



TEL EPISODE #021:

Walk Away Wealthy with Mark Tepper

Show Notes: <http://www.theelpodcast.com/tel-021-walk-away-wealthy-mark-tepper/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thank you for joining us on The EL. Today we have Mark Tepper, author of *Walk Away Wealthy*. Welcome, Mark, and thank you for joining us on The Entrepreneurs Library.

MARK: Thanks for having me, Wade.

WADE: Yeah, absolutely. Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

MARK: Yeah. I own a wealth management firm, Strategic Wealth Partners. We are based out of Cleveland, Ohio. Our focus is on working with entrepreneurs in taking care of their wealth management needs, which consists of both managing their liquid investments but also their illiquid investment, which is their business.

I'm married. I have three kids; they are 7, almost 5, and almost 3, so I've got my hands full. And we're very excited to have LeBron back here in Cleveland. So that's the basic gist of who I am.

WADE: I just wrote down that you were from Cleveland; I was going to ask you that at the end, so that's funny that you brought that up.

MARK: (laughs) Very excited, very excited.

WADE: Excellent. Thank you for sharing that. Now let's jump right into your book, *Walk Away Wealthy*, which was just made available for purchase on July 1st,



2014. Mark, we're going to go pretty quick through these questions. These are ones that listeners and readers have brought back to us.

The first one that we're going to start off with is what was the inspiration behind writing Walk Away Wealthy?

MARK: The majority of my clients are entrepreneurs, and obviously I'm an entrepreneur myself as well as the owner of Strategic Wealth Partners, and entrepreneurs tend to have very unique wealth management situations. The biggest difference between an entrepreneur and somebody who's accumulated their wealth working for another company as an employee is really the value of their business.

Entrepreneurs need to focus on building and growing both their liquid investments, which would be IRAs, 401(k)s, brokerage accounts, but also their illiquid wealth, which is their business. Growing that is just as important, if not more. What we found is that on average, about 80% of an entrepreneur's net worth is tied up in his or her illiquid business. Additionally, most entrepreneurs are only going to sell that business one time. They're only going to sell one business in their entire lifetime, and that is going to be the most significant financial event of their lives. So they really can't afford to screw it up.

We really wanted to put together a book here that looked at both sides of the wealth management equation, both liquid and illiquid investments. And I know my competitors out there, the other wealth management firms that exist, they really just focus on the liquid investments. They want to manage your IRA, your 401(k), stuff like that. But I think they're really missing the ball. Working with entrepreneurs, I wanted to make sure that the entrepreneurs understand that they need to focus just as much time, if not more, on growing and eventually monetizing that value of their business.

WADE: Okay, great. You might've touched on this just a little bit already, but what makes this book different from others regarding the same topic?

MARK: I don't know that there's anything that's exactly the same. There's a lot of books out there on investments – how to pick the best stocks or mutual funds, or there's strategies out there such as how you can become your own bank and things of that sort. And those are all great books, and they can help you if you want to build your own portfolio or if you want to figure out creative ways to accumulate wealth.

But this is a book that is specific to building wealth for entrepreneurs. It's going to focus on both the liquid and the illiquid investments, and I guess the way I feel is as an entrepreneur, this is really the only book you ever need to read on wealth management because it covers both sides of the equation.

WADE: Okay, great. Before we take the deep dive into your book, there's one question I'd like to ask you, and that's how do you recommend the reader actually engage with your book? Some authors actually want you to read it from beginning to end; others want you to use it more as a textbook or a resource. So how would you recommend the listener/reader engage with your book?

MARK: I would recommend reading it from beginning to end. It's broken up into three different sections: building value, both with your liquid investments and illiquid investments; monetizing that value, or eventually extracting the value from your business; and then preserving the value after your exit. So it's kind of chronologically set up to be read from beginning to end.

But the one additional piece I'll add is that there's a self-assessment that our readers can do, and I talk about it in the introduction. I know a lot of readers – I'm guilty of this as well: if I pick up a book, I'm typically going to start at Chapter 1. But there is an introduction chapter that comes before Chapter 1 which mentions one of the tools on our website. It's a free tool for readers to go to.

It's called the Sellability Score, and what it does is essentially it'll take the reader about 10 to 15 minutes to answer maybe 20 questions or so, and it will give them immediately an assessment and a score as to how sellable or saleable their business is. So they can go into reading the book knowing, "Hey, you know what? My business isn't where it needs to be as far as the sellability goes, so I really

need to focus on these specific areas of the book.” That’ll draw their attention to some chapters more than others, but read it all the way through and don’t skip the introduction.

WADE: I don’t want to skip that, because that sounds like a really valuable resource. That resource is on – one, it’s in the introduction, but it’s also on the website?

MARK: Yeah, www.swpconnect.com – which, again, is mentioned in the book. But it’s right on our home page there. You can click on the link and it’ll take you right to the analysis, and you’ll get your report and score instantaneously. It’s a pretty cool tool.

WADE: Great. We’ll also put a link to that in our show notes so the listeners and readers can actually jump on there and get right to it. Okay, excellent.

Very good, now that we know the background behind the book, let’s do what I always say is my favorite part. Let’s take a deep dive into your creation. You spent a good chunk of time writing this; now let’s go in depth.

MARK: Gotcha. Again, there’s three main sections in the book: Building Value, Monetizing Value, Preserving Value. Essentially we’ve got 12 different secrets – 12 secrets that you need to know if you really want to have the most financially successful life as an entrepreneur.

Secret #1 is create your exit plan before you need it. Really what that chapter talks about is there’s this misconception out there that you don’t need to focus on your exit plan until you’re ready to sell. I think that’s a complete and total misconception. Really the fact is, you should begin working on your exit plan the day you start your company. Even if you’re a startup, you need to start focusing on “How am I eventually going to get out of this business?”

Really the only reason you should be going into a business is hopefully to one day sell it at as substantial profit. So what we talk about in that chapter is really why you need to begin with the end in mind and start your planning immediately.

Planning is a process, not a singular event in time; you get the planning started and you continue to revisit over time.

Secret #2 is knowing the value of your business. One of the biggest issues I've seen in all the business owner clients that we have – and I also belong to Entrepreneurs Organization, or EO, so there's about 10,000 entrepreneurs in that network across the world – one of the biggest issues that entrepreneurs have is they're emotionally attached to their businesses. It's their baby. They grew it. Because of that, they overvalue their company. Almost every business owner that we ever talk to thinks his or her company is worth more than it really is.

So in “Know the Value of Your Business,” that's what we really talk about. How are valuations calculated, and how can you go about determining your valuation without paying an arm and a leg? There are CPA firms out there that will charge ten to twenty grand for certified valuations. You don't need to do that. All an entrepreneur really needs to do is figure out how much they could sell their business for on the open market, and we provide the information and the tools in that chapter so that they can figure out what their business is worth.

Secret #3 is value is about more than cash flow. Yes, earnings are important, but there's really two parts of the valuation equation: it is earnings times a multiple, and the multiple is going to be determined based on how risky a company is in the eyes of the acquirer. The more risky the company appears to be, the lower the multiple; therefore, the company is not worth as much. The less risky it is, the higher the multiple.

What that chapter focuses on is how can we increase the multiple? We already know that if you make more money, if the company's making more money, if earnings are higher, that the company's worth more. But how can we focus on the other side of the equation, the multiple? What can we do to drive the multiple higher? What are the value drivers we can implement in our business, whether it be hiring a better management team, making sure our facility is clean – what can we do to increase the value of our business on the multiple side of the equation? And that's what that chapter talks about.

#4 is make yourself expendable, and it's kind of an E-Myth-ish chapter in that it really talks about how to remove yourself from the operations of the business – taking yourself from working in the business to working on the business, which boosts your valuation. Because no buyer ever wants to buy him or herself a job. They're looking to purchase an investment, something that's going to generate a rate of return without any sweat equity kind of work. So you need to build a business that's sustainable, that can stand on its own, and we talk about how to do that.

We then hop into the Monetizing Value section of the book. The first secret there is selling is your best exit option. If you are looking for the best financial reward, the best way you can go about doing that is by selling to a third party. That is how you're going to get the best financial payday. So we talk about how complicated that process can be, but we also try to explain it so that there's no curveballs if and when you do decide to go through that process.

The next secret in that section is if you can't or won't sell, consider an internal transfer. An internal transfer would be possibly selling to your family members, your key employees, your management team. Unfortunately, if you decide to go that path, you're not going to get the same financial payday. You're going to get less money. Sometimes you may not even get any money, because you may decide to gift the business to your children.

We're going to tell you how to go about doing that in the most efficient manner possible – how to take advantage of tax strategies. For some people, it's not about the money, Wade. For some people, maybe they're already financially independent. Maybe they've done a good job saving money in their investment accounts on the side, and maybe for them it's about preserving their legacy or about taking care of their children or whatever it may be. So that chapter focuses on transferring to internal parties.

The next secret in that section is never sell your business yourself. Again, some business owners are always focused on low cost, low cost, low cost, and if they hear that they're going to pay an investment banker a sizable commission –



typically a six figure plus commission – they’re concerned that maybe they could’ve put that \$100,000, \$200,000 bucks in their pocket instead.

In our experience, a good investment banker, they’re worth their weight in gold. They’re typically able to get you significantly more money than what their commission costs you. What we do in that section is we talk about how complicated the process can be, how you can screw it up if you try to do it alone, and we map out exactly how investment bankers get paid so that you understand how to negotiate and make sure that you’re getting a fair fee structure from them when you do decide to engage them.

Then the next secret in that section is there’s more to a good deal than a sale price. If somebody tells you they’re going to buy your business for \$10 million bucks, okay, that’s great – \$10 million bucks might be enough for you to go and retire in Maui – but how are you getting that \$10 million bucks? What are the terms of the deal? What if you’re only getting a million upfront and the other 9 million is contingent upon certain sales goals being hit? And what if those sales goals are never hit? So you thought you were getting \$10 million, but you only end up with \$1 million.

This chapter is really all about what are the other terms of the deal that you need to pay close attention to? How long are you going to be required to stay on after the sale? Are you able to get out of there in 12 months, or are you going to be required to stay on for 5 years? And probably more importantly, how are you going to feel if you have to stay on for 5 years? You’ve owned the company your entire life; now all of a sudden, you’re an employee of somebody else for the next 5 years. That’s tough for a lot of people to swallow. So in that chapter, we’re going to talk about all the other terms of the deal that entrepreneurs need to focus on.

Last section of the book is Preserving Value. The first secret there is have a financial advisor create your personal financial plan. What we really focus on is do it now. Don’t wait until after the sale; do it now and update it every year. Again, I’ve already said this, but planning is a process. It’s an ongoing process. It’s not a singular event in time.

Some people make the mistake of waiting to do their financial plan until after the business is sold because that's when they know how much money they're going to have. If you do it that way, you're going to miss out on a ton of planning opportunities along the way – potential tax savings, there's a ton of things you can do prior to the sale that you might miss out on. So that's what we talk about there.

The next secret is plan for the unexpected. Really, that just boils down to make sure you're covered if any of the Ds happen: death, disability, divorce, dissolution of a partnership. If any of those Ds happen, what happens to the business? Does the business survive after you? Does the business go to your spouse? What if you have a partner and your spouse passes away? Do you want to be in business with their spouse? It really talks about how to make sure that you're covered if any of those unexpected events occur.

Secret after that is don't bet your retirement on starting another successful business. As entrepreneurs, we love adrenaline. We crave it. The problem there is after a successful exit, some entrepreneurs are going to have an ego, and they may think that if they've had one successful exit, they can very easily experience another successful exit. They have this "lightning strikes twice" kind of mentality.

What we've seen is we've seen people have very successful exits, reinvest a significant portion of that liquidity event into another venture, and we've seen that second venture go belly up. It's very common that that second venture is nowhere near as successful as the first. So we talk about the proper ways of managing that liquidity event to protect you from starting another business, losing all your money, and then having to go and find a job. Because that puts you in a pretty awful situation.

And then the last secret – and it could potentially even be the first secret of the book, because it's extremely important – find something to fill the void after your liquidity event. Right now, while you're working, you're used to getting 100, 200, 300 emails a day. You're busy, nonstop all day long. When you sell your business, you're going to start getting 1 email a day. That's a big adjustment for a lot of

people, going from 100 emails a day down to 1. You're going to have to email yourself to make sure your email system's still working.

So it's a huge adjustment, it's very difficult, and what we've seen is that people who are the most happy in that afterlife, after they exit their business, they're the people who have identified what it is they're really passionate about prior to them selling the business, and then they pursue those passions thereafter. So that chapter really gets you to start brainstorming on what is it that you're passionate about, and what are you going to do to fill the time after you sell the business?

That's kind of a summary of the book there, Wade.

WADE: Excellent. Mark, sounds like your book is chock-full of information, and that's what makes this next question that much more difficult. Basically, if the reader and listener could only take one thing, one concept, action item, or principle out of your entire book, what would you personally want that to be?

MARK: Said it two or three times already, but planning is a process, not an event. The longer you wait to get started, the less money you're ultimately going to get for your business. Some of these strategies take 10 years to implement. So begin now, begin with the end in mind, even if you're a startup.

Again, the only reason you would ever want to get into a business is to grow it and one day sell it for a really high dollar amount. So begin your financial plan and your exit plan as soon as possible, and continue to revise it along the way.

WADE: Mark, is there a quote from your book – and I might change this question up just a little bit to make it more understandable, but is there either a quote that you love from your book or that maybe even your readers so far, something that you might see trending on social media and that kind of stuff, is there a quote that you love from your book or that your audience has shown to love?

MARK: I don't know about a specific quote or sentence, but there's one term that I refer to which I think summarizes the purpose of the book, and that term is "irreversible financial mistake." Most people sell their business one time, and if

you build a good team of people around you, they've likely sold dozens to hundreds of businesses. They're going to help you to avoid screwing up the biggest financial event of your lifetime.

Knowledge is power. Knowing in advance what the investment banking process looks like, knowing about what kind of value drivers you need to implement to sell for the highest amount possible, all of those things are going to help you to avoid making an irreversible financial mistake. Because once you sell your business, you can't give the money back and start growing it again. It's a done deal; it's time for you to move on. So I would say "irreversible financial mistake."

WADE: Okay, great. Mark, is there another book that you would recommend – and this doesn't have to be on financial planning; this is just is there a book that you've read that created a paradigm shift for you or had a huge impact in your life that you could recommend to our listeners?

MARK: Definitely. The E-Myth. A lot of what we do in Entrepreneurs Organization is we're getting together – I get together with seven other business owners every month, and we all focus on helping each other grow our businesses.

The E-Myth concept of working on your business rather than in your business, that's really what it's all about. If you're just working in your business, you have a job. If you want to build a valuable investment for yourself, if you want to build a valuable business that can one day be sold, you need to remove yourself from working in the business and start to focus on working on the business.

So I think The E-Myth is a terrific book. It's a must-read for every entrepreneur. You have to read it, whether you're a startup or you've been in business for 20 years. It'll just reinforce the fact that your time is best spent working on the business.

WADE: Okay, great. Mark, that was the last question we had for you, but I'd like to give our listeners an opportunity to be able to reach out to you. So before we depart, can you recommend the best way for our listeners to: one, get more information on you; two, on your book, Walk Away Wealthy; and then three,



obviously our listener base is entrepreneurs that love to read, so if a lot of this information resonates with them and they're in a position where they pick up your book and realize that they need some help, I guess three is how would they do that? How would they utilize your services?

MARK: The best way is go to our website. It's www.swpconnect.com for Strategic Wealth Partners. You go to the website, you can email me, you can call me. We've got offices in Cleveland, Chicago, Newport Beach, California. I'm typically in the Cleveland office. I spend 85%, 90% of my time here. So shoot me an email, give me a call, and I'll do everything I can to give you some pointers.

The book's available either through our website or you can go to Amazon. You can get the hardcover copy or you can get a Kindle edition. So it's pretty easy to get the book, again, whether you do it through our site or Amazon.

WADE: Okay, perfect. Mark, thank you so much for coming on. We really appreciate your time.

MARK: Hey, no problem. Take care, Wade. Thanks for having me.

WADE: Take care. Thanks again for listening in today. If you would like to get your hands on *Walk Away Wealthy* or any of the other resources mentioned by Mark, just look at the show notes at TheELPodcast.com.

Looking for your next book idea? Head over to TheELPodcast.com, where Wade shares his amazing resource, "The Top 10 Business Books Recommended by Over 500 Entrepreneurs," with you for free. That's TheELPodcast.com. Till the next time, keep it on the EL.

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