

Planning Considerations for Business Owners

Addressing tax, retirement and estate planning topics

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Summary

For many small business owners, their business value represents most of their personal net worth and is their largest investment asset¹. More than that, it is their primary source of income, and a meaningful part of their identity.

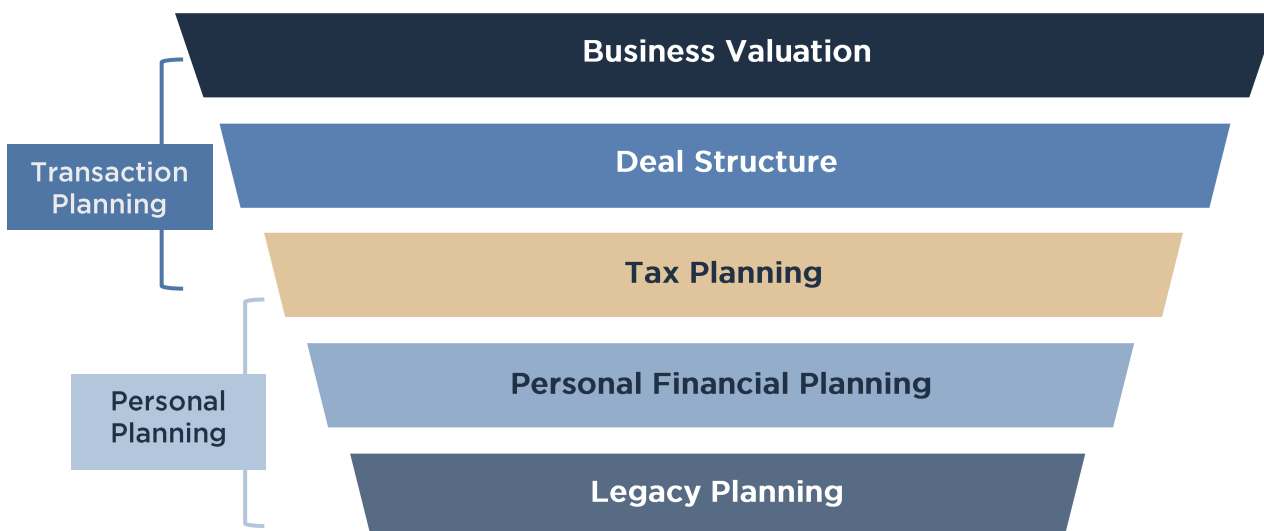
Most owners are intimately involved in their business – understanding growth drivers, challenges, and people needed for the business to succeed. Yet, when it comes to their personal finances, many tend to take the opposite approach, only beginning to consider their personal financial plan when retirement is imminent or after a buyer has emerged.

By then, some valuable planning opportunities have disappeared. Whether a transition is months away or years away, it is important for business owners to consider foundational questions like:

- 🔺 How much is needed from a liquidity event to support family and financial goals?
- 🔺 Which deal structure is best for my specific situation and how does it impact after-tax proceeds?
- 🔺 What strategies could help manage income and estate tax exposure?
- 🔺 What legacy can I leave for the next generation or charitable causes?

Being prepared with answers to these questions can allow owners to exit on their own terms rather than having the exit dictate their financial future. A business that is built with an eventual transition in mind is usually more transferable, more valuable, and less dependent on the owner.

It's helpful to start addressing these topics from the top down:



¹ Exit Planning Institute, 2023 National State of Owner Readiness Report (2023).

Understanding Valuation

While working with a valuation professional or M&A specialist provides critical insight into market multiples and buyer demand, we view valuation through a distinct lens: are the net proceeds enough to fund your next chapter?

Valuation is rarely a single static number. Buyers typically evaluate a blend of quantitative factors like profitability and growth alongside qualitative drivers like quality of earnings, customer concentration and owner dependence.

Knowing your enterprise value is only step one. Translating that value into realistic, post-exit personal cash flow is where true exit readiness begins. Integrating a realistic valuation range into your personal financial plan allows for proper pressure testing against other important variables like market performance, inflation and lifespan.

Quantitative Factors

Revenue
EBITDA
Growth Rate

Qualitative Factors

Quality of Earnings
Customer Concentration
Owner Dependence

Importance of Deal Structure

Structure can be equally as important as price. The highest headline price is not always the best offer, especially when part of the proceeds are paid over time, tied to future performance, or reinvested into the new ownership structure. Owners should evaluate the timing, certainty, tax impact, liquidity, and risks tied to each payment source. Failing to do so risks securing a superficial high price without addressing the actual bottom line needed to secure your family's financial future.²

The highest headline price does not always mean best net outcome:



- ▲ **Cash Deal:** Purchase price paid to the seller at the time the transaction closes.
- ▲ **Seller Note:** A portion of the purchase price paid over a set period, with the seller effectively financing part of the transaction for the buyer.
- ▲ **Earnout:** A contingent future payment, often in addition to cash paid at closing, that is tied to the business meeting certain post-sale performance targets.
- ▲ **Equity Rollover:** A portion of the seller's proceeds are reinvested into the new ownership structure, allowing the seller to participate in potential future upside.

Different structures may be more appropriate for internal transitions versus external buyers. Understanding how each structure affects taxes, liquidity, risk, and personal cash-flow can help owners evaluate which deal best supports their financial goals.

² Adam Katz, "Ep 556 How Decamillionaires Think About Money," interview by John Warrillow, Built to Sell Radio, podcast audio, July 24, 2026, spotify.com.



Tax Planning and Tax-Aware Investing

Tax planning should begin well before the transaction occurs, often when the thought of selling becomes reality. The same sale price can produce very different after-tax outcomes depending on transaction structure, timing of payments, and character of income.

Coordination between a financial advisor and tax professional is critical when evaluating which tax strategies may be appropriate and when they should be implemented.

Before the sale, consider:

What type of income will the transaction create?

Sale proceeds may be taxed as capital gains, ordinary income, installment income or some combination.

When will income be recognized?

Depending on the deal structure, income can be recognized at closing, over a set period or a defined point in the future.

What planning options may be available?

Depending on nature and timing of income, strategies such as tax-loss harvesting, capital gains deferral, and charitable planning may help manage the projected tax burden.

Tax-Aware Investments

Understanding where to hold different investments across taxable, tax-deferred, and tax-exempt accounts is an important part of investment management. For business owners, this becomes even more important when a future sale may create significant taxable income or capital gains.

Prior to a sale, owners may be able to use retirement plans, Roth accounts, and other tax-advantaged vehicles to build assets outside the business. In taxable accounts, strategies such as direct indexing and tax-loss harvesting may help create realized losses that can be used to offset future capital gains.

For owners facing significant capital gains from a sale, capital gains deferral strategies and certain charitable planning vehicles may help manage the timing and impact of taxes while supporting broader planning goals.

The key is starting early. Proactive planning may create more flexibility before a sale, while waiting until after a transaction closes can limit available options.



Personal Financial Planning

According to the Exit Planning Institute (EPI), 70% of business owners indicated they will rely on their business value to support their post-exit lifestyle. Despite that, only 58% of respondents reported having a personal financial plan prepared by a financial advisor.¹

Before evaluating a sale, owners should work with a financial advisor to evaluate whether the expected after-tax proceeds are enough to support their lifestyle, retirement goals, and future cash-flow needs.

Lifestyle & Goal Planning

- ✓ A business exit changes more than the owner's balance sheet; it can change their daily routine, identity, income needs, and long-term priorities.
- ✓ Owners should define life goals, including retirement timing, family support, philanthropy, travel, another business venture, or continued involvement in the company.
- ✓ These goals then guide the more tactical planning decisions, involving tax planning, cash-flow needs, investment strategy, and legacy planning.

Cash Flow Planning

- ✓ As business income ceases, owners become reliant on managing transaction proceeds to fund annual expenses, future investments and tax liabilities.
 - Benefits previously paid through the business may now become personal expenses.
- ✓ Having a distribution strategy can help determine which assets to use, when to use them, and how to withdraw funds tax-efficiently.

Investment Planning

- ✓ After a transaction, owners often transition from concentrated wealth tied to one private business into a diversified investment portfolio of public stocks and bonds.
- ✓ As proceeds are received, a disciplined investment strategy can help align the portfolio with the owner's lifestyle, cash-flow, and legacy goals.
- ✓ Owners should work with a financial advisor to understand market volatility, investor behavior, and the importance of staying disciplined through different market cycles.



Legacy Planning

A business transition can create new decisions around family support, wealth transfer, and charitable giving. Once personal financial needs are addressed, owners may have an opportunity to define how wealth should benefit the people and causes most important to them.

Engaging an experienced accountant, financial advisor, and estate attorney before a transaction can help owners evaluate family legacy and charitable legacy goals in a coordinated way.

Family Legacy

Family legacy is passing on values as much as it is transferring wealth

- ✓ Consider what values around money, work, stewardship, and responsibility you want the next generation to understand.
- ✓ Wealth can be used to support family members during life or after death, including education funding, financial assistance, or long-term family flexibility.
- ✓ If some family members are active in the business and others are not, additional planning may be needed to balance fairness, control, and future ownership.
- ✓ Estate documents, beneficiary designations, trust planning, and gifting strategies should be reviewed before and after a major liquidity event.

Charitable Legacy

Charitable legacy is aligning philanthropy with tax-efficient planning

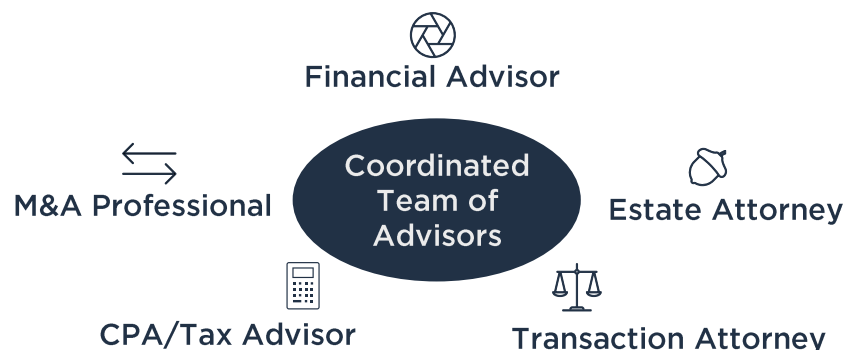
- ✓ For charitably inclined owners, a business transition may create an opportunity to align tax planning with long-term giving goals.
- ✓ Some owners may prefer charitable bequests through estate documents, while others may want to support organizations during life and see the impact of their giving.
- ✓ Depending on the situation, charitable strategies may be more effective before a transaction is completed rather than after the sale.
- ✓ Charitable vehicles like donor-advised funds, charitable trusts, and family foundations may help owners support causes they care about while managing the tax impact of a transaction.



Our Perspective

Just like building a successful business, exiting a business requires teamwork, collaboration, and comprehensive planning. Most owners have dedicated their lives to their companies and deserve to be rewarded for their success.

As financial advisors, we can help bridge the gap between a potential transaction and the people, priorities, and long-term goals that matter most to each client. We also aim to coordinate communication across the owner's team of trusted advisors to support a smoother transition and help keep each client's best interests at the center of the decision-making process.



For busy business owners, knowing where to start can feel overwhelming. Start the conversation. Lean on your team, or one of the advisors above, to get connected with the right people. For many owners, this may be a once-in-a-lifetime event; experienced advisors can help provide structure, perspective, and confidence along the way.

Have a question? Let's discuss

Education is a core value at Trillium Wealth – as well-informed clients make the most confident decisions. Our team is well positioned to help you navigate complex investment, tax, and estate planning matters with practical insights and seasoned advisors.



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