice is to figure out how to make your money machine print Franklins without you.

Maximize value - work on it, not in it!

Mike Mitchell