SELLING A BUSINESS

Positioning One of Your Most Important Financial Decisions

FOR MANY BUSINESS OWNERS, the company represents far more than an asset. It reflects years – often decades – of disciplined effort, and in many cases, a significant portion of overall net worth. Because of that, transitioning a business is not simply a transaction. It is one of the most meaningful financial events an owner will experience – one that impacts long-term security, lifestyle, family dynamics, and what comes next.

What goes underappreciated is how difficult successful outcomes can be without preparation.

- Only 20-30% of businesses that go to market ultimately sell[1]
- Nearly half of business owners expect to exit within the next 5-10 years[2]
  **Most have not taken the steps to do so successfully*

At the same time, the opportunity is substantial:

- Over the next decade, an estimated 6 million businesses are expected to transition ownership – representing nearly $5 Trillion in value[3]

The gap between expectation and outcome is rarely about the market – it is about preparation.

Only 1 in 4 businesses that go to market successfully sell[1]
Preparation – not timing – is often the difference.

HAVE YOU THOUGHT ABOUT...?

Before a transition becomes urgent, it is worth stepping back and considering:

- How much of your personal net worth is tied to the business
- What a realistic after-tax outcome looks like – not just the headline value
- Whether the business could operate effectively without you
- How a transition would impact employes, clients, and key relationships
- What your time, identity, and priorities look like after the business

These are not just technical considerations – they shape the outcome in very real ways.

PERSPECTIVE & MARKET REALITY

Before focusing on valuation or buyers, it is important to define what a successful outcome actually looks like.

This includes:

- The role the business plays in your overall financial life
- The level of liquidity required to support future goals
- Whether your preference is a full transition or continued involvement
- How structure and taxes will ultimately impact what you keep

At the same time, it is important to understand the broader environment.

Small businesses account for 99.9% of all US Firms[4], yet many are highly dependent on the owner – one of the most common reasons transactions do not occur or fall short of expectations.

Additionally,

- Businesses that are less dependent on the owner tend to command higher valuations and attract more buyers
- Buyers place increasing emphasis on cash flow quality and operational independence, not just growth

A business that is transferrable is a business that is valuable.

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VALUATION, STRUCTURE, & WHAT DRIVES OUTCOMES

As a transition becomes more real, the focus shifts from ownership to positioning.

Buyers are not simply acquiring revenue – they are evaluating:

- The sustainability and consistency of earnings
- How dependent the business is on the owner
- The clarity of operations, systems, and financials
- The level of risk embedded in the business

Well-positioned businesses tend to demonstrate:

- Financial consistency and transparency
- Defined processes that are transferable
- Limited reliance on any single individual
- Clear documentation across ownership, contracts, and obligations

This directly influences how the business is valued.

Business value is not static, nor is it purely formula driven. IT is shaped by earnings quality, growth potential, industry demand, and perceived risk. Different buyers may arrive at different conclusions.

Equally important is how a transaction is structured. In practice, outcomes are often shaped by:

- Whether the deal is structured as an asset or equity sale
- The after-tax result – not headline valuation
- Working capital requirements at closing
- Earnouts or deferred payments
- Personal guarantees or contingent liabilities

A strong transaction is defined not just by price – but by what remains after structure is fully understood.

UNDERSTANDING YOUR TRANSITION OPTIONS

Most business owners ultimately move in one of three directions: **internal transition, partial liquidity,** or **full exit.**

An internal transition – whether to family or key employees – can provide continuity and control, but requires careful evaluation of readiness, leadership capability, and long-term alignment.

Benefits:	**Considerations:**
Greater Control over timing and structure	Successor readiness and capability
Preservation of relationships and culture	Family or internal dynamics
Alignment with estate and long-term family planning	Financial structure of the transition

Partial liquidity allows an owner to reduce concentration while remaining involved. It can introduce new resources and flexibility, but also brings shared decision-making and additional complexity.

Benefits:	**Considerations:**
Immediate access to capital	Shared decision-making and governance
Reduced concentration risk	Alignment with new partners
Ability to participate in full growth	Increased complexity in structure

A full exit offers the clearest path to liquidity and independence, thought the outcome depends heavily on structure, tax treatment, and timing.

Benefits:	**Considerations:**
Liquidity and financial independence	Tax impact and deal structure
Ability to diversify wealth	Post-sale involvement (if any)
Clear transition into the next phase	Legacy, employees, and continuity

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ASK YOURSELF

- If I stepped away today, could the business operate without me?
- Do I know what I would realistically net after taxes and fees?
- Am I optimizing for price, certainty, timing – or a combination?
- What role, if any, do I want after the transition?
- What outcome would make me feel confident about the next phase of life?
- If an opportunity arose tomorrow, would I be ready?

These answers often shape both timing and structure, but timing itself, is often misunderstood. It is less about market cycles and more about readiness.

Owners who plan in advance are better positioned to:

- **Evaluate** opportunities without pressure
- **Strengthen** the business ahead of scrutiny
- **Negotiate** from a position of clarity and control

Waiting until a transition becomes necessary can significantly narrow available options.

CLOSELY HELD & FAMILY BUSINESS CONSIDERATIONS

Closely held and family-owned businesses represent the foundation of the U.S. economy, but long-term transitions remain challenging.

Approximately 30% of family-owned businesses transition successfully to the second generation, and only about 12% continue to the third generation[5]. At the same time, fewer than one-third of business owners have a formal succession plan in place[5].

These outcomes are not driven by a lack of opportunity – they are driven by a lack of preparation and structure. For many owners, this is where the most important work begins:

- Defining what continuity actually means
- Aligning family, leadership, and ownership expectations
- Structuring a plan that is realistic – not assumed

A successful transition is not inherited – it is designed.

FINAL PERSPECTIVE

A business sale is one of the most significant financial events an owner will experience. It represents:

- The conversion of concentrated value into liquidity
- A transition from ownership to optionality
- A shift into the next phase of life

When approached thoughtfully, it can create clarity, flexibility, and long-term financial stability.

The objective is not simply to complete a transaction, it is to transition in a way that reflects the full value of what has been built – and positions you for what comes next.

SOURCES

1. *Exit Planning Institute – BizBuySell Insight Reports*
2. *Exit Planning Institute – Owner Exit Planning Date*
3. *U.S. Small Business Administration – Office of Advocacy*
4. *McKinsey & Company – The Great Ownership Transfer*
5. *Family Business Institute*
6. *U.S. Bank – Small Business Owner Insights*

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