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Pre-sale exit planning:

The importance of estate planning before your business sale

For most business owners, selling a company is the largest financial event of their lifetime. Yet too often, estate and tax planning happen *after* the sale—when the best opportunities to protect and preserve a business owner's wealth are already gone. Pre-sale estate planning may help you capture value, minimize estate tax liabilities and ensure your legacy passes as intended.

The benefits of pre-sale estate planning

Pre-sale estate planning allows you to turn a one-time liquidity event into a multigenerational wealth transfer strategy. Without a pre-sale plan in place, estate taxes may erode a large portion of your life's work, depending on your individual circumstances. However, the right pre-sale plan may help preserve your wealth while enabling you to define your legacy on your own terms.

Pre-sale state planning may allow you to:

- Lock in lower valuations for gifting: Before a sale, the business is typically valued on current earnings, not the higher sale price a buyer may pay. Gifting or transferring ownership interests now may allow you to move future appreciation out of your estate at a discount.
- Reduce or avoid estate taxes: The federal gift tax exemption ($13.99 million per person in 2025, $15 million in 2026) provides an opportunity to shift assets out of your taxable estate before a sale inflates your net worth.
  - An intentionally defective grantor trust (IDGT) freezes asset values while future growth occurs outside your estate.
  - A spousal lifetime access trust (SLAT) may help move appreciation out of the estate while maintaining indirect access through your spouse.
- Align with family and legacy goals: Pre-sale planning helps you integrate your liquidity event with your broader objectives of philanthropy, family support and/or succession.
  - A dynasty trust (also known as a generation-skipping trust) can help preserve your wealth for future generations.
  - A charitable remainder trust (CRT) generally allow you to defer capital gains and receive an income stream, as well as a charitable deduction.

- A donor-advised fund (DAF) generally allows you to donate shares before the sale for an immediate deduction and ongoing giving flexibility.

- Review entity and ownership structures: The structure of your business can greatly impact your estate planning strategies.
  - Consider recapitalizing ownership (voting vs. non-voting shares) as a way to support gifting while retaining control.
  - Coordinate with M&A advisors and estate planners so deal terms align with your tax and family objectives.
  - Ensure your business structure supports long-term estate and gift planning goals.

Pre-sale estate planning tips

The following tips can help you prepare your estate plan for your business sale:

1. Articulate your goals

Identifying your goals should be the first step in estate planning for your business sale. Your goals should guide all of your decisions, which is why it's important to define them early on.

Take time to consider your personal, family, financial, professional and legacy objectives. This may include how much capital you'll need to fund your post-sale lifestyle, what support you wish to give to loved ones and charitable causes, how much you hope to leave as a financial legacy, etc.

Your wealth advisor can offer tips and considerations to help with the goal-setting process. There are a number pre-sale strategies that can help you align your objectives prior to a business sale.

2. Gather documents, financial statements and valuations

The next step is to conduct a thorough inventory of your business assets by gathering documents related to ownership structures, intellectual property, valuations, inventory, assets and debts, etc. It's also important to conduct a business valuation, which can help you understand your company's worth and identify opportunities to increase its value prior to the sale.

3. Implement gifting strategies

The best time to establish strategies for gifting assets to your loved ones is before you sign a letter of intent (LOI) with your buyer. That's because assets can be valued at a lower rate for gift tax purposes. As mentioned above, IDGs and SLATs can be effective gifting strategies to shift assets outside of your taxable estate.

4. Make a plan for charitable giving

If your goals include supporting charitable causes that matter to you, you may be able to maximize your impact by donating appreciated business stock, rather than cash. Doing so generally allows you to avoid paying capital gains tax on the sale of stock. And, because charitable organizations are tax exempt, the charity can sell the stock and receive its full market value to support its operations.

5. Update your estate planning documents

It's important to review and update your estate planning documents to ensure they continue to meet your post-sale needs. Carefully review any existing documents, such as wills, trusts, beneficiary designations, etc., and make sure you have all necessary documents in place. The following estate planning documents are particularly important for business owners:

- **Irrevocable trust:** Allows your loved ones to bypass probate, streamline the asset transfer process and maintain their privacy
- **Durable financial power of attorney:** Designates an individual to manage your finances, should you become incapacitated and unable to do so on your own
- **Healthcare power of attorney:** Designates an individual to make healthcare decisions on your behalf, should you become incapacitated and unable to do so on your own
- **Buy-sell agreement:** Defines the transfer of business ownership interests, should an owner die, retire or become disabled

Custom estate planning for business owners

Planning for your estate as a business owner requires additional considerations and strategies. Starting the process before your business sale may help streamline the transition, protect your assets, reduce your tax exposure and maximize the amount available for your heirs.

At Mariner, we deliver personalized, comprehensive strategies designed to help business owners manage both their business and personal wealth. Our experienced team of estate planning professionals can work together with your advisor to help support your estate planning to meet both your personal and professional needs.

For more information visit: **mariner.com**

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