The Business Owner Exit Planning Playbook

A comprehensive guide for owners planning their next chapter — maximizing value, minimizing tax, and securing lasting wealth.

EXECUTIVE GUIDE

What's Inside

Your Exit. Your Legacy.

Most business owners have 80–90% of their net worth tied up in one illiquid asset. This playbook helps you change that — strategically.

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Why Exits Fail

The common pitfalls and how to avoid them

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Structuring the deal to keep more of what you earned

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Exit Readiness

A practical checklist to get you there

CHAPTER 1

Why Exits Fail

Fewer than 20% of businesses listed for sale actually close. Understanding why is the first step toward a successful transition.

The Six Fatal Flaws

Most failed exits share a predictable set of root causes — all of which are avoidable with early planning.

Starting Too Late

Owners wait until burnout or health forces the issue, leaving no time to optimize value.

Owner Dependency

Buyers discount heavily when the business cannot operate without its founder.

Incomplete Records

Unaudited financials and missing contracts erode buyer confidence and valuation.

Unrealistic Pricing

Emotional attachment inflates owner expectations beyond what the market will support.

Wrong Buyer Fit

Misaligned values or capabilities between buyer and business lead to deal collapse.

No Tax Planning

Failing to structure the transaction early can cost owners millions in avoidable taxes.

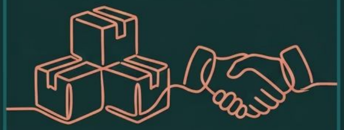
CHAPTER 2

Tax Implications of a Sale

How you structure your exit may matter more than the headline price. Strategic tax planning can save owners 20–40% of their proceeds.

Structure Determines Your After-Tax Return

Asset Sale

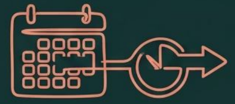


- Ordinary income tax (to 37%). Buyer-friendly.

Stock Sale

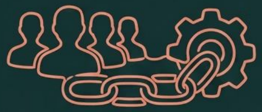
- Capital gains rates (15-20%). Seller-friendly.

Installment Sale



- Deferred tax over time. Income spread out.

ESOP



- Potential tax deferral. Employee ownership.

Key Considerations

The difference between an asset sale and a stock sale alone can represent millions of dollars in after-tax proceeds on a mid-market transaction.

Qualified Small Business Stock

Section 1202 may allow significant capital gains exclusion for eligible C-Corp shareholders.

Opportunity Zone Reinvestment

Deferring gains through Qualified Opportunity Fund investments can significantly extend tax timelines.

Pre-Sale Tax Strategies That Work

1. 5–7 Years Out

Convert to C-Corp if QSBS eligible. Begin gifting strategies and establish family entities.

2. 3–5 Years Out

Restructure compensation, retire excess assets, and initiate charitable giving vehicles like a CRT or DAF.

3. 1–2 Years Out

Review deal structure options, accelerate deductions, and engage M&A tax counsel early.

4. At Close

Allocate purchase price strategically. Execute installment sale provisions if applicable.

⚠ Tax laws change frequently. Work with a qualified transaction tax advisor — not a generalist CPA — when planning your exit.

CHAPTER 3

Income Replacement Planning

When the business stops writing your paycheck, your portfolio must take over. Most owners underestimate what that requires.

Building Your Post-Exit Income Engine

The Core Question

If your business generates $500K in annual income today, you need a portfolio large enough to replace it — sustainably, and after taxes.

Using a conservative 4% withdrawal rate, a $500K annual need requires a **$12.5M liquid investment portfolio** at exit.

Many owners are surprised to discover their business sale proceeds alone won't fund their lifestyle. Pre-exit planning closes that gap.

Income Sources to Consider

- Investment portfolio distributions
- Seller financing / earnout payments
- Real estate rental income
- Deferred compensation payouts
- Social Security optimization
- Consulting retainer agreements
- Annuity and pension income

CHAPTER 4

Wealth Transfer Considerations

A successful exit is not just about what you receive — it's about how much you preserve and what you pass on to the people and causes that matter most.

The Wealth Transfer Toolkit

Irrevocable Trusts

GRATs, SLATs, and IDGTs can remove future appreciation from your taxable estate while retaining economic benefits.

Family Limited Partnerships

FLPs allow you to transfer business interests to heirs at valuation discounts of 20–40%, reducing gift and estate taxes.

Charitable Structures

Donor-Advised Funds and Charitable Remainder Trusts provide income, tax deductions, and a lasting philanthropic legacy.

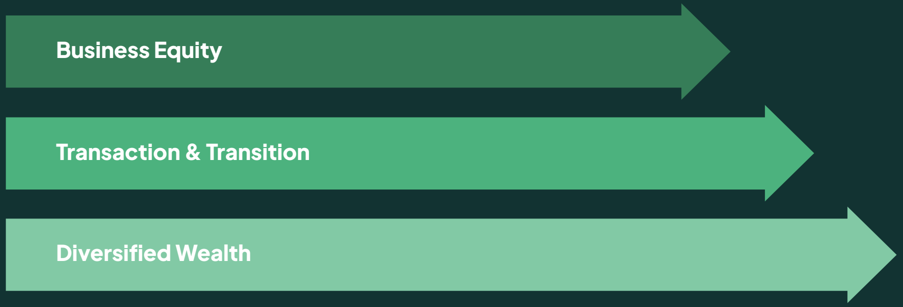
The federal estate tax exemption is currently $13.6M per person — but it's scheduled to sunset in 2026, potentially halving. Act now while the window is open.

CHAPTER 5

Liquidity Planning

Turning decades of business equity into deployable, diversified, personal wealth requires a deliberate strategy — not a single transaction.

From Illiquid to Investable



Most owners move from near-total concentration in one asset to a diversified, professionally managed wealth portfolio — often for the first time in their lives.

Liquidity Risks to Manage

Concentration Risk

Holding too long post-close exposes you to earnout and seller note default risk.

Deployment Timing

Investing a lump sum poorly can devastate returns. Dollar-cost averaging over 12–24 months reduces sequence risk.

Emergency Reserves

Maintain 12–24 months of living expenses in cash equivalents before committing to illiquid strategies.

CHAPTER 6

Exit Readiness Checklist

Use this framework to assess where you stand today — and where focus is needed most.

Business Readiness

- [ ] Financial statements audited for 3+ years
- [ ] Management team can operate without the owner
- [ ] Customer concentration below 20% per client
- [ ] Recurring revenue streams documented
- [ ] All contracts, IP, and leases properly assigned
- [ ] Clean cap table and corporate records

Personal Readiness

- [ ] Post-exit income needs quantified
- [ ] Tax structure reviewed by M&A specialist
- [ ] Estate plan reviewed and updated
- [ ] Liquidity and investment plan in place
- [ ] Life goals and identity post-exit defined
- [ ] Family aligned on transition timeline

Case Studies

What Success Actually Looks Like

Manufacturing — $18M Exit

Owner began planning 4 years early. Restructured to C-Corp, utilized QSBS exclusion, and reduced federal tax by $3.2M. Sold to strategic buyer at 6.8x EBITDA — 40% above initial estimate.

Professional Services — $9M ESOP

Founder sold 100% to an ESOP, deferring capital gains entirely via Section 1042 rollover. Retained a consulting role for 3 years, preserving income and culture alignment.

SaaS Startup — $42M Strategic Sale

Early Qualified Opportunity Zone investment deferred $8M in gains. Charitable Remainder Trust funded philanthropic goals while generating lifetime income for the founder's family.

Your Next Step Starts Here

Every successful exit begins with an honest assessment of where you stand today. Our Exit Readiness Assessment is a confidential, no-obligation process designed to surface the gaps — and the opportunities — in your current plan.

What You'll Receive

- Custom business valuation range
- Tax exposure analysis
- Liquidity gap assessment
- Prioritized action roadmap

Request Your Exit Readiness Assessment
Schedule your complimentary consultation with a senior exit planning advisor today.

Book a Strategy Call