

Testimony of Scott Snider
President, Exit Planning Institute

Succession Planning: Opportunities to Build Wealth and Keep Jobs in Local Communities

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Thank you, Chairwoman Shaheen, Ranking Member Ernst, and all members of this committee. It is an incredible honor to be here with you today.

My name is Scott Snider, and I am the President and co-owner of the Exit Planning Institute—an Ohio-based, privately-held family business that supports professional advisors who help business owners successfully transition their companies. We provide advisors with a professional network, regional and national conferences, continued education courses, and—most notably—a credential, CERTIFIED EXIT PLANNING ADVISOR “(CEPA)”. We began in 2005 and today serve over 5,000 Certified Exit Planning Advisors and another 10,000 professionals throughout the world.

As this committee well knows, there are over 30 *million* small businesses in the U.S. that employ nearly 62% of Americans. For these business owners, nearly 90% of their wealth is trapped inside of their largest asset: their company. Wealth that will be critical for them to move into the next phase of their lives. Even more, wealth that has a deep impact on social and economic elements that make up our country today.

According to the most recent National State of Owner Readiness Survey, this wealth is projected to total nearly \$18 *trillion*—with \$14 trillion alone coming to market in the next 10 years as 73% of owners report they want to exit from their companies within that timeframe.

Historically, there’s been a low success rate of privately-held company transitions—an indication that business owners are ill-prepared for their eventual exit. According to the same research, 60% of owners do not understand their exit options... 80% do not have a formal exit strategy... and 50% of owners have no plan at all.

Worse yet—70% of the companies put on the market do not sell... and 50% of the exits will be involuntary due to external elements that force a business owner to sell or close.

These statistics remind me of a story from a fellow owner. A business owned by three sisters in Pennsylvania. One of them—in tears—came up to me after an exit planning event and shared she was trying to figure out what to do next in her life. One of her sisters had passed quickly after a cancer diagnosis. She’d been the visionary and heartbeat of the company. And without her, the remaining two could not operate the business and closed their doors only *two months* after their sister’s passing. Sadly, they became owners who fell to the involuntary exit. Preventable by appropriate planning.

To understand the problem, we must understand the mindset of the business owner. As owners, we are trained to grow a successful company—one with great employees and customers... meaningful products and services.... and a strong balance sheet and profit. But when we go to transition our companies, we are slapped in the face with a harsh and unexpected reality.

Though we may be successful, we did not build anything of *significance*. All our intellectual capital is locked within us. Never transferred to anyone else or any one thing.

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What is a significant company? It's one aligned to the owner's business, personal, and financial goals. It's ready and attractive with an owner who is well prepared. Most importantly, a significant company is highly valuable and transferrable at any time.

Being in the unique position of both teaching the path to significant companies but also living it daily as a business owner myself, I see three key opportunities for us to better support those who will transition their companies:

- 1) First, educational programming that brings exit strategy into the present. Incorporating it early and often makes a company stronger at point of transition. And makes a better company today. This is something we have done with SCORE and the Small Business Development Centers of America.
- 2) Secondly, we need greater access to coaching and services. 78% of owners have not formed a transition advisory team that embraces the three elements for significance: business, personal, and financial.
- 3) Lastly, data and research. Policymakers need to better understand succession planning gaps that impact small businesses sales, transitions, and closures.

These simple actions, I believe, help to change the owner's mindset, keep small businesses active in our local communities, and put us on a pathway that positively impacts our economy.

An important conversation given the number owners indicating they want to exit within the next five to ten years.

Thank you for the privilege and honor of sharing my testimony with you today. I am happy to answer questions as I can.