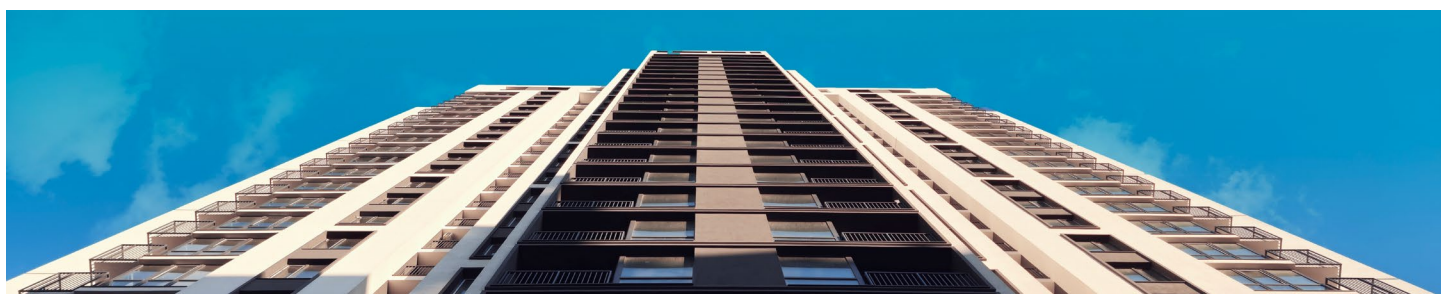


# Pre-sale exit planning:

## Strategies to align your objectives leading up to a business sale

As a business owner, a lot depends on you. The demands of running a successful company—combined with your commitment to customers, employees, business partners and vendors—can make it difficult to focus on planning for your own financial future. Still, taking time to think beyond day-to-day operations can be a key to long-term success. If you're not planning in advance for your business sale, you may limit your ability to evaluate potential planning opportunities.



You've worked hard to build lasting value in your business—smart planning can help position your business interests to benefit you and your family long after you step away.

### Before you sell your business

The decisions you make in the years leading up to your business sale can greatly impact your retirement and legacy. Thoughtful preparation well in advance may help position you to keep more of what you've earned. Early planning may also give you greater control—over your timing, your tax exposure and your transition—so you can move into retirement on your own terms.

To achieve a successful exit, it's important to ensure you're giving equal attention to your personal financial planning, your business objectives and your long-term goals. We refer to these components as “three legs of the stool” because each works together to support your financial security. A successful exit depends on you taking

steps to help ensure you're financially prepared, to maximize the transferrable value of your business and to implement a plan for “what comes next” after your exit.

The following strategies can help.

### 1. Determine your wealth gap

As a business owner, your personal financial planning process should start with calculating your “wealth gap.” A wealth gap refers to the difference between your wealth goal (the amount you will need to fund your lifestyle after exiting your business) and your current net worth (excluding the value of your business).

Understanding your wealth gap is critical because it tells you how much you will need to net from the sale of your business to achieve financial independence. Many business owners often need to increase the value of their business to close this wealth gap, as their personal savings alone is generally not enough.

The first step in closing your wealth gap is to ensure your personal financial plan aligns with your business valuation. Your financial plan will define your wealth goals, while your business valuation can offer insight into how much your company must grow before you can exit and achieve your wealth goals.

Once you understand your wealth gap, you can establish a strategy to help address it, which may include focusing on increasing your company's value, improving profitability and establishing an exit strategy that funds your post-business life.

## 2. Establish an exit planning team

If you're like many business owners, you likely devote nearly all of your efforts to running your company, which may leave little time to navigate the complexities of your personal financial life. While understandable, this lack of planning can hinder your long-term exit planning success. Keep in mind that you only have one chance to sell your business; it's important to approach the process thoughtfully.

Engaging a team of experienced exit planning professionals may help you navigate the transition process.

- **Wealth advisor** – A wealth advisor who has experience helping clients navigate the complexities of a business sale can serve as your team's "quarterback," working to help ensure all strategies implemented on your behalf are in line with your long-term financial goals. A qualified wealth advisor can help navigate the complexities of financial and estate planning, coordinate your team of professionals and help create an integrated exit plan that aligns your business, personal and financial goals.
- **Tax professional** – Having the right tax planning strategies in place can significantly improve your ability to close your wealth gap, which is why it's important to seek the guidance of an experienced tax professional. A qualified accountant can help evaluate tax-efficient options for structuring your sale, assist with compliance considerations and help identify strategies aimed at managing personal and business tax exposure.
- **Estate planning attorney** – An estate planning attorney can help implement planning strategies to help facilitate the smooth transition of your biggest asset, while helping you preserve the value of your financial legacy for future generations.

## 3. Implement pre-sale estate planning strategies

Planning your business sale with an eye toward your financial legacy is critical to your family's long-term financial success. Pre-business-sale estate planning may help minimize your tax liabilities and streamline the transfer of wealth to the next generation. Proactive estate planning that begins before your business sale can also help prevent conflicts and misunderstandings later in the process.

## 4. Strive for tax-diversified savings

A tax-diversified retirement savings strategy provides flexibility to optimize the tax-efficiency of your retirement income stream. It's wise to save in a variety of accounts, including:

- **Taxable accounts** – Assets held within taxable accounts, such as brokerage accounts, are funded with after-tax dollars and generally can be withdrawn at any time, though specific investments may have liquidity or trading restrictions. Taxable accounts offer withdrawal flexibility, especially for early retirees. However, the assets are generally continuously taxed as capital gains or dividends, creating an ongoing tax drag. You can seek to minimize your tax exposure by holding tax-efficient investments such as municipal bonds, index funds and exchange-traded funds (ETFs).
- **Tax-deferred accounts** – Contributions to tax-deferred accounts—such as SEP IRAs, SIMPLE IRAs, 401(k)s, traditional IRAs and 457(b)s—are made with pre-tax dollars and reduce your taxable income during the year contributions are made. Earnings grow tax-deferred within the account; however, withdrawals are taxed as ordinary income, and these assets are subject to required minimum distributions (RMDs) in retirement. Your financial advisor can explore if a cash balance plan is right for you. A cash balance plan is a type of defined benefit plan that credits participants based on a set formula and may allow higher retirement contributions than traditional defined contribution plans. These plans also carry important considerations, including required employer funding, annual actuarial testing and specific administrative and compliance obligations. Because contributions and benefits depend on plan assumptions and regulatory requirements, outcomes can vary.



- **Tax-exempt accounts** – Contributions to tax-exempt accounts, such as Roth IRAs and Roth 401(k)s, are made with after-tax dollars. Qualified withdrawals in retirement are tax-exempt, and these accounts are not subject to RMDs. It's important to note that non-qualified withdrawals may be subject to taxes or penalties. Another downside is that contributions do not reduce your taxable income in the current year, and higher-income earners may be phased out of eligibility. Your wealth advisor can help you evaluate whether a Roth strategy, including potential conversions, aligns with your long-term goals.

### Tailored strategies for business owners

Running a business while planning for your financial future requires coordination across your personal, financial and business objectives. At Mariner, we deliver personalized, comprehensive strategies to help business owners manage both their business and personal wealth. Our advisors can work with you to provide integrated solutions by helping you evaluate strategies intended to support your business value, address tax considerations prior to a sale and develop an income plan for retirement.

For more information visit: [mariner.com](https://mariner.com)

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