The Business Owner’s Exit Roadmap

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“Most business owners spend years building a business but very little time preparing for life after the transaction.”

The Business Owner's Exit Roadmap

Tax planning begins years before a transaction, not when a Letter of Intent is signed.

Purpose of Transition Planning

- Help owners:
  - Maximize business valuation
  - Plan for liquidity events
  - Understand tax implications
  - Align personal and business goals and reduce risk
  - Time the market and prepare internally for a deal
  - Avoid common post-sale regrets
  - Create a meaningful next chapter
  - Coordinate tax, estate, investment, and family planning decisions
  - Create opportunities to improve after-tax proceeds through early planning

Owner Planning Opportunities Through Lifecycle & Transition Phases

The Owner

Early Stage — Transition Point — Growth & Accumulation Stage — Transition Point — Secure Buyer & Transfer Stage

Planning Categories

- Financial Planning
- Investment Advisory
- Personal Risk Management
- Charitable Intent
- Personal Tax Planning
- Estate Planning
- Legacy Planning

Early Stage

- Foundational Personal planning which becomes more complex as wealth increases
- Integrated & personal plan
- Basic personal protection
- Early family & protection
- Donation of cash
- Basic tax compliance
- Simple wills & beneficiary

Growth & Accumulation Stage

- Increasing sophistication, integration with business needs & objectives
- Coordination with business & wealth risk
- Coordinated giving personal & business
- Coordination with business transition
- Integrated personal & business tax planning
- Business transition tax planning
- Coordination of business succession & estate planning

Secure Buyer & Transfer Stage

- Transition to lifestyle planning maintenance & wealth transfer integration
- Focus on lifestyle, legacy & charity
- Protection of family wealth
- Coordination of legacy & estate
- Advanced estate planning
- Family & community legacy & implementation

Stages of Business Transition

MARKETPLACE REVIEW

Analyze the market landscape to inform decision-making

FORM YOUR TEAM OF ADVISORS

Choose subject matter experts who will help guide you on your journey, including a:

- Financial Advisor
- CPA
- Business Attorney
- Estate Planning Attorney
- Insurance Agent
- Transition Consultant

BUSINESS PREPARATION

- "Most companies begin preparing one to two years in advance of a transition*
- 98% of companies that adequately prepare for transition are highly satisfied with the results
- Among less prepared firms, just 33% report high satisfaction with the transition"

VALUATION

Obtain a fair valuation

PERSONAL FINANCE PREP

Ensure that you prepare your own personal finances in partnership with you team of advisors

FAMILY PREP

Align family members and prepare:

- Roles & Succession
- Financial Planning & Cash Projections
- Wealth Transfer Activities
- Restructuring

IDENTIFY BUYERS

Identify potential buyers or investors

TRANSACTION

Create the contractual agreement which marks the completion of the deal.

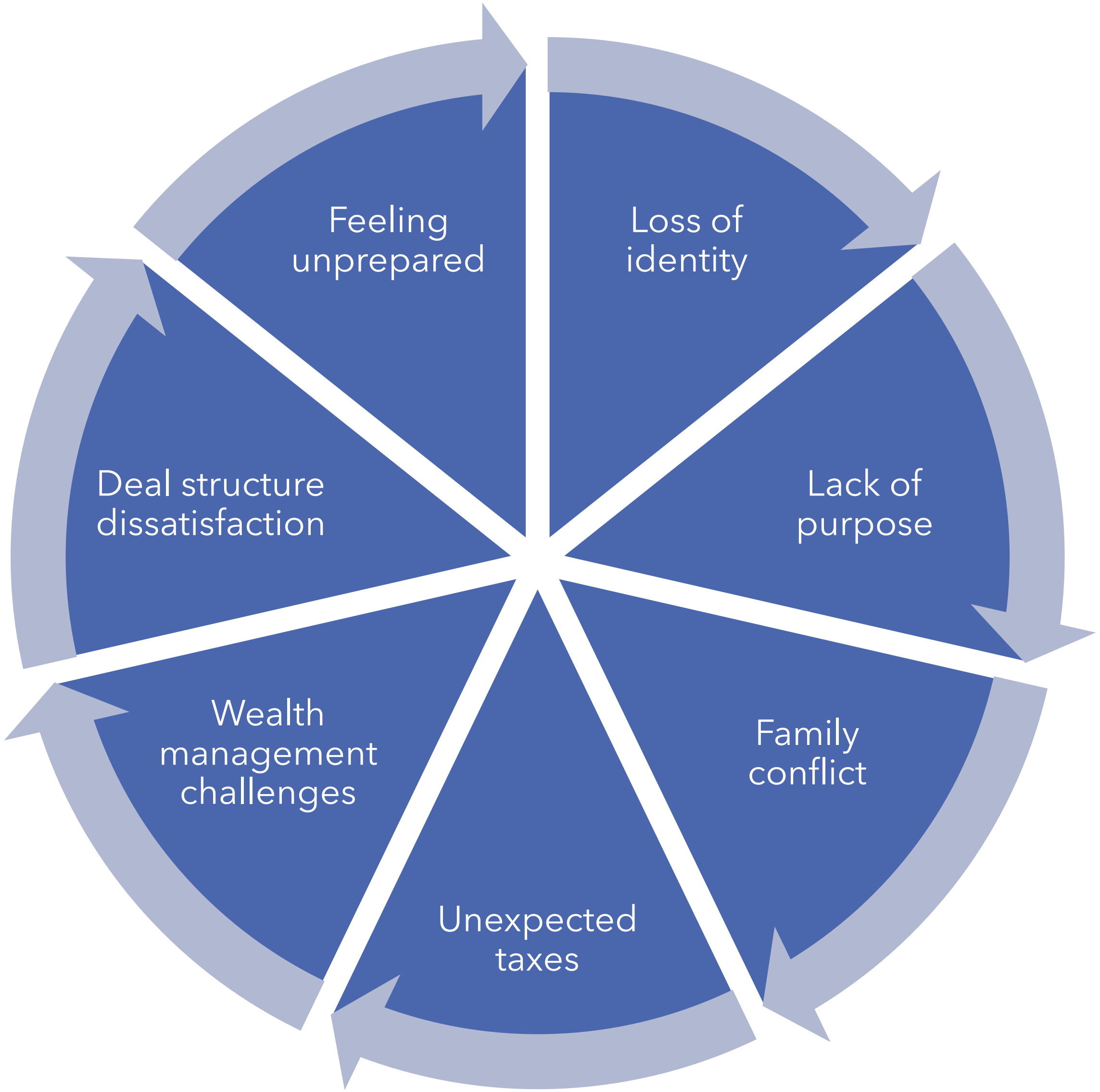
*Source: https://www.middlemarketcenter.org/Media/Documents/preparing-for-major-business-transition-in-middle-market-companies.pdf

The Reality Most Owners Face

- Up to 75% of business owners profoundly regret selling within the first year after exit
- Approximately 80-90% of owners have most of their wealth tied up in their business
- Most owners have no written transition plan
- Many underestimate how long preparation takes

Source: The Exit Planning Institute

Why So Many Owners Regret Selling



"The transaction is an event. The transition is a process."

A Successful Exit Has Three Dimensions

Business Readiness

Will someone pay maximum value?

Personal Readiness

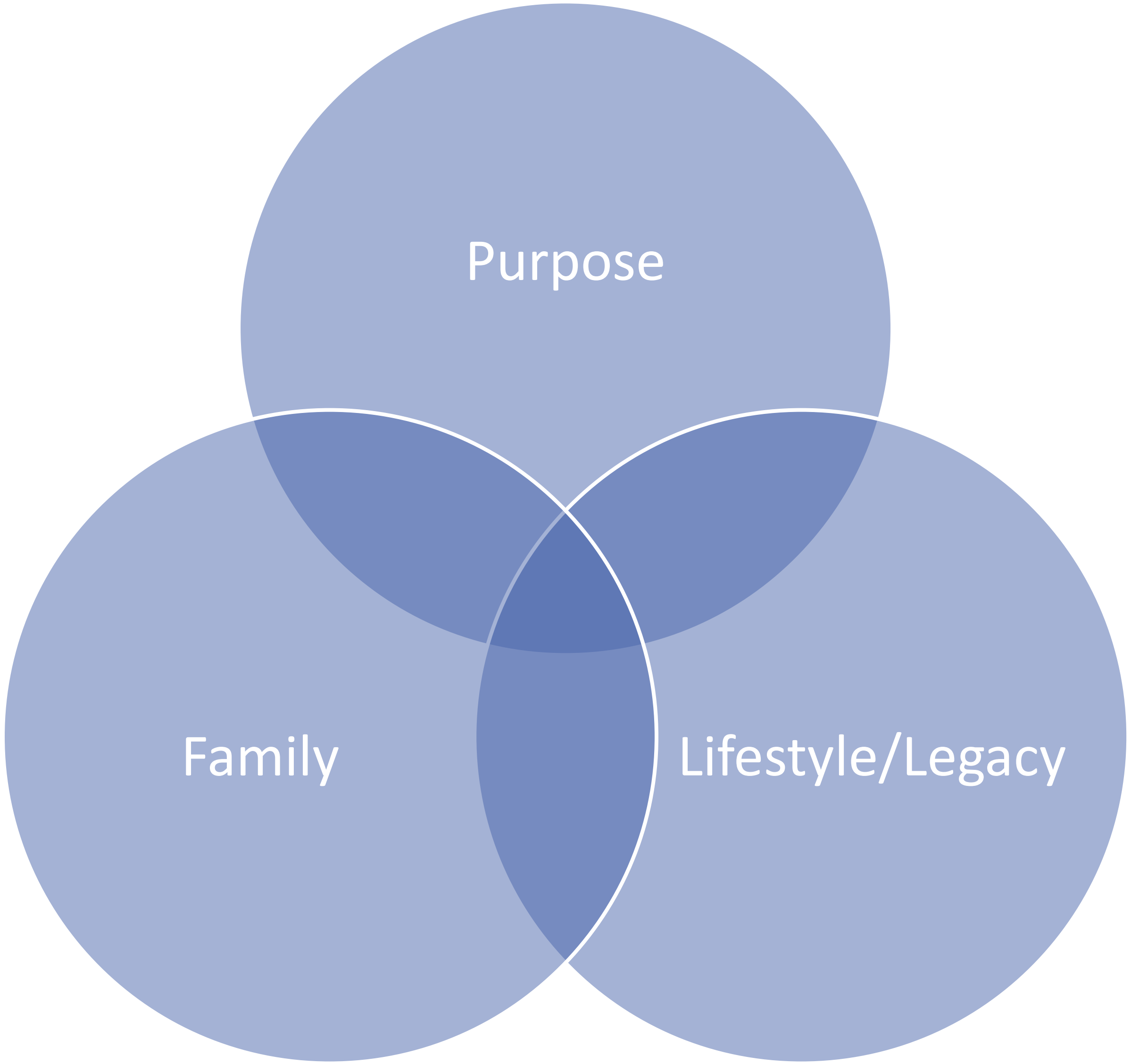
What happens to me afterward?

Financial Readiness

Can my wealth support my goals?

Build Your Personal Exit Plan

- **Ask Yourself:**
  - "What are your retiring to?" vs. "What are you retiring from?"
- **Begin Tax Modeling**
  - Compare stock vs. asset sale scenarios
  - Understand capital gains vs. ordinary income
  - Review depreciation recapture
  - Begin purchase price allocation planning
  - Coordinate with estate and retirement planning



Sometime Before Exit: Build an Attractive Business

Questions:

- Is the business dependent on you?
- Is revenue diversified?
- Are key employees retained?
- Are systems documented?
- Is management scalable?

Reduce owner dependency – Buyers purchase transferable businesses

Tax Foundation

- Review entity structure
- Review ownership structure
- Evaluate succession and gifting opportunities
- Identify potential tax cleanup items
- Position the business for a future transaction

Case Study 1: The Cost of Waiting

Two Owners: Same Business Yet Very Different Outcomes

Owner A	Owner B
Waited until letter of intent to assemble advisors	Began planning 3-5 years before sale
No tax strategy	Coordinated CPA, attorney and wealth advisor
No charitable or gifting planning	Used gifting, tax planning & investment strategies before closing
Business sold for $20M • Taxes • Transaction costs • Estate taxes • Net proceeds	Business sold for $20M • Taxes (reduced) • Strategic planning • More wealth transferred • Higher net family wealth
Higher taxes and few planning options	Greater after-tax wealth and more flexibility

The goal isn't simply maximizing the sale price, it's maximizing what your family ultimately keeps.

Preparing for Transaction Due Diligence

- Clean financial records
- Organize tax documentation
- Review owner compensation
- Evaluate related-party transactions
- Address state and local tax issues
- Consider timing of major purchases and expenses

The Identity Challenge

"Many owners don't realize they're selling their role, their routine, their relationships, and their purpose – not just their company."

Case Study 2: Family Readiness

Fair Doesn't Always Mean "Equal"

- John owns a manufacturing company worth $18 million
- He has three children
  - Sarah works in the business and will become CEO
  - Michael is a physician with no interest in the company
  - Emily lives out of state and has another career
- **John's concern:** "If Sarah receives the business, how do I treat my other children fairly?"
- **Planning team recommendations** might include:
  - Gradual gifting of business interests
  - Life insurance for non-business heirs
  - Trust planning
  - Investment portfolio earmarked for other children
  - Clear governance documents
  - Family meetings to communicate expectations
- **Outcome:**
  - Business remains intact
  - Sarah can continue operating the company
  - Other children receive equivalent value
  - Family conflict is significantly reduced

Equal isn't always equitable. Successful transitions balance family relationships with business continuity.

Diversify Your Wealth Before You Exit

Before Planning

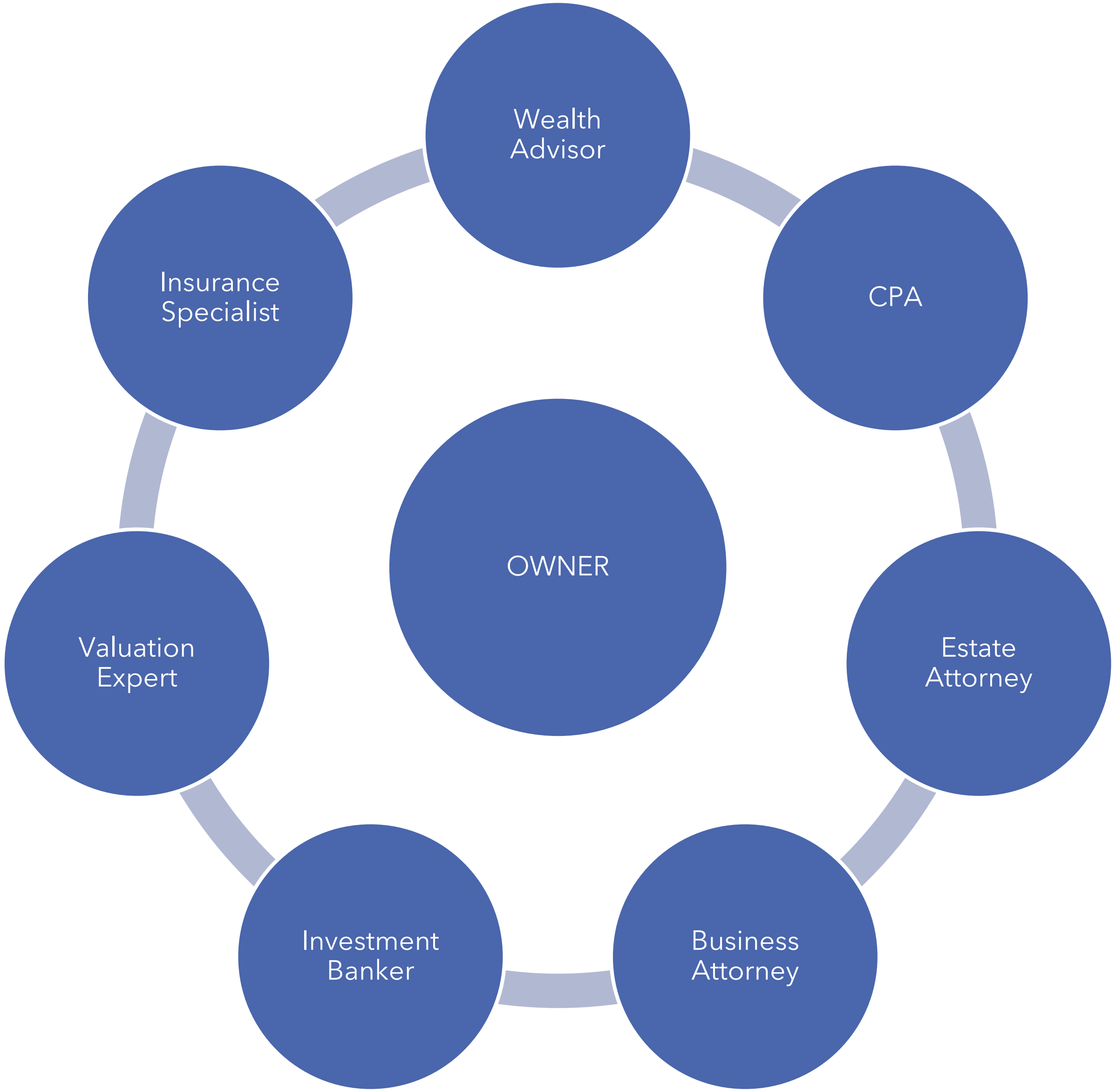
- Business: 90%
- Other Investments: 10%

After Planning

- Business: 50-70%
- Diversified Investment Portfolio
- Cash Reserves
- Retirement Assets
- Other Investments

The goal isn't to reduce your commitment to your business, it's to reduce your financial dependence on it.

Build Your Exit Team



"No single advisor can coordinate a successful exit alone."

Stress Test Your Future

RETIREMENT SPENDING

INVESTMENT INCOME

MARKET VOLATILITY

HEALTHCARE COSTS

INFLATION

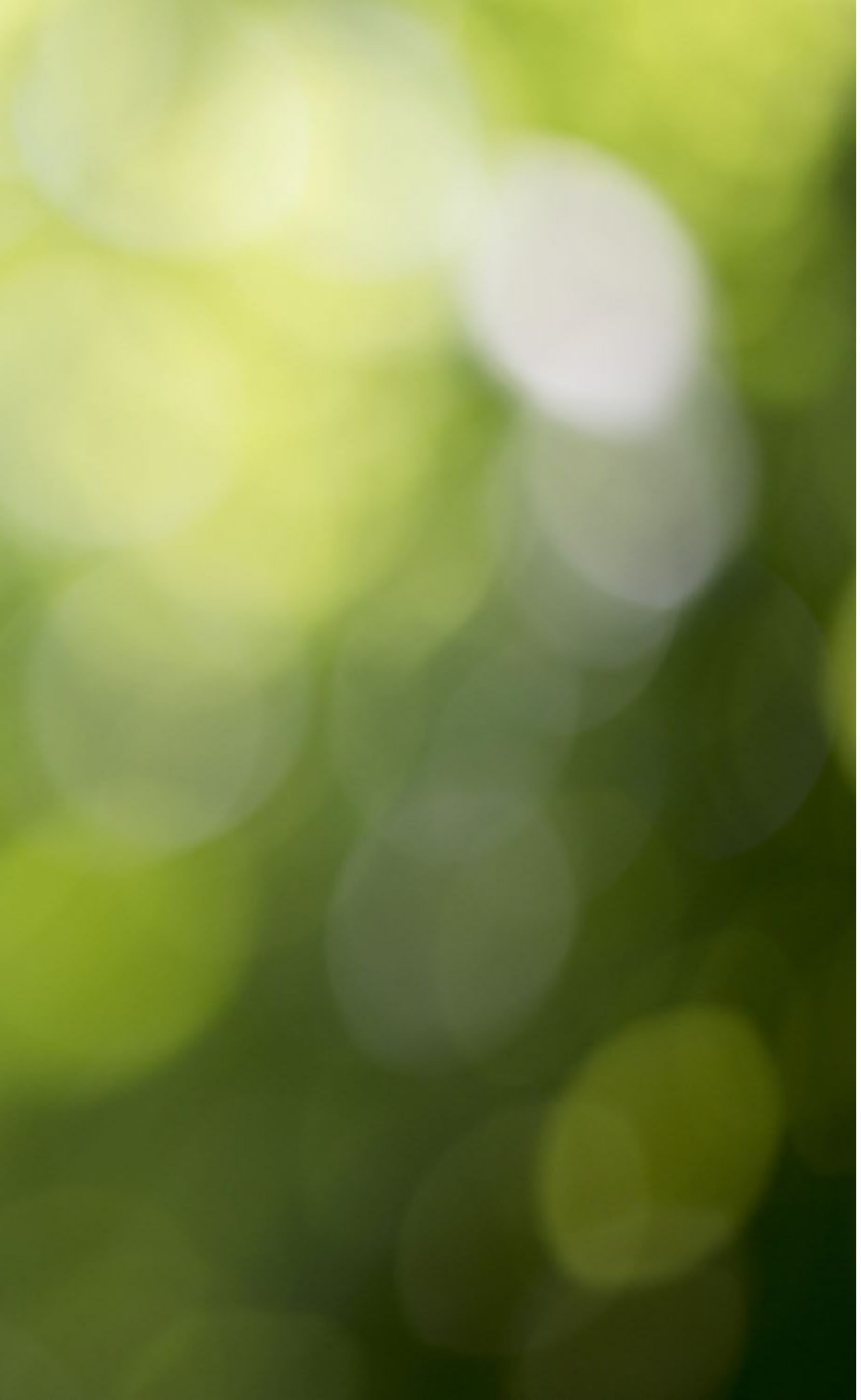
LEGACY GOALS

Estate Planning Review

- Wills
- Trusts
- Gifting strategies
- Beneficiary designations
- Liquidity planning

Build Your Next Chapter

Family	Health	Purpose	Community
Philanthropy	Business Interests	Learning	Travel



Key Takeaways

The sale price is only part of the outcome.

- After-tax proceeds determine what you ultimately keep.

Planning earlier creates more options.

- The most valuable strategies require years, not months, to implement.

Your advisors should work together.

- Tax, legal, business, estate, and wealth planning should be coordinated throughout the process.

Understand the deal before negotiations begin.

- Different transaction structures can produce dramatically different tax outcomes.

The most successful business exits are intentional, coordinated, and planned well before the transaction begins.

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