

Navigating pivotal moments

Guidance for preparing your
business—and yourself—
for the next stage

Truist Purple PaperSM

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TRUIST 

Constant change, constant preparation

Business operates at a high velocity. So owning and running a business can require almost all your focus. Besides the day-to-day operations, you're always responding to change: competitors' moves, economic uncertainty, inflation and interest rates, supply chain issues, employment levels, and so on.

The responsibilities of overseeing the business's current needs can make it difficult to keep your eyes on the future and the events—often unexpected—that may transform your business and family. **In the next five years, your business likely will have one of these pivotal moments**, whether that's a significant management change, an expansion opportunity, a shift in capital structure, an acquisition, or some other business transition.¹



Pivotal moments often affect more than your business. They involve your personal life as well—potentially impacting your family, personal wealth, aspirations, and legacy.



Your best strategy for a positive experience from these events is to have a team in place that's proactively preparing you, your family, and your business for future events. The more informed you are for an important business transition, the more likely you are to be highly satisfied with the transaction (see the graph on the next page). Preparation fortifies your confidence and might lead to better outcomes for your business and your wealth.

This preparation works best when a wealth management team that understands your aspirations can effectively coordinate strategies with an investment banker and commercial relationship manager.

Your wealth advisors can help you:

- Create a plan that details your personal or family goals and considers the implications of strategic alternatives.
- Ensure your personal preparedness for the financial, human, and intellectual capital you'll have in the business.
- Prepare to live out your purpose—your "why" for the future—if you transition partly or completely out of the business.

In this Truist Purple Paper, **"Navigating pivotal moments,"** we'll help you prepare for conversations about important business developments that can protect your company, personal wealth, family, and legacy.

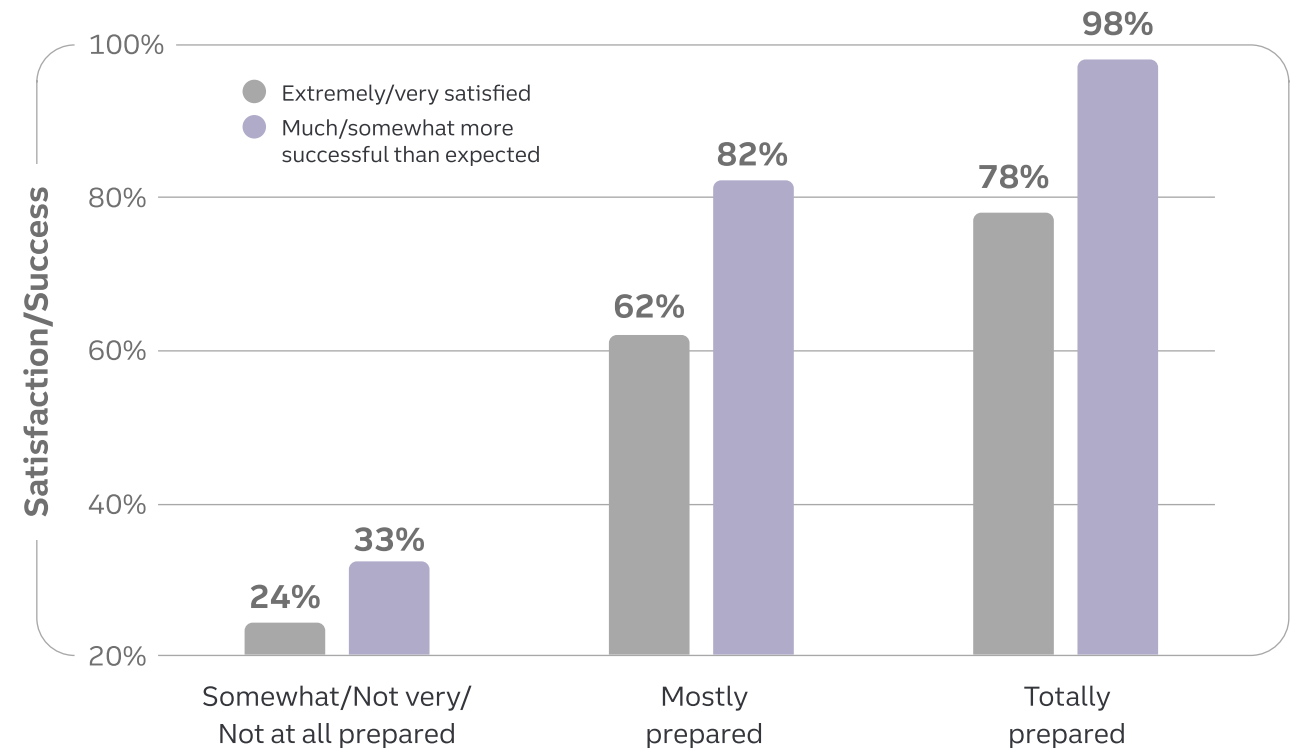
"Business owners should have early, meaningful engagement with wealth professionals in partnership with their commercial bankers. Many entrepreneurs have a dream and a vision of where they want to take their company but fail to plan for a purposeful exit strategy or strategic transition."

Kelvin Stroupe
Head of Wealth Business Advisors at Truist Wealth



More preparation, more satisfaction

When business owners feel more prepared for a significant transaction for their business, they're more satisfied with the result.



Source: Preparing for Major Business Transition, National Center for the Middle Market, 2020.



Does your vision for your business include "what-ifs"?

Out of the blue, a large company just offered to acquire your business. It's a serious, generous offer that would change your life and create a significant amount of wealth for your family. After deciding that the sale is in the best interests of your company, you plan to accept the offer.

But if you didn't prepare for this event, you might not be as satisfied with the transaction as you hoped. This is a common story, says David Herritt, head of Truist Wealth's Center for Family Legacy. That's because business founders and owners usually have a vision for their business and a business plan, but they tend to focus on their day-to-day operations.

"What we've seen with business owners is that they aren't focusing on the transition early enough," Herritt says. In a typical business environment, the transactions can take an **average of 1.5 years.**¹

If business owners haven't planned for the possibility of an unexpected pivotal moment, they might feel rushed through the process. This can lead to negative emotions after the transaction. "With that short of a time span to dot all the i's and cross all the t's on the transaction itself," Herritt says, "owners might not be focused on personal aspects of the transaction. To do the right estate planning, to think about how this impacts your family and how it impacts you and your psyche, you need to start early."

Even when the process goes smoothly, business owners can have misgivings. Almost nine out of 10 have positive emotions after the sale of their business, but about four out of 10 also continue to report some sadness, regret, or other negative emotions.²

Businesses that are skilled in navigating pivotal moments tend to have some ownership by institutional capital providers, such as private equity, says George Calfo, head of Truist Business Advisory, Truist Securities' private-company M&A practice. That's because institutional owners "have a plan and a time frame in mind," he says.

Calfo adds that unexpected events are relatively common and that in a survey of Truist clients who sold all or part of their business, about half of them didn't intend to conduct the transaction when the year began.

"They might have received an unsolicited offer that they decided to pursue," he says, "or they had a major change in their customer base, or a business performance issue that required them to renegotiate their capital structure, or they had a family concern."



Almost 9 out of 10 business owners have positive emotions after the sale of their business.²



But about 4 out of 10 also continue to report some sadness, regret, or other negative emotions.²





Examples of pivotal moments

Business owners might encounter many significant developments—possibly unexpected—that require planning and help from an advisory team. These events include:

- Acquiring a business
- Selling a division, line of business, or percentage of the company
- Entering a joint venture or alliance
- Bringing in new investors
- Selling the company to or merging with another company
- Transferring ownership to employees or family members
- Altering the company's capital structure
- Distributing a dividend to owners
- Making changes to senior management

Business and personal: Two sides of the same coin

For many company founders, business and personal issues are closely related. "The business often represents the lion's share of that owner's and their family's net worth," says Lee McCrary, head of the Business Transition Advisory Group at Truist Wealth.

That tie between family and business is even stronger when the business is passed from generation to generation and family members are employees. "If the business owner cannot separate the business and the personal, it follows that as an advisor, we shouldn't separate the two," McCrary says.

On the business side, founders/owners often have a team with legal, accounting, and tax experts along with an investment banker and consultants. They often view their wealth professionals solely as money managers.

"But owners can benefit by bringing their wealth team into this circle of advisors," says Caitlin Kennedy, managing director of the Business Transition Advisory Group. "Wealth advisors can help owners prepare for a successful life after a business event they might not have seen coming." The wealth team integrates all facets of wealth advice, including establishing a transition plan, proper trust and estate planning, future cash flows, risk management,

philanthropy, investment advice, family governance and education, and legacy planning.

In discussions with clients and in third-party research, Truist has found that "the number one regret of business owners after that transition is that they wished they had spent more time on their personal wealth preparedness," McCrary says. Tapping into the expertise of the wealth team can help owners prepare themselves and their families for a successful life after a possibly unexpected pivotal moment.



Early, meaningful engagement with a team of professionals who understand the potential professional and personal impact of pivotal moments can increase your overall satisfaction with these transactions.



Is your business undergoing—or about to undergo—a pivotal moment? Your wealth advisor can help, especially if...

- You have a great deal of family wealth tied up in your business.
- Family members work in or will take over your business.
- You're nearing retirement age.
- You want to make wealth or succession planning a priority.
- You want to feel more prepared for the impact the transaction will have on your business and family.

Team building: Why an integrated approach works

Business owners benefit and receive better advice for these pivotal moments with an integrated approach instead of advisors working in silos. When advisors don't have a coordinated approach, their guidance might not consider all the relevant information needed to provide the best outcomes for the owner's business as well as wealth management. The uncoordinated approach might provide excellent ideas for each specialist's area of expertise while not considering the business owner's needs for holistic solutions.

If advisors on the business and wealth teams take an integrated approach marked by a frequent, free

flow of information accounting for all aspects of your business and wealth needs, you'll have a better chance of executing satisfying pivotal moments.

The siloed approach is more common, says the Center for Family Legacy's David Herritt, but the integrated philosophy can unlock more fulfilling solutions. For example, Truist in recent years worked with the founders of a manufacturing company who also owned and occupied distribution facilities. They were considering retirement but were conflicted: They wanted to create multigenerational wealth for their children, but their children weren't interested in taking over the company.



You can come up with better, more proactive solutions as an integrated team than you can when everyone is working in silos.

"Finding a solution for the founders showed the power of a caring, coordinated team working as an integrated unit," says Kelvin Stroupe of the Wealth Business Advisors segment. "By listening to their goals and dreams, the Truist team provided an entire range of suitable transition possibilities instead of only the most common or popular ones."

After weighing all the possibilities, the owners decided to sell the business to a strategic buyer while caring for and rewarding key employees. To meet their goal of creating multigenerational wealth, they gifted shares of a real estate holding company to the children, which generates passive income from the distribution facilities.



Your strategic advisory partners



Get to know some of the financial and industry experts who can help your business grow. Scan the QR code.

An integrated approach, from the inside

In Truist's case, the relationship manager for the business owner begins by listening to the owner's business needs as well as their personal aspirations and hopes for their family and people they care about. Then they can surround their client with the people needed to provide the right guidance for their situation.

"Once we lay the groundwork through candid conversations, our team of advisors across Wealth, Corporate & Commercial Banking, and Corporate & Institutional Group proactively brings tailored solutions and opportunities for every stage of their business lifecycle."

Scott Cathcart
Head of corporate finance at Truist Bank

That involves studying the client's business and industry, identifying potential pivotal moments, and assisting with or executing those transactions.

"There is never a day that we aren't talking about pivotal moments or transitions with clients," Cathcart says. After learning the client's needs and goals, Truist implements its Integrated Relationship Management approach and identifies the required people, teams, and resources. This could include, for example:

- M&A teams
- Commercial real estate advisors
- Industry-focused investment banking teams to provide industry insights
- A wealth team to address the complex needs of the owners and their families
- Advisors to provide help for creating the best capital structure to meet the business's strategic goals

Truist also considers what the business owner's personal needs are for pivotal moments. This could include bringing in advisors from the Truist Leadership Institute to consult on how to lead through change and help prepare employees for change.

For Truist, a key for the integrated approach is to share information quickly. A common expression is, "If you learn something new, share it."

Case study

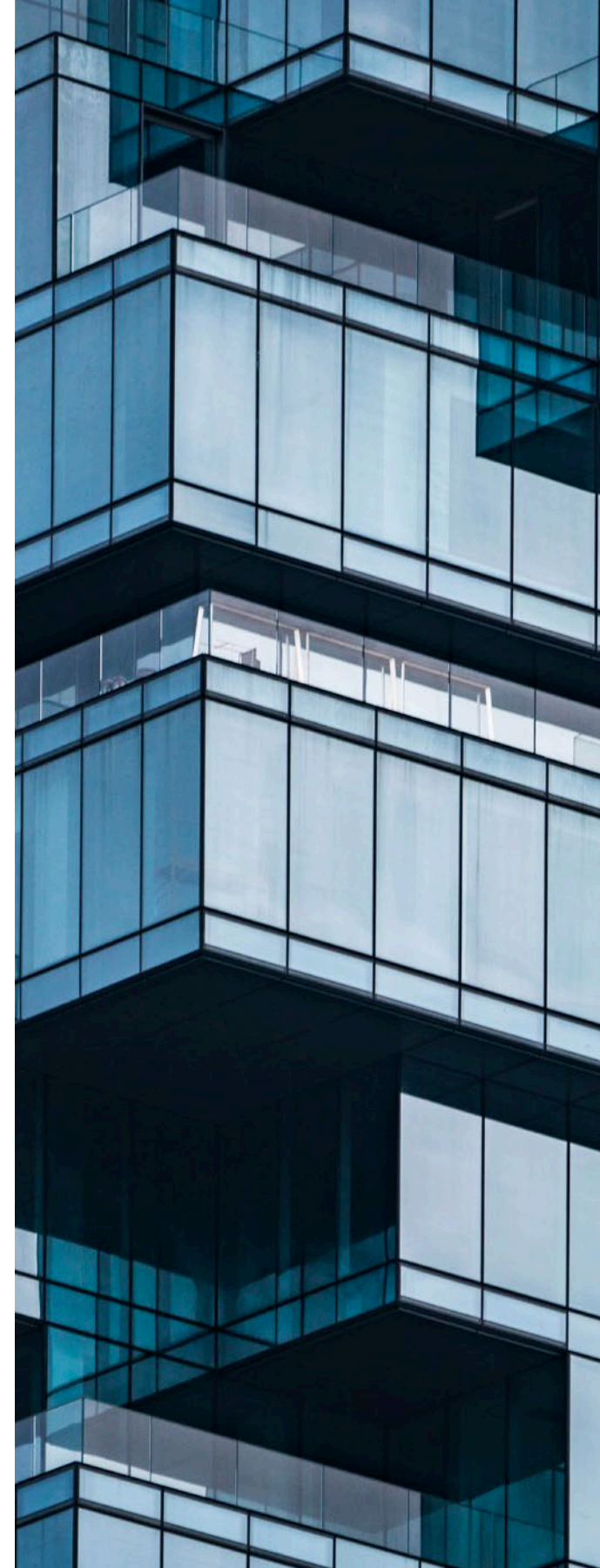
Getting the right team in place

Truist recently helped a family business expand by encouraging them to explore "the art of the possible." The relationship began with a business advisor who had been working with family members who operated one of the family's companies.

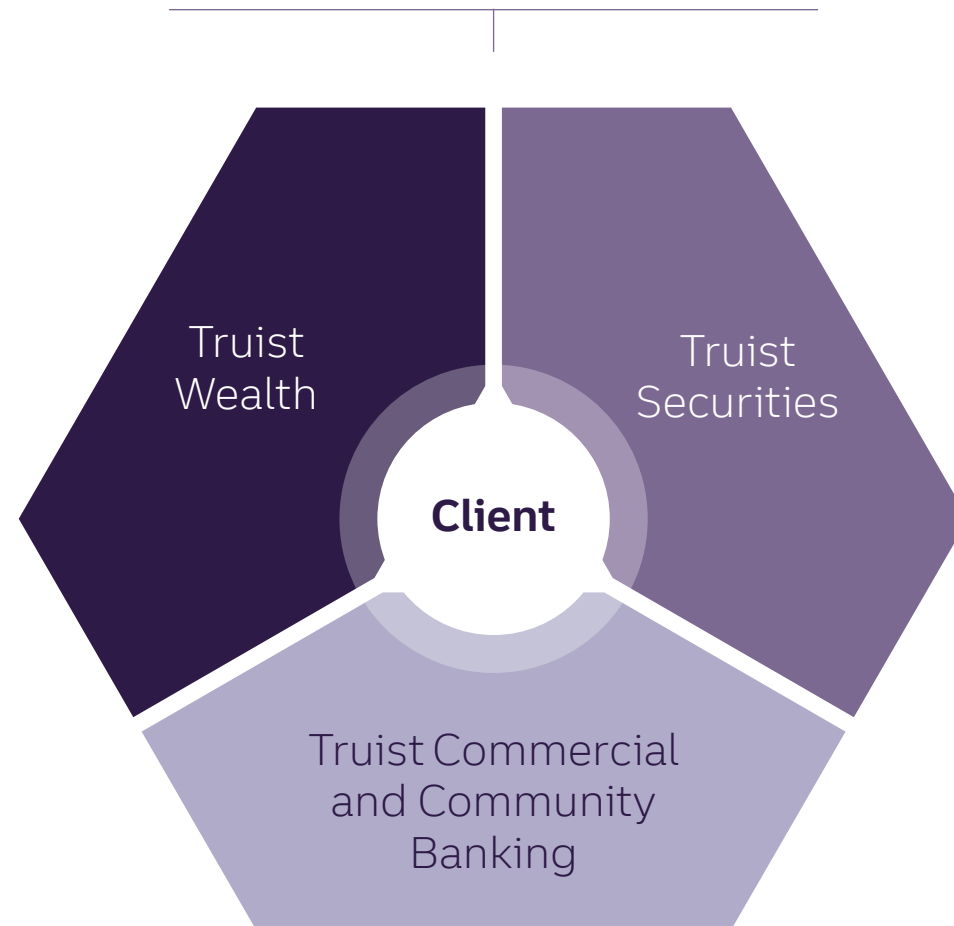
The family wanted to grow one of its companies. Over several years, before the family even decided to expand this business, Truist had been providing various insights and financial modeling exercises for that company. The modeling included fictional acquisitions.

Later, when another company proposed selling some of their operations, the Truist team input the specifics of that transaction into the modeling exercise. That provided the family with the confidence to move ahead with the deal. Truist then helped bring the buyer and the seller together.

To provide better ideas for clients, Truist advisors listen to their business needs and learn about their aspirations for family and others. This client previously worked with a large bank but didn't believe the bank was asking the types of in-depth questions that led to an extensive understanding of the family's needs.



Integrated advice empowers the business owner



When helping you navigate a pivotal moment, Truist's Wealth, Securities, and Commercial and Community Banking centers collaborate to provide you with options that account for both your business and personal needs.

An integrated approach focused on life after the pivotal moment helps you make confident, clear decisions to help you achieve your aspirations and sustain wealth across generations.

Case study

Meeting a CEO's wealth and business priorities

The CEO of an industrial concern in the Southeast recently discovered what an advisory team with an integrated approach can do: give him the tools to expand his business and meet wealth objectives. The CEO's longtime Truist commercial banker helped make it possible by taking the time to listen and understand his client's aspirations and surround him with the right team.

"His banker said, 'Your kids are heading off to college. Do you know what you and your wife want to do?'" says Roger Wilson, a senior vice president in the Corporate Finance group at Truist Bank. Following this discussion, the banker brought in a team of Truist Transition Advisory partners to discuss ways to grow the business, which represented the majority of the CEO's net worth. During the initial series of conversations and thorough vetting of options, the CEO decided to sell the majority of his business ownership.

Despite a challenging market environment, Truist Securities was able to identify the ideal private equity partner to meet the CEO's goals and objectives. The private equity firm became the new majority owner. Over 18 months, the Truist team members collaborated to deliver every necessary area of the bank—from investment banking to wealth management and corporate finance. And the Truist Transition Advisory team worked closely together throughout the CEO's journey.

Proving to be the perfect match, the CEO and private equity firm brought expertise and capital together with a common goal to grow the business. Truist supports their growth goals with debt capital to support acquisition opportunities. Meanwhile, the Wealth team is working closely with the CEO and his family to meet their wealth objectives.

As Wilson says, "This client engagement is a great example of Truist coming together, bringing in the broad range of our bank to meet the needs of our clients. This was the CEO's most pivotal life moment. Our Transition Advisory team made sure we were in lockstep with him every step of the way."

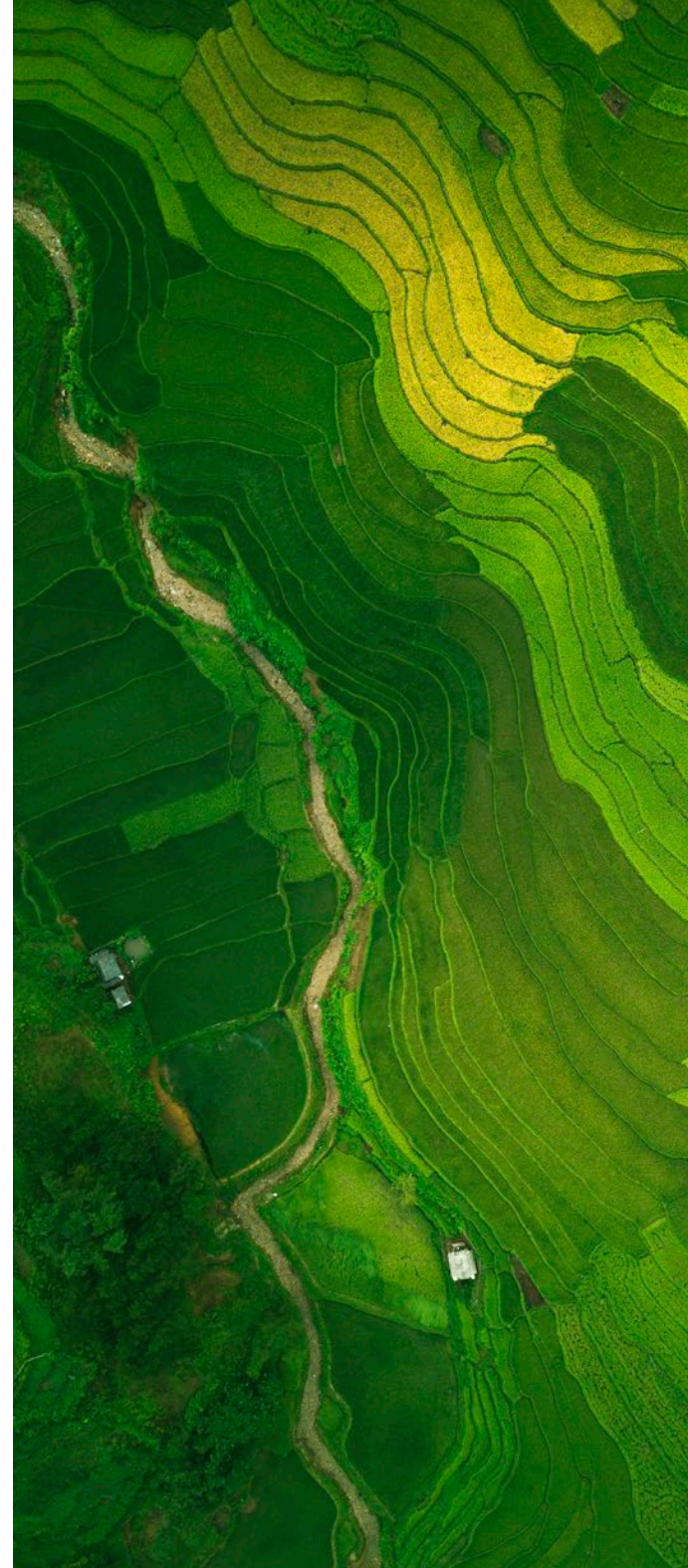


The right team for those pivotal moments

Your specific needs for an advisory group depend on your business and your family. Some small companies have thoughtful, detailed plans for growth and share ideas with other local business owners, Calfo says. On the other hand, some larger companies in a flat-growth stage have less-detailed plans but a strong board of directors.



Whatever your needs are, prepare for these important events by having an advisory team in place that can help you make any transitions for your business and your family.



Major transactions: Planning, execution, and transition

Your advisory team can provide the framework and walk you through the following steps to help you make a successful transition when pivotal moments for your business occur.

Ready to discuss pivotal moments?

Contact your Truist relationship manager or wealth advisor for more information. To find a Truist wealth advisor, go to [Truist.com/wealth](https://www.truist.com/wealth) and select "Find an advisor."

Before



1. Work with advisors to develop a transition plan and family legacy plan.
2. Consult with your advisory team to evaluate any strategic alternatives and impact.
3. Integrate the personal and business sides of preparation for the transition.
4. Evaluate and work through obstacles.

During



1. Make sure the wealth plan aligns with the transition plan as well as the transaction itself to provide the outcome you want.
2. Coordinate advisors to help ensure that your wealth planning aligns with your personal aspirations.
3. Remain engaged during the execution of the pivotal moment to make sure there aren't changes that depart from your expectations.

After



1. Develop a proper structure for family education and how the family will jointly make decisions.
2. Explore any philanthropic goals and charitable structures to make sure they align with your purpose.
3. Create a plan to protect, preserve, and grow your family's wealth. This includes investment management as well as insurance solutions and other risk-management structures.

Truist professionals who contributed to this Truist Purple Paper

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Visit us online

[Truist.com/wealth](https://truist.com/wealth)

Further reading from Truist

["The most overlooked considerations in business transitions"](#)

["Look beyond the transaction"](#)

"I've Been Meaning To Do That" Episode 9

[In this episode of the Truist Wealth podcast, co-Chief Investment Officer Oscarlyn Elder talks to Lee McCrary \(Strategic Client Group\) and David Herritt \(Center for Family Legacy\) about how you can prepare for pivotal moments that will affect you and your family.](#)

Sources

1 ["Preparing for Major Business Transition," National Center for the Middle Market, 2020.](#)

2 ["Owner Transitions in the Middle Market: When Business Gets Personal: A Business Owner's Perspective on Selling a Middle Market Company," National Center for the Middle Market, 2022.](#)

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